

HIGHLIGHTS

	Three Months Ended September 30			Nine Months Ended September 30		
	2011	2010 ⁽⁵⁾	Change	2011	2010 ⁽⁵⁾	Change
<i>(000s, except per share data)</i>	(\$)	(\$)	(%)	(\$)	(\$)	(%)
FINANCIAL						
Oil and natural gas revenues	47,698	29,421	62	140,362	79,882	76
Funds from operations ⁽¹⁾	24,852	13,728	81	71,579	37,435	91
Per share – basic	0.34	0.20	70	0.99	0.62	60
Per share – diluted	0.34	0.19	79	0.97	0.60	62
Cash flow from operating activities	25,949	14,899	74	74,931	26,349	184
Net income (loss) and comprehensive income (loss)	5,040	(31,128)	116	15,411	(28,215)	155
Per share – basic	0.07	(0.45)	116	0.21	(0.46)	146
Per share – diluted	0.07	(0.45)	116	0.21	(0.46)	146
Capital expenditures ⁽²⁾	45,163	70,860	(36)	123,730	321,245	(61)
Total assets	609,819	518,780	18	609,819	518,780	18
Net debt ⁽³⁾	202,043	168,314	20	202,043	168,314	20
Shareholders' equity	343,446	292,204	18	343,446	292,204	18
<i>(000s)</i>						
COMMON SHARE DATA						
Shares outstanding						
At end of period	72,821	69,025	5	72,821	69,025	5
Weighted average – basic	72,706	68,988	5	72,423	60,740	19
Weighted average – diluted	73,907	70,527	5	73,749	62,248	18
OPERATING						
Sales						
Natural gas (<i>mcf/d</i>)	47,510	38,245	24	46,349	31,371	48
NGLs (<i>bbls/d</i>)	4,098	2,041	101	3,400	1,962	73
Light crude oil and condensate (<i>bbls/d</i>)	1,977	1,606	23	2,116	1,254	69
Combined average (<i>boe/d</i>)	13,993	10,021	40	13,241	8,445	57
Average wellhead prices						
Natural gas (<i>\$/mcf</i>)	3.88	3.72	4	3.93	4.23	(7)
NGLs (<i>\$/bbl</i>)	34.11	27.72	23	35.58	31.00	15
Light crude oil and condensate (<i>\$/bbl</i>)	93.96	72.82	29	95.56	76.68	25
Total oil equivalent (<i>\$/boe</i>)	36.45	31.52	16	38.18	34.31	11
Netbacks (<i>\$/boe</i>)						
Operating ⁽⁴⁾	22.97	18.90	22	23.97	21.46	12
Funds from operations ⁽¹⁾	19.31	14.89	30	19.80	16.24	22
Gross (net) wells drilled (#)						
Gas	6 (6.0)	9 (7.9)	-33 (-24)	16 (16.0)	18 (16.2)	-11 (-1)
Oil	3 (2.6)	3 (3.0)	- (-13)	9 (8.6)	13 (11.4)	-31 (-25)
Dry and abandoned	1 (1.0)	3 (1.7)	-67 (-41)	3 (3.0)	3 (1.7)	- (76)
Total	10 (9.6)	15 (12.6)	-33 (-24)	28 (27.6)	34 (29.3)	-18 (-6)
Average working interest (%)	96	84	12	99	86	13

⁽¹⁾ Funds from operations, funds from operations per share and funds from operations per boe are not recognized measures under International Financial Reporting Standards (IFRS). Refer to the Management's Discussion and Analysis for further discussion.

⁽²⁾ Total capital expenditures, including acquisitions.

⁽³⁾ Current assets less current liabilities, bank debt and convertible debentures outstanding, excluding current derivative instruments.

⁽⁴⁾ Operating netback equals oil and natural gas revenues plus realized gains on derivative instruments less royalties, transportation and operating costs calculated on a per boe basis. Operating netback is not a recognized measure under IFRS and therefore may not be comparable with the calculations of similar measures presented by other companies.

⁽⁵⁾ Amounts presented for the three and nine months ended September 30, 2010 have been restated for the effect of the adoption of IFRS.

⁽⁶⁾ For a description of the boe conversion ratio, refer to the commentary at the beginning of the Management's Discussion and Analysis.

LETTER TO SHAREHOLDERS

We are very pleased to report our financial and operating results for the third quarter ended September 30, 2011. This marks the fifth consecutive quarter of production growth for the Company, achieved by executing our plan of organic growth through drilling on our broad portfolio in west central Alberta and the Deep Basin. Angle will continue to target liquids-rich natural gas and light crude oil and pursue the highest rate-of-return plays and deploy our capital efficiently.

HIGHLIGHTS:

- Current field production is 15,200 boe/d, a new record corporate level, with an additional 1,500 boe/d of tested volumes to be tied-in.
- Production of 13,993 boe/d (57 percent gas and 43 percent light oil and natural gas liquids) increased by 8 percent quarter over quarter, with a differential increase in our light oil and natural gas liquids of 11 percent. Production has increased by 40 percent as compared to the third quarter of 2010.
- Total light crude oil and condensate production increased 23 percent to 1,977 bbls/d, with total light oil and natural gas liquids production increasing by 67 percent to reach 6,075 bbls/d, all as compared to the third quarter of 2010.
- Average operating netback was \$22.97 per boe, compared to \$18.90 per boe for the third quarter of 2010, reflecting our goal of increasing higher netback liquids in our production mix.
- Revenue increased 62 percent to \$47.7 million, from the third quarter of 2010.
- Capital spending in the quarter was \$45.2 million, including the drilling of 10 gross (9.6 net) wells, 6 gross (6.0 net) wells in the greater Harmattan area, 3 gross (3.0 net) wells in Edson and 1 gross (0.6 net) well in Ferrier. To date, the Company has drilled 28 gross (27.6 net) wells of which 25 gross (24.6 net) were horizontal wells.
- Acquired an additional 35.75 net sections (22,880 acres) of undeveloped land in Angle's core areas at an average price of \$71/acre.

Operations

In the third quarter, Angle rig released 10 gross (9.6 net) wells, with an additional 4 gross (3.9 net) wells rig released in October. Drilling activity, 6 gross (6.0 net) wells in the third quarter was concentrated in the greater Harmattan area. Additionally, 1 gross (0.6 net) well was drilled in Ferrier and 3 gross (3.0 net) wells in the Edson area, one of which was a vertical strat test into the Duvernay formation.

The Company completed and tested 10 gross (9.6 net) wells during the third quarter, and 3 gross (3.0 net) wells in the month of October.

Test results are as follows (Q3 2011 and October 2011 completions):

- Harmattan Mannville (7 gross/7.0 net) wells: average 4 day test rate of 847 boe/d per well (60 percent liquids)
- Lone Pine Wabamun (3 gross/3.0 net) wells: average 2 to 4 day test rate of 255 boe/d per well (20 percent liquids)
- Ferrier Cardium (1 gross/0.6 net) wells: average 4 day test rate of 1,475 boe/d per well (64 percent liquids)
- Edson Wilrich (2 gross/2.0 net) wells: average 4 day test rate of 235 boe/d per well (13 percent liquids)

Three of the wells outlined above, one Mannville well, one Cardium well, and one Wilrich well, were previously described in Angle's operational update dated July 25, 2011.

At the end of the third quarter, the Altagas Deep Cut plant in Harmattan was offline for scheduled turnaround maintenance. The turnaround began on September 24th and the impact to Angle's third quarter production was an outage of 663 boe/d.

The turnaround work was planned for a three week period, with anticipated completion on October 14th. Production was not restored to full levels until October 20th, with the result being an additional net down time of 5 days affecting Angle's Harmattan volumes. The calculated incremental and unplanned impact to the Company's fourth quarter is 400 boe/d. The calculated impact to the Company's fourth quarter production for the planned and unplanned outage is 1553 boe/d.

Current field production is 15,200 boe/d with an additional 4 gross (3.8 net) wells to place on production, expected to add an aggregate net volume of approximately 1,500 boe/d. Additionally there are 4 gross (3.9 net) wells to be completed, in Lone Pine, Edson, Ferrier and Harmattan, which will further add to our production prior to year end.

Financial

Approximately two-thirds of Angle's revenue in the third quarter was generated by the Company's light oil and natural gas liquids production, highlighting the importance of these streams to enhance the economic returns of natural gas development. Funds from operations on a diluted per share basis increased to \$0.34, a 6 percent increase from the second quarter of 2011, and a 79 percent increase from the third quarter of 2010. The Company recorded earnings of \$5 million (\$0.07 per diluted share) and 15.4 million (\$0.21 per diluted share) for the third quarter and nine months of 2011, respectively.

Angle exited the quarter with bank debt, including working capital deficiency, of \$142 million on a bank line of \$210 million. In addition, the Company has \$60 million of convertible debentures outstanding.

Outlook

The current economic environment has been one of heightened volatility, compounded by daily reports regarding instability in the European Union, the United States, and questions surrounding the sustainability of China's incredible growth. In the middle of these gyrations, the Company has the following points for our investors to rely on:

- Angle has a clear vision and is excited about our future as a growing exploration and production company.
- The Company has a deep inventory of best-in-class projects, such as the Mannville, to support sustainable growth. For example, the Mannville project has capital efficiencies of less than \$15,000/flowing boe and a 60 percent natural gas liquids content, thereby providing a source for rising production and robust cash flow. The Mannville project has approximately 8 years of development at our current pace, with over 100 locations to exploit. Angle's current success at Harmattan is translatable to other parts of Angle's asset base, a moveable and scale-able concept.
- Angle believes that the value of hydro carbon based energy will continue to escalate over the next decade. In the short-term, volatility or weakness in these commodities provides us with opportunities to capitalize on our skills as technically adept "finders", and to add to Angle's project inventory of over 15 years of drilling based on our current yearly pace.

Angle has successfully drilled and cased a Duvernay shale vertical well in the Company's Edson acreage. Angle holds over 115 net sections of prospective rights in the Edson and Ferrier areas for this liquids-rich shale play. Angle will continue to monitor competitor activity in this emerging unconventional play, and will lever our position to generate the best value for our shareholders.

Angle is well positioned to continue to deliver strong growth per share for our investors in production, cash flow and reserves. In each of Angle's core operating areas, high working interest (average 87 percent), multi-zone drilling targets, operatorship and a low operating expense cost structure (\$5.75/boe) generate efficiencies. In developing our multi-zone asset base, the Company will look for the highest rate-of-return opportunities while maintaining the ability to be flexible in capital deployment. We look forward to reporting the results of our 2011 fourth quarter operational activities, anticipated to be released early in 2012.

On behalf of the Management and Board of Directors,

(Signed) Heather Christie-Burns
President & Chief Operating Officer
November 1, 2011

(Signed) D. Gregg Fischbuch
Chief Executive Officer

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis (MD&A) reports on the financial condition and the results of operations of Angle Energy Inc. ("Angle" or the "Company") for the three and nine months ended September 30, 2011 and 2010 and should be read with the accompanying September 30, 2011 unaudited consolidated financial statements and notes as well as the unaudited consolidated financial statements and notes for the three months ended March 31, 2011 and the MD&A for the year ended December 31, 2010. All financial measures are expressed in Canadian dollars unless otherwise indicated. This commentary is based on the information available as at and is dated November 1, 2011.

Angle is a growth-oriented, exploration-focused oil and natural gas producer, with a focus on achieving cost-effective reserve discovery and production in large, resource-in-place accumulations of liquids-rich natural gas and light oil. Angle prefers to drill in areas where it can complete multi-well projects at high working interest and operate the resulting production. Additionally, to maintain control, such areas should also have available access to existing infrastructure owned by third-party midstream operators to transport and process the commodities produced.

Prior to 2009, all of Angle's reserves had been added through drilling as the Company had not previously completed any material property or corporate acquisitions. In 2009, Angle completed its first property acquisition in its existing Ferrier core area. In 2010, Angle built a new core area in Edson through its first corporate acquisition and a subsequent material property acquisition. Additionally, in 2010 the Company made the transition from vertical to horizontal drilling to more efficiently exploit known reserves.

Angle currently has four core operating areas: Harmattan, Ferrier, Edson and Lone Pine Creek, all in Alberta. Angle is focusing on five main "plays" in these areas: Mannville liquids-rich natural gas, Deep Basin liquids-rich multi-zone natural gas, Wabamun high-rate natural gas and liquids, Cardium light oil and Viking light oil.

The terms "third quarter 2011" and "same period of 2010" or similar terms are used throughout this document and refer to the three-month periods ended September 30, 2011 and 2010, respectively. The terms "year to date 2011" and "comparable period of 2010" or similar terms refer to the nine-month periods ended September 30, 2011 and 2010, respectively.

BASIS OF PRESENTATION

The interim consolidated financial statements and comparative information have been prepared in accordance with International Financial Reporting Standards (IFRS). Angle adopted IFRS on January 1, 2011 with a transition date of January 1, 2010. Previously, the Company prepared its interim consolidated financial statements in accordance with Canadian generally accepted accounting principles (Canadian GAAP). Angle has provided IFRS accounting policies and prepared reconciliations between Canadian GAAP and IFRS in Note 3 and Note 15 of its September 30, 2011 interim consolidated financial statements.

Certain financial measures referred to in this MD&A, such as funds from operations and funds from operations per share, are not prescribed by IFRS and previous Canadian GAAP. Funds from operations is calculated by taking cash flow from operating activities as presented in the consolidated statement of cash flows and adding back changes in non-cash working capital and the settlement of decommissioning liabilities. Funds from operations per share is calculated using weighted average shares outstanding consistent with the calculation of net income or loss per share. Angle uses funds from operations to analyze operating performance and leverage, and considers funds from operations to be a key measure as it demonstrates the Company's ability to generate cash necessary to fund future capital investments and repay debt. Angle's determination of funds from operations, on an absolute and per share basis, may not be comparable to that reported by other companies. The following table reconciles funds from operations to cash flow from operating activities, which is the most directly comparable measure calculated in accordance with IFRS:

(000s)	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
Cash flow from operating activities	\$ 25,949	\$ 14,899	\$ 74,931	\$ 26,349
Change in non-cash working capital	(1,136)	(1,212)	(3,488)	10,865
Settlement of decommissioning liabilities	39	41	136	221
Funds from operations	\$ 24,852	\$ 13,728	\$ 71,579	\$ 37,435

Management considers corporate netbacks important measures as they demonstrate the Company's profitability relative to current commodity prices. Corporate netbacks are comprised of operating, funds from operations and net earnings netbacks. Operating netback is calculated as the average sales price of Angle's commodities (including realized derivative instrument gains and losses) less royalties, transportation and operating costs. Funds from operations netback starts with the operating netback and further deducts general and administrative costs (excluding share-based compensation) and interest expense. Net earnings netback starts with the funds from operations netback and deducts unrealized gains and losses on derivative instruments, share-based compensation, depletion and depreciation, accretion and finance charges, deferred income tax expense and any non-recurring items. These measures do not have standardized meanings prescribed by IFRS and may not be comparable to netbacks presented by other companies.

Net debt is also considered a non-prescribed measure under IFRS and is used by Angle's management to monitor remaining availability under its credit facilities. Net debt is calculated by subtracting current assets from the sum of current liabilities, long-term debt and convertible debentures outstanding, excluding current derivative instruments.

Boe Conversions

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

Forward-Looking Statements

Certain statements contained in this MD&A and letter to shareholders constitute forward-looking statements. All statements other than statements of historical fact are forward-looking statements. These statements are often, but not always, identified by the use of words such as “anticipate”, “believe”, “could”, “estimate”, “expect”, “forecast”, “guidance”, “intend”, “may”, “plan”, “predict”, “project”, “should”, “target”, “will” or similar words suggesting future outcomes or language suggesting an outlook.

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

More particularly and without limitation, this MD&A contains forward-looking statements relating to the Company’s risk management program, petroleum and natural gas production, product mix, net operating income, future funds from operations, capital programs, commodity prices, costs and debt levels. The forward-looking statements are based on certain key expectations and assumptions made by Angle, including expectations and assumptions relating to prevailing commodity prices, applicable royalty rates and tax laws, future well production rates, the performance of existing wells, the success of drilling new wells, the capital availability to undertake planned activities and the availability and cost of labour and services, all as described in Angle’s Annual Information Form for the most recently completed year and the July 25, 2011 and November 2, 2011 press release. Please refer to the Business Risks and Mitigation section of this MD&A for further details.

Management believes the expectations reflected in such forward-looking statements are reasonable, but no assurance can be given that these expectations will prove to be correct. Since forward-looking statements address future events and conditions, by their very nature they involve inherent risks and uncertainties. Actual results could differ materially from those currently anticipated due to a number of factors and risks. Forward-looking statements contained in this document are made as of the date hereof and Angle undertakes no obligation, except as required by applicable securities legislation, to update publicly or revise any forward-looking statements, whether as a result of new information, future events or otherwise. The forward-looking statements contained herein are expressly qualified by this cautionary statement.

GUIDANCE AND OUTLOOK

The table below provides Angle’s guidance for 2011, as previously disclosed by press release on January 13, 2011 and as updated by press release on July 25, 2011. The Company is well-positioned to monitor commodity prices and resulting cash flows and adjust its capital budget accordingly. Angle has prepared a budget based on capital expenditures that are in excess of funds from operations; however, throughout 2011 Angle plans to maintain a net debt to annualized quarterly funds from operations ratio of no higher than 2.0:1. From time to time the Company may exceed this guideline, depending on the timing of capital projects and cash inflows, but only on a temporary basis. Angle expects to drill 36 (35.0 net) wells which includes approximately 19 (19.0 net) wells in Harmattan, 5 (4.0 net) wells in Ferrier, 6 (6.0 net) wells in Lone Pine Creek and 6 (6.0 net) wells in Edson.

The planned activities outlined above result in a \$160 million capital budget from which Angle is projecting 2011 average daily production to increase by approximately 46 percent over the 2010 daily average. Funds from operations are projected to increase by between 61 percent and 69 percent to between \$100 million and \$105 million (\$1.33 to \$1.37 per diluted share). Angle has forward-sold approximately 25 percent of 2011 natural gas sales at an average price of \$4.00 per mcf. Year-end net debt is projected to increase to \$205 million to \$210 million with a debt to annualized fourth quarter funds from operations ratio of 1.78:1. The table below summarizes the Company's 2011 revised guidance.

	July 25, 2011 Guidance	January 13, 2011 Guidance
2011 pricing		
Natural gas – AECO	\$3.90 – \$4.00/mcf	\$4.10/mcf
Crude oil – Edmonton par	\$85.00/bbl	\$85.00/bbl
2011 production (boe/d)		
Annual	13,500	13,000 – 13,500
Exit	16,000 – 17,000	15,000 – 16,000
2011 net operating income		
Annual	\$120 – \$124 million	\$121 – \$126 million
Annual – per boe	\$24.00 – \$24.50	\$24.50 – \$26.50
2011 funds from operations		
Annual	\$100 – \$105 million	\$105 – \$110 million
Annual – per diluted share	\$1.33 – \$1.37	\$1.35 – \$1.40
2011 capital budget		
Expenditures	\$160 million	\$150 million
Wells drilled (gross/net)	36/35.0	35/32.9
Total year-end net debt	\$205 – \$210 million	\$195 – \$200 million

OPERATING RESULTS

Capital Expenditures

(000s)	Three Months Ended September 30			Nine Months Ended September 30		
	2011	2010	% Change	2011	2010	% Change
Drilling	\$ 25,651	\$ 31,209	(18)	\$ 72,098	\$ 61,295	18
Drilling credits	171	(1,542)	(111)	(2,827)	(6,490)	(56)
Completions	9,867	19,002	(48)	29,972	37,219	(19)
Equipping and tie-ins	2,691	6,983	(61)	9,383	12,328	(24)
Facilities and pipelines	4,697	3,833	23	7,582	11,515	(34)
Geological and geophysical	189	104	82	305	1,273	(76)
Land and lease retention	1,745	11,040	(84)	6,869	35,755	(81)
Acquisitions	100	452	(78)	100	168,216	(100)
Head office	136	75	81	235	237	(1)
Capitalized G&A and other	(84)	(296)	(72)	13	(103)	(113)
Total capital expenditures	\$ 45,163	\$ 70,860	(36)	\$ 123,730	\$ 321,245	(61)

For the third quarter of 2011, drilling expenditures totaled \$25.7 million (2010 – \$31.2 million) and included 10 gross (9.6 net) wells with one gross (1.0 net) well drilling over quarter-end. Angle's average drilling cost per well is \$2.4 million, however costs in the third quarter of 2011 were higher due to drilling a Duvernay test well that was significantly deeper than average and operational issues encountered while drilling two other wells.

During the nine months ended September 30, 2011, drilling expenditures totaled \$72.1 million (2010 – \$61.3 million) and included 28 gross (27.6 net) wells with an average estimated cost per net well of \$2.5 million. Angle recognized Alberta Crown drilling credits of \$2.8 million during the period (2010 – \$6.5 million) as a reduction to capital expenditures.

Completion expenditures were \$9.9 million in the third quarter of 2011 compared to \$19.0 million in the comparable quarter of 2010. Angle completed 9.6 net wells in 2011 compared to ten net wells during 2010. The decrease in the per well cost was due to Angle completing Lone Pine wells in the third quarter of 2011 using acid washes rather than multi-stage fracturing techniques as well as increased efficiencies on other completions. Angle also completed workovers on several producing wells in 2010, adding to the total completion costs reported in the prior year.

During the nine months ended September 30, 2011, Angle completed 22.6 net wells at a total cost of \$30.0 million, compared to 22 net wells in the comparable period of 2010 at a total cost of \$37.2 million. The reasons for the decrease in the average per well cost is explained above.

Equipping and tie-in costs were \$2.7 million for the three months ended September 30, 2011 compared to \$7.0 million in the third quarter of 2010. During the 2011 period, Angle brought six wells on production compared to 12 wells in 2010, resulting in similar per well costs for the two quarters.

To date in 2011, Angle has equipped and tied-in 18 wells at a total cost of \$9.4 million, compared to 22 wells for \$12.3 million in the same period of 2010. The cost per well is similar for both periods.

During the third quarter of 2011, Angle spent \$4.7 million on facility and pipeline projects (\$7.6 million year to date), mostly related to the Harmattan off-load project and related pipeline work and a facility expansion in the Edson area. In comparison, Angle constructed several facilities and pipelines in the first nine months of 2010 (\$11.5 million) in the Edson and Lone Pine areas.

Angle incurred \$1.7 million at Crown land sales in the third quarter of 2011 (\$6.9 million to date in 2011), acquiring acreage in the Harmattan, Edson and Lone Pine areas. In comparison, Angle spent \$35.8 million in the first nine months of 2010, primarily to significantly expand the Company's land position in Harmattan.

DRILLING ACTIVITY

Angle's drilling activity for the three and nine month periods ended September 30, 2011 is summarized below:

	Three Months Ended September 30, 2011		Nine Months Ended September 30, 2011	
	Gross	Net	Gross	Net
Natural gas and NGLs	6	6.0	16	16.0
Light crude oil	3	2.6	9	8.6
Dry and abandoned	1	1.0	3	3.0
Total	10	9.6	28	27.6
Success rate		90%		89%
Average working interest		96%		99%

The above drilling activity occurred in Angle's core areas as follows:

	Three Months Ended September 30, 2011		Nine Months Ended September 30, 2011	
	Gross	Net	Gross	Net
Edson	3	3.0	4	4.0
Ferrier	1	0.6	3	2.6
Harmattan	4	4.0	15	15.0
Lone Pine Creek	2	2.0	6	6.0
Total	10	9.6	28	27.6

During the third quarter of 2011, Angle drilled 10 gross wells at an average working interest of 96 percent. Of the ten wells, nine were successful; the unsuccessful well was drilled in Lone Pine Creek and did not yield commercial volumes of natural gas. Three wells were drilled in the Edson area targeting various formations, including a vertical Duvernay test, four wells were drilled in the Harmattan area targeting the Mannville, one well (0.6 net) was drilled in Ferrier targeting the Cardium and the remaining well was drilled in Lone Pine Creek targeting the Wabamun.

During the nine months ended September 30, 2011, Angle drilled 28 gross wells, all but one at 100 percent working interest, with an 89 percent success rate. Activity has primarily been focused in the Harmattan area on the Mannville B liquids-rich natural gas and Viking oil plays and, to a lesser extent, in the Lone Pine Creek area on the Wabamun play.

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FINANCIAL AND OPERATING RESULTS OF OIL AND NATURAL GAS ACTIVITIES

Sales, Revenues and Prices

(000s)	Three Months Ended September 30			Nine Months Ended September 30		
	2011	2010	% Change	2011	2010	% Change
Sales						
Natural gas (<i>mcf/d</i>)	47,510	38,245	24	46,349	31,371	48
NGLs (<i>bbls/d</i>)	4,098	2,041	101	3,400	1,962	73
Light crude oil and condensate (<i>bbls/d</i>)	1,977	1,606	23	2,116	1,254	69
Total (<i>boe/d</i>)	13,993	10,021	40	13,241	8,445	57
Total (<i>boe</i>)	1,287,334	921,884	40	3,614,743	2,305,526	57
Revenues (000s)						
Natural gas	\$ 16,980	\$ 13,095	30	\$ 49,779	\$ 36,248	37
NGLs	12,860	5,204	147	33,024	16,611	100
Light crude oil and condensate	17,086	10,756	59	55,206	26,247	110
Commodity revenues	\$ 46,926	\$ 29,055	62	\$ 138,009	\$ 79,106	74
Processing revenues	772	366	111	2,353	776	203
Oil and gas revenues	\$ 47,698	\$ 29,421	62	\$ 140,362	\$ 79,882	76
Average Prices						
Natural gas (<i>per mcf</i>)	\$ 3.88	\$ 3.72	4	\$ 3.93	\$ 4.23	(7)
NGLs (<i>per bbl</i>)	34.11	27.72	23	35.58	31.00	15
Light crude oil and condensate (<i>per bbl</i>)	93.96	72.82	29	95.56	76.68	25
Combined average (<i>per boe</i>)	\$ 36.45	\$ 31.52	16	\$ 38.18	\$ 34.31	11
Benchmark Prices						
Natural gas						
NYMEX (<i>US\$ per mmbtu</i>) ⁽¹⁾	\$ 4.19	\$ 3.65	15	\$ 4.23	\$ 4.59	(8)
AECO (<i>CDN\$ per GJ</i>) ⁽²⁾	\$ 3.47	\$ 3.37	3	\$ 3.57	\$ 4.35	(18)
Crude Oil						
WTI (<i>US\$ per bbl</i>)	\$ 89.76	\$ 75.39	19	\$ 95.48	\$ 77.54	23
Edmonton light (<i>CDN\$ per bbl</i>)	\$ 91.93	\$ 72.23	27	\$ 94.43	\$ 76.73	23
Foreign Exchange						
CDN\$/US\$	0.98	1.03	(5)	0.98	1.03	(5)
US\$/CDN\$	1.02	0.97	5	1.02	0.97	5

⁽¹⁾ Mmbtu is the abbreviation for millions of British thermal units. One mcf of natural gas is approximately equal to 1.02 mmbtu.

⁽²⁾ GJ is the abbreviation for gigajoule. One mcf of natural gas is approximately equal to 1.055 GJ.

For the three months ended September 30, 2011, revenue was \$47.7 million compared to \$29.4 million for the same period in 2010 (before royalties and derivative gains/losses). Sales volumes during the third quarter of 2011 averaged 13,993 boe/d versus 10,021 boe/d a year ago and 12,986 boe/d recorded in the second quarter of 2011. Angle posted a 62 percent increase in revenue compared to the third quarter of 2010 due to the 40 percent increase in volumes along with a change in the product mix resulting in a higher proportion of NGL and crude oil volumes compared to natural gas, as well as the strengthening of NGL and crude oil prices. To date in 2011, Angle's revenues have risen by 76 percent compared to 2010, primarily due to the 57 percent increase in volumes year-over-year.

During the three months ended September 30, 2011, benchmark natural gas prices in Canada rose three percent from the same period last year. In Canada, the benchmark index is the price set at the AECO hub, a major storage site near the TransCanada Energy pipeline exit point from Alberta at Empress. The benchmark index for United States natural gas prices is the market price as established by the New York Mercantile Exchange at Henry Hub (NYMEX), a major point of natural gas pipeline intersection in Louisiana. NYMEX is linked to AECO through transportation tariffs from the respective hubs to common markets and through foreign exchange rates. AECO prices averaged \$4.19 per GJ throughout the third quarter of 2011 compared to \$3.65 per GJ a year ago. Angle's average realized gas price during the three-month period was \$3.88 per mcf versus \$3.72 per mcf last year, which was in line with market prices.

Oil prices continued to recover in the third quarter of 2011 with West Texas Intermediate (WTI) averaging \$89.76 per bbl compared to \$75.39 per bbl in the same period last year. The benchmark for crude oil prices in North America, and substantially globally, is WTI delivered to Cushing, Oklahoma, again as determined by the NYMEX. Canadian crude prices are based on refiner postings in Canadian dollars at Edmonton, Alberta and, as with natural gas prices, are linked to WTI through transportation tariffs to common markets and the foreign exchange rate. The average realized price of Angle's crude oil and condensate was \$93.96 per bbl for the third quarter of 2011 compared to \$72.82 per bbl a year ago.

During the three months ended September 30, 2011, Angle's product volume mix was 57 percent natural gas, 29 percent NGLs and 14 percent light crude oil and condensate. During the current quarter, Harmattan contributed approximately 57 percent of the Company's total sale volumes, Ferrier 20 percent, Edson 20 percent and Lone Pine Creek the remaining three percent.

The Company's drilling operations mainly target natural gas that is rich in associated NGLs. Angle includes pentanes and condensates in the oil revenue stream for reporting purposes. To date in 2011, Angle's remaining NGLs have been comprised of approximately 44 percent ethane, 36 percent propane and 20 percent butane. The average price received for NGLs is based on this mix, with butane having the highest value of these NGLs.

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

The Company has fixed the price applicable to a portion of its future sales through the following contracts:

Period	Commodity	Type of Contract	Quantity Contracted	Contract Price (\$/unit)
Apr. 1/11 – Oct. 31/11	Natural Gas	Financial	5,000 GJ/d	AECO Cdn \$3.82/GJ
Jan. 1/11 – Dec. 31/11	Natural Gas	Financial	5,000 GJ/d	AECO Cdn \$3.825/GJ
Apr. 1/11 – Mar. 31/12	Natural Gas	Financial	2,500 GJ/d	AECO Cdn \$3.775/GJ
Apr. 1/11 – Mar. 31/12	Natural Gas	Financial	2,500 GJ/d	AECO Cdn \$3.815/GJ
Jan. 1/11 – Jun. 30/12	Crude Oil	Financial	500 bbls/d	Nymex US \$87.05/bbl

The Company has entered into a currency average rate forward swap transaction whereby U.S. dollars have been converted to Canadian dollars as summarized in the following table:

Term	Amount	Strike Price
Jan. 1/11 – Jun. 30/12	US \$1,300,000/month	Cdn \$1.0535

Angle is only entitled to a cash settlement if the monthly average currency exchange rate as reported by the Bank of Canada is greater than 0.95.

The following tables summarize the derivative gains (losses) recognized in income during the three and nine months ended September 30, 2011 and 2010:

Three Months Ended September 30, 2011			
(000s, except per boe)	Crude Oil	Natural Gas	Total
Realized gain on derivative instruments	\$ 164	\$ 394	\$ 558
Realized gain on derivative instruments (per boe)			\$ 0.43
Unrealized gain on derivative instruments	\$ 2,507	\$ 259	\$ 2,766
Unrealized gain on derivative instruments (per boe)			\$ 2.15

Three Months Ended September 30, 2010		
(000s, except per boe)	Natural Gas	Total
Realized gain on derivative instruments	\$ 924	\$ 924
Realized gain on derivative instruments (per boe)		\$ 1.00
Unrealized (loss) on derivative instruments	\$ (624)	\$ (624)
Unrealized (loss) on derivative instruments (per boe)		\$ (0.68)

Nine Months Ended September 30, 2011			
(000s, except per boe)	Crude Oil	Natural Gas	Total
Realized gain (loss) on derivative instruments	\$ (237)	\$ 874	\$ 637
Realized gain on derivative instruments (per boe)			\$ 0.18
Unrealized gain on derivative instruments	\$ 2,646	\$ 785	\$ 3,431
Unrealized gain on derivative instruments (per boe)			\$ 0.95

Nine Months Ended September 30, 2010		
(000s, except per boe)	Natural Gas	Total
Realized gain on derivative instruments	\$ 1,779	\$ 1,779
Realized gain on derivative instruments (per boe)		\$ 0.77
Unrealized gain on derivative instruments	\$ 466	\$ 466
Unrealized gain on derivative instruments (per boe)		\$ 0.20

Royalties

(000s except per boe)	Three Months Ended September 30			Nine Months Ended September 30		
	2011	2010	% Change	2011	2010	% Change
Oil and gas revenues	\$ 47,698	\$ 29,421	62	\$ 140,362	\$ 79,882	76
Royalties						
Crown	\$ 3,892	\$ 3,756	4	\$ 15,647	\$ 9,556	64
Freehold and overriding	5,983	2,519	138	13,509	7,714	75
Total royalties	\$ 9,875	\$ 6,275	57	\$ 29,156	\$ 17,270	69
Total royalties (per boe)	\$ 7.67	\$ 6.81	13	\$ 8.07	\$ 7.49	8
As % of revenue						
Crown	8%	13%	(5)	11%	12%	(1)
Freehold and overriding	13%	8%	5	10%	10%	-
Total	21%	21%	-	21%	22%	(1)

Although total royalties as a percentage of revenue are relatively consistent throughout the reporting periods presented, the mix between crown royalties and freehold and overriding royalties has changed significantly during the third quarter of 2011 compared to the same period in 2010. This change is due to Angle recently drilling and bringing on production several high-rate wells on non-Crown lands. In addition, some Crown wells qualified for royalty incentives which reduced Crown royalties as a percentage of revenue in the current quarter. Angle expects Crown royalties as a percentage of revenue to increase as these incentives end.

Operating Expenses

(000s except per boe)	Three Months Ended September 30			Nine Months Ended September 30		
	2011	2010	% Change	2011	2010	% Change
Operating expense	\$ 8,164	\$ 5,944	37	\$ 23,216	\$ 13,364	74
Processing revenues ⁽¹⁾	(772)	(366)	111	(2,353)	(776)	203
Operating expense net of processing	\$ 7,392	\$ 5,578	33	\$ 20,863	\$ 12,588	66
Operating expense net of processing (per boe)	\$ 5.74	\$ 6.05	(5)	\$ 5.77	\$ 5.46	6

⁽¹⁾ Processing revenues are included in oil and natural gas revenues on the Consolidated Statements of Income (Loss) and Comprehensive Income (Loss).

Operating expenses per boe were relatively consistent for the nine months ended September 30, 2011 and 2010. However, the per boe cost decreased slightly in the third quarter of 2011 compared to the same period of 2010 due to higher volumes reducing the fixed cost per boe.

Transportation Expenses

(000s except per boe)	Three Months Ended September 30			Nine Months Ended September 30		
	2011	2010	% Change	2011	2010	% Change
Transportation expense	\$ 649	\$ 705	(8)	\$ 1,967	\$ 1,545	27
Transportation expense (per boe)	\$ 0.50	\$ 0.76	(34)	\$ 0.55	\$ 0.67	(18)

Transportation expense per boe decreased in both the three and nine month periods ended September 30, 2011 compared to 2010 due to Angle paying lower commodity and demand charges for transporting gas on the Nova pipeline system.

General and Administrative (G&A) Expense

(000s except per boe)	Three Months Ended September 30			Nine Months Ended September 30		
	2011	2010	% Change	2011	2010	% Change
Gross G&A expense ⁽¹⁾	\$ 2,978	\$ 2,910	2	\$ 9,656	\$ 10,606	(9)
Capitalized (direct) ⁽¹⁾	(454)	(493)	(8)	(1,460)	(1,398)	4
Net G&A expense	\$ 2,524	\$ 2,417	4	\$ 8,196	\$ 9,208	(11)
Net G&A expense (per boe)	\$ 1.96	\$ 2.63	(25)	\$ 2.27	\$ 3.99	(43)
Share-based compensation (net) ⁽²⁾	\$ 1,309	\$ 732	79	\$ 3,688	\$ 2,044	80
Share-based compensation (per boe)	\$ 1.02	\$ 0.79	29	\$ 1.02	\$ 0.89	15
Total G&A expense	\$ 3,833	\$ 3,149	22	\$ 11,884	\$ 11,252	6
Total G&A expense (per boe)	\$ 2.98	\$ 3.42	(13)	\$ 3.29	\$ 4.88	(33)

⁽¹⁾ Gross G&A expense and Capitalized G&A for the three and nine months ended September 30, 2010 were restated for the effect of adopting IFRS.

⁽²⁾ Share-based compensation for the three and nine months ended September 30, 2010 was restated and reclassified for the effect of adopting IFRS.

Due to the adoption of IFRS, G&A expense for the first and second quarters of 2010 was restated to include transaction costs of \$1.1 million and \$1.4 million, respectively, related to the corporate and property acquisitions that were completed in January and June 2010. These adjustments added \$1.06 per boe to G&A expense recognized in the nine month period ended September 30, 2010. Excluding these adjustments, net G&A expense decreased by \$0.66 per boe (23 percent) compared to the 2010 period, primarily due to the increase in sales volumes in 2011 partially offset by higher costs associated with increased staffing requirements.

On an absolute basis, share-based compensation increased in the 2011 periods due to a higher fair value per option consistent with the increase in Angle's stock price, and rose 29 percent and 15 percent for the three and nine month periods ended September 30, 2011 on a per boe basis.

Depletion and Depreciation

(000s except per boe)	Three Months Ended September 30			Nine Months Ended September 30		
	2011	2010	% Change	2011	2010	% Change
Depletion and depreciation ⁽¹⁾	\$ 18,598	\$ 13,835	34	\$ 48,156	\$ 33,332	44
Depletion and depreciation (per boe)	\$ 14.45	\$ 15.01	(4)	\$ 13.32	\$ 14.46	(8)

⁽¹⁾ Depletion and depreciation for the three and nine months ended September 30, 2010 was restated for the effect of adopting IFRS.

Depletion and depreciation expense is computed on a unit of production basis. Such expense, on a boe basis, fluctuates period to period primarily as a result of changes in the underlying proved plus probable reserve base and in the amount of costs subject to depletion and depreciation, including future development costs. Such costs are segregated and depleted on an area by area basis relative to the respective underlying proved plus probable reserve base.

While depletion and depreciation expense increased on an absolute basis, it decreased by 4 percent and 8 percent on a per boe basis during the three and nine month periods ended September 30, 2011, respectively. This decrease is the result of Angle adding reserves more efficiently in 2011 through drilling. The 14 percent increase on a per boe basis compared to the second quarter of 2011 is due to lease expiries in the third quarter which are expensed as additional depletion and depreciation when they occur.

Under IAS 36 – *Impairment of Assets*, impairment testing is performed at the cash generating unit (CGU) level and is a one step process for testing and measuring impairment of assets where each CGU's carrying value is compared to the higher of "value in use" and "fair value less costs to sell". Value in use is defined as the present value of future cash flows expected to be derived from the CGU. For the period ended September 30, 2011, Angle determined that no indicators of impairment were present and therefore the Company was not required to perform impairment tests. Consequently, no write-down of property and equipment was recorded. In the third quarter of 2010, an impairment of \$40.5 million was recorded on one on Angle's CGUs, primarily due to declining natural gas prices.

Interest Expense

(000s except per boe)	Three Months Ended September 30			Nine Months Ended September 30		
	2011	2010	% Change	2011	2010	% Change
Interest expense	\$ 2,192	\$ 1,276	72	\$ 6,885	\$ 2,839	143
Interest expense (per boe)	\$ 1.70	\$ 1.38	23	\$ 1.90	\$ 1.23	54

Interest expense incurred during the third quarter of 2011 was \$2.2 million on average debt of \$175.9 million (including the \$60.0 million of convertible debentures outstanding) for an effective interest rate of 5.0 percent. In comparison, interest expense incurred during the third quarter of 2010 was \$1.3 million on average debt of \$107.8 million for an effective interest rate of 4.7 percent.

Interest expense incurred in the first nine months of 2011 was \$6.9 million on average debt of \$159.4 million (including the \$60.0 million of convertible debentures outstanding) for an effective interest rate of 5.8 percent. In comparison, interest expense incurred during the first nine months of 2010 was \$2.8 million on average debt of \$63.7 million for an effective interest rate of 5.9 percent.

Accretion and Finance Charges

<i>(000s except per boe)</i>	Three Months Ended September 30			Nine Months Ended September 30		
	2011	2010	% Change	2011	2010	% Change
Accretion expense on decommissioning liabilities ⁽¹⁾	\$ 109	\$ 91	20	\$ 309	\$ 244	27
Accretion expense on convertible debentures	279	–	100	806	–	100
Amortization of deferred financing charges on convertible debentures	127	–	100	368	–	100
Total accretion and financing charges	\$ 515	\$ 91	466	\$ 1,483	\$ 244	508
Total accretion and financing charges <i>(per boe)</i>	\$ 0.40	\$ 0.10	300	\$ 0.41	\$ 0.11	273

⁽¹⁾ Accretion expense on decommissioning liabilities for the three and nine months ended September 30, 2010 was restated for the effect of adopting IFRS.

Accretion represents the change in the time value of an underlying obligation. Accretion expense on decommissioning liabilities increased for 2011 periods due to new obligations on wells drilled. Accretion expense on convertible debentures is a new charge in 2011 related to the convertible debenture offering that closed in January. Transaction costs incurred related to the issuance of the convertible debentures have been recorded on the balance sheet as a reduction to the liability and will be amortized to earnings over the life of the debentures using the effective interest method.

Income Taxes

Angle does not have current income taxes payable and does not expect to pay current income taxes in 2011 as the company has estimated resource tax pools available at September 30, 2011 of \$454.1 million.

Netback Analysis

(per boe)	Three Months Ended September 30			Nine Months Ended September 30		
	2011	2010	% Change	2011	2010	% Change
Sale price	\$ 36.45	\$ 31.52	16	\$ 38.18	\$ 34.31	11
Realized gain on derivative instruments	0.43	1.00	(57)	0.18	0.77	(77)
Royalties	(7.67)	(6.81)	13	(8.07)	(7.49)	8
Operating expense net of processing	(5.74)	(6.05)	(5)	(5.77)	(5.46)	6
Transportation expense	(0.50)	(0.76)	(34)	(0.55)	(0.67)	(18)
Operating netback	\$ 22.97	\$ 18.90	22	\$ 23.97	\$ 21.46	12
G&A expense (excluding share-based compensation) ⁽²⁾	(1.96)	(2.63)	(25)	(2.27)	(3.99)	(43)
Interest expense	(1.70)	(1.38)	23	(1.90)	(1.23)	54
Funds from operations netback ⁽¹⁾	\$ 19.31	\$ 14.89	30	\$ 19.80	\$ 16.24	22
Unrealized gain (loss) on derivative instruments	2.15	(0.68)	416	0.95	0.20	375
Share-based compensation ⁽²⁾	(1.02)	(0.79)	29	(1.02)	(0.89)	15
Depletion and depreciation ⁽²⁾	(14.45)	(15.01)	(4)	(13.32)	(14.46)	(8)
Impairment loss ⁽²⁾	–	(43.88)	(100)	–	(17.54)	(100)
Accretion and finance charges ⁽²⁾	(0.40)	(0.10)	300	(0.41)	(0.11)	273
Gain on disposition of undeveloped land	–	–	–	0.39	–	100
Deferred income tax reduction (expense) ⁽²⁾	(1.67)	11.80	114	(2.13)	4.32	149
Net income (loss) netback	\$ 3.92	\$ (33.77)	112	\$ 4.26	\$ (12.24)	135

⁽¹⁾ Non-prescribed measure under IFRS, refer to the commentary at the beginning of this MD&A. Funds from operations netback is calculated by dividing funds from operations by the sales volume in boe for the period then ended.

⁽²⁾ Amounts presented for the three and nine months ended September 30, 2010 have been restated for the effect of the adoption of IFRS.

⁽³⁾ For a description of the boe conversion ratio, refer to the commentary at the beginning of this MD&A.

Angle's operating netback was \$22.97 per boe and \$23.97 per boe for the three and nine months ended September 30, 2011, respectively, compared to \$18.90 per boe and \$21.46 per boe recorded in the comparable periods of 2010. For the three month periods, an increase in commodity prices was partially offset by an increase in royalties and a lower realized derivative gain. For the nine month periods, the increase in netback was primarily due to an increase in commodity prices.

Funds from Operations, Cash Flow from Operating Activities and Net Income (Loss)

	Three Months Ended September 30			Nine Months Ended September 30		
	2011	2010 ⁽¹⁾	% Change	2011	2010 ⁽¹⁾	% Change
Funds from operations (000s)	\$ 24,852	\$ 13,728	81	\$ 71,579	\$ 37,435	91
Funds from operations (per boe)	\$ 19.31	\$ 14.89	30	\$ 19.80	\$ 16.24	22
Funds from operations per share						
Basic	\$ 0.34	\$ 0.20	70	\$ 0.99	\$ 0.62	60
Diluted	\$ 0.34	\$ 0.19	79	\$ 0.97	\$ 0.60	62
Cash flow from operating activities (000s)	\$ 25,949	\$ 14,899	74	\$ 74,931	\$ 26,349	184
Net income (loss) (000s)	\$ 5,040	\$ (31,128)	116	\$ 15,411	\$ (28,215)	155
Net income (loss) (per boe)	\$ 3.92	\$ (33.77)	112	\$ 4.26	\$ (12.24)	135
Net income (loss) per share						
Basic	\$ 0.07	\$ (0.45)	116	\$ 0.21	\$ (0.46)	146
Diluted	\$ 0.07	\$ (0.45)	116	\$ 0.21	\$ (0.46)	146
Weighted average shares outstanding (000s)						
Basic	72,706	68,988	5	72,423	60,740	19
Diluted	73,907	70,527	5	73,749	62,248	18

⁽¹⁾ Amounts presented for the three and nine months ended September 30, 2010 have been restated for the effect of the adoption of IFRS.

Liquidity and Capital Resources

The following table summarizes the change in net debt (working capital) during the nine months ended September 30, 2011 and the year ended December 31, 2010:

(000s)	Nine Months Ended September 30, 2011	Year Ended December 31, 2010
(Net debt) working capital – beginning of period	\$ (152,378)	\$ 38,255
Funds from operations	71,579	58,615
Issuance of capital stock for cash (net of issue costs)	3,131	130,414
Issuance of convertible debentures for cash (net of issue costs)	57,171	–
Settlement of decommissioning liabilities	(136)	(122)
Capital expenditures	(123,730)	(183,924)
Acquisitions	–	(167,637)
Proceeds on disposition of undeveloped land	2,320	–
Debt and working capital deficiency acquired on corporate acquisition	–	(27,979)
Net debt – end of period (excluding convertible debentures of \$60 million)	\$ (142,043)	\$ (152,378)
Convertible debentures outstanding	(60,000)	–
Net debt – end of period	\$ (202,043)	\$ (152,378)

Since inception on January 23, 2004 to September 30, 2011, Angle has raised funds through treasury equity issues in the amount of \$312.4 million (net of share issue expenses and normal course issuer bid) at share prices ranging from \$0.60 to \$10.05 per common share.

The Company exited the period with net debt of \$142.0 million (excluding convertible debentures) compared to available credit lines of \$210 million. The amount of the credit facility is subject to a borrowing base test performed on a semi-annual basis by the lenders, based primarily on reserves and using commodity prices estimated by the lenders as well as other factors. A decrease in the borrowing base could result in a reduction to the credit facility, which may require a repayment to the lenders. The next semi-annual review of the credit facility is to take place on or before April 29, 2012.

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

In addition to the \$210 million credit facility, Angle closed its convertible unsecured subordinated debenture offering in January 2011 for gross proceeds of \$60.0 million (\$57.2 million net of issue costs). The debentures bear interest at a rate of 5.75 percent per annum, which is payable semi-annually in arrears on January 31 and July 31 of each year commencing on July 31, 2011. The debentures mature on January 31, 2016 and can be converted into common shares of Angle at any time at the option of the holders at a conversion price of \$12.55 per common share.

In order to protect a portion of the Company's revenue stream, Angle will periodically enter into forward sales contracts for its commodities. At September 30, 2011, the Company had entered into fixed price contracts on approximately 25 percent of its estimated remaining 2011 natural gas production and approximately 55 percent of its estimated remaining 2011 oil production. As at November 1, 2011, Angle had 72,820,831 common shares and 5,727,717 stock options issued and outstanding.

SELECTED QUARTERLY INFORMATION

Three Months Ended	Sept. 30 2011	June 30, 2011	Mar. 31, 2011	Dec. 31, 2010	Sept. 30, 2010	June 30, 2010	Mar. 31, 2010	Dec. 31, 2009 ⁽³⁾
(000s, except per share data)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Total assets	609,819	583,479	557,322	534,613	518,780	496,899	337,947	246,465
Total sales (boe/d)	13,993	12,986	12,730	11,612	10,021	7,290	8,003	7,446
Oil and natural gas revenues	47,698	48,566	44,098	39,473	29,421	22,619	27,842	23,652
Funds from operations ⁽¹⁾	24,852	23,741	22,986	21,180	13,728	11,237	12,470	13,227
Per share – basic	0.34	0.33	0.32	0.30	0.20	0.19	0.23	0.27
Cash flow from operating activities	25,949	26,703	22,279	23,485	14,899	6,021	5,429	14,179
Net income (loss)	5,040	6,161	4,210	4,218	(31,128)	(594)	3,507	1,801
Per share – basic	0.07	0.08	0.06	0.06	(0.45)	(0.01)	0.06	0.04
Capital expenditures ⁽²⁾	45,163	41,087	37,480	30,206	70,860	166,259	84,126	8,284
Net debt (working capital)	202,043	182,563	165,719	152,378	168,314	111,438	60,712	(38,255)
Shareholders' equity	343,446	335,925	327,579	317,462	292,204	321,975	215,851	166,374

⁽¹⁾ The selected quarterly information has been prepared in accordance with the accounting principles as contained in the notes to the consolidated financial statements for the periods ended September 30, 2011 and 2010, except for funds from operations, which is a non-prescribed measure under IFRS and previous Canadian GAAP.

⁽²⁾ Total capital expenditures, including acquisitions.

⁽³⁾ Angle's IFRS transition date was January 1, 2010, therefore 2009 comparative information above was calculated in accordance with Canadian GAAP and has not been restated.

FACTORS THAT HAVE CAUSED VARIATIONS OVER THE QUARTERS

Angle's total assets and capital expenditures increased significantly in the first and second quarters of 2010 due to corporate and property acquisitions and an active drilling program, which also contributed to the substantial change in working capital and the increase in total assets. The fluctuations in Angle's revenue and net earnings from quarter to quarter are primarily caused by increases in production volumes, changes in realized commodity prices and the related impact on royalties, and realized and unrealized gains/losses on derivative instruments. The decrease in production volumes in the second quarter of 2010 was primarily due to a plant turnaround at Ferrier, which resulted in all of Angle's production in the area being shut-in for 17 days. Please refer to the Financial and Operating Results section and other sections of this MD&A for detailed discussions on variations during the comparative quarters and to Angle's previously issued interim and annual MD&A for changes in prior quarters.

CONTRACTUAL OBLIGATIONS

The Company has a committed revolving term facility with three Canadian chartered banks. The authorized borrowing amount under this facility as at September 30, 2011 was \$210 million. The Company's other financial commitments are summarized below:

(000s)	2011	2012	2013	2014
Operating lease – office	\$ 173	\$ 816	\$ 816	\$ 748
Operating lease – compressors	450	1,221	388	162
Exploration expenditures (flow-through)	4,125	–	–	–
Total	\$ 4,748	\$ 2,037	\$ 1,204	\$ 910

Please refer to the Liquidity and Capital Resources section of this MD&A for further information.

RELATED PARTY AND OFF-BALANCE SHEET TRANSACTIONS

Angle has retained the law firm of Osler, Hoskin and Harcourt LLP ("Osler") to provide legal services. A director of Angle is a partner of this firm. During the first nine months of 2011, Angle incurred \$0.4 million in costs with Osler (2010 – \$1.1 million). Services provided related to advice and counsel primarily in the areas of general legal and corporate governance matters, as well as banking and equity offerings. These services were billed at rates consistent with those charged to third parties. The Company expects to continue using the firm's services throughout 2011.

CONTROLS AND PROCEDURES

Disclosure Controls

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

Internal Controls Over Financial Reporting

Management has assessed the effectiveness of the Company's internal controls over financial reporting as defined by National Instrument 52-109. The assessment was based on the framework in "Internal Control – Integrated Framework" issued by the Committee of Sponsoring Organizations. Management concluded that the Company's internal controls over financial reporting were effective as of December 31, 2010. No changes were made to the Company's internal controls over financial reporting during the period ended September 30, 2011 that have materially affected, or are reasonably likely to materially affect, internal controls over financial reporting. There were no material changes to internal controls over financial reporting as a result of the transition to IFRS.

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

CHANGE IN ACCOUNTING POLICIES

The interim consolidated financial statements and comparative information have been prepared in accordance with International Financial Reporting Standards (IFRS). The Company adopted IFRS on January 1, 2011. Previously, Angle prepared its interim consolidated financial statements in accordance with Canadian generally accepted accounting principles (Canadian GAAP). The Company has provided IFRS accounting policies and prepared reconciliations between Canadian GAAP and IFRS in Note 3 and Note 15 of its September 30, 2011 interim consolidated financial statements. Please also refer to the discussion on the impact of the adoption of IFRS on the comparative figures provided in the March 31, 2011 MD&A.

FUTURE ACCOUNTING POLICY CHANGES

In May 2011, the IASB issued four new standards and two amendments to existing standards. Five of these items relate to consolidation, while the remaining one addresses fair value measurement. All of the new standards are effective for annual periods beginning on or after January 1, 2013. Early adoption is permitted.

IFRS 10 – *Consolidated Financial Statements* replaces IAS 27 – *Consolidated Separate Financial Statements*. It introduces a new principle-based definition of control, applicable to all investees to determine the scope of consolidation. The standard provides the framework for consolidated financial statements and their preparation based on the principle of control.

IFRS 11 – *Joint Arrangements* replaces IAS 31 – *Interests in Joint Ventures*. IFRS 11 divides joint arrangements into two types, each having its own accounting model. A "joint operation" continues to be accounted for using proportionate consolidation, where a "joint venture" must be accounted for using equity accounting. This differs from IAS 31, where there was the choice to use proportionate consolidation or equity accounting for joint ventures. A "joint operation" is defined as the joint operators having rights to the assets, and obligations for the liabilities, relating to the arrangement. In a "joint venture", the joint ventures' have rights to the net assets of the arrangement, typically through their investment in a separate joint venture entity.

IFRS 12 – *Disclosure of Interests in Other Entities* is a new standard, which combines all of the disclosure requirements for subsidiaries, associates and joint arrangements, as well as unconsolidated structured entities.

IFRS 13 – *Fair Value Measurement* is a new standard meant to clarify the definition of fair value, provide guidance on measuring fair value and improve disclosure requirements related to fair value measurement.

IAS 28 – *Investments in Associates and Joint Ventures* has been amended as a result of the issuance of IFRS 11 and the withdrawal of IAS 31. The amended standard sets out the requirements for the application of the equity method when accounting for interest in joint ventures, in addition to interests in associates.

IAS 27 – *Separate Financial Statements* has been amended to focus solely on accounting and disclosure requirements when an entity presents separate financial statements, due to the issuance of the new IFRS 10 which is specific to consolidated financial statements.

In November 2009, the IASB published IFRS 9 – *Financial Instruments*, which covers the classification and measurement of financial assets as part of its project to replace IAS 39 – *Financial Instruments: Recognition and Measurement*. In October 2010, the requirements for classifying and measuring financial liabilities were added to IFRS 9. Under this guidance, entities have the option to recognize financial liabilities at fair value through earnings. If this option is elected, entities would be required to reverse the portion of the fair value change due to a company's own credit risk out of earnings and recognize the change in other comprehensive income. IFRS 9 is effective for the Company on January 1, 2013. Early adoption is permitted and the standard is required to be applied retrospectively.

The Company is currently evaluating the impact of adopting all of the newly issued and amended standards.

CRITICAL ESTIMATES

Management is required to make judgements and use estimates in the application of IFRS 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 Angle's financial results.

Decommissioning Liabilities

The Company records a liability for the estimated fair value of its 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 decommissioning liability. The total amount of the decommissioning liability is an estimate based on the Company's 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, all of which are subject to measurement uncertainty. Any change in these estimates would impact the decommissioning liability.

Reserves Determination

The proved plus probable natural gas, NGL and crude oil reserves that are used in determining Angle's depletion rates, the magnitude of the borrowing base available to the Company from its lender and impairment tests 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 natural gas, NGL and crude oil are examined to determine quantities available for future production, given existing operations and economic conditions and technology. The evaluation of reserves is an ongoing process impacted by current production, continuing development activities and changing economic conditions as reflected in natural gas and crude oil prices. Consequently, the reserves are estimated, which are subject to variability. To assist with the reserves evaluation process, the Company employs the services of independent oil and gas reservoir engineers.

Income Taxes

The determination of Angle's 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 could differ significantly from the liability estimated or recorded.

Financial Instruments

Derivative contracts are recorded at fair value based on an estimate of the amounts that would have been received or paid to settle these instruments prior to maturity given future market prices and other relevant factors. The actual amounts received or paid to settle these instruments at maturity could differ significantly from those estimated.

Other Estimates

The accrual method of accounting will require management to incorporate certain estimates, including revenue, royalties, production costs and capital expenditures 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.

BUSINESS RISKS AND RISK MITIGATION

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

Angle's exploration and production activities are concentrated in the Western Canada Sedimentary Basin, where activity is highly competitive and is subject to a number of risks which are also common to other organizations involved in the oil and natural gas industry. Such risks include finding and developing oil and natural gas reserves in quantities and at costs enabling a return to be generated, estimating amounts of recoverable reserves, production of oil and natural gas in commercial quantities, marketability of oil and natural gas produced, fluctuations in commodity prices, financial and liquidity risks and environmental and safety risks.

The Company's risk-mitigation strategies include focusing on carefully selected areas of western Canada that are prone to yielding light oil and liquids-rich natural gas reserves, utilizing a team of highly qualified professionals with expertise and experience in these areas, continuously assessing new exploration opportunities to complement existing activities and striving for a balance between higher-risk exploratory drilling and lower-risk development drilling.

Beyond exploration risk, there is the potential that the Company's oil and natural gas reserves will not be economically produced at prevailing prices. Angle minimizes this risk by continual economic evaluation of internally generated prospects, targeting high-quality projects and retaining operatorship with access to the sales market through Company-owned or mid-stream operated facilities.

Angle has retained an independent engineering consulting firm that assists the Company in evaluating recoverable amounts of oil and natural gas reserves. Values of recoverable reserves are based on a number of variable factors and assumptions such as commodity prices, projected production, future production costs and government regulation. As such, estimates could vary from actual results.

Angle is exposed to market risk to the extent that the demand for oil and natural gas produced by the Company varies within Canada and the United States. External factors beyond the Company's control may affect the marketability of oil and natural gas produced. These factors include commodity prices and variations in the Canada-United States currency exchange rate, which in turn respond to economic and political circumstances throughout the world. Oil prices are affected by worldwide supply and demand fundamentals while natural gas prices are affected by North American supply and demand fundamentals. Angle uses futures and options contracts to hedge its exposure against the potential adverse impact of commodity price volatility.

The oil and natural gas industry is very capital intensive and, as a result, the Company relies on equity markets as a source of new capital in addition to bank financing to support its ongoing capital investments. Funds from operations also provide capital required to grow the Company's business. Equity and debt capital is subject to market conditions and availability may increase or decrease from time to time. Funds from operations also fluctuate with changing commodity prices. Angle anticipates it will continue to have adequate liquidity to fund its financial liabilities through its future funds from operations and available bank debt. The Company had no defaults or breaches on its bank debt or any of its financial liabilities.

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

Oil and natural gas exploration and production can involve environmental risks such as pollution of the environment and destruction of natural habitat, as well as safety risks such as personal injury. The Company conducts its operations with high standards in order to protect the environment and the general public and operates in accordance with all applicable environmental legislation and strives to maintain compliance with such regulations. Angle has an Environmental, Health and Safety Committee of the Board of Directors and has updated its operational emergency response plan and operational safety manual to address these operations issues. In addition, a comprehensive insurance program is maintained to mitigate risks and protect against significant losses where possible. The amount and terms of this insurance are reviewed on an ongoing basis and adjusted as necessary to reflect current corporate requirements, as well as industry standards and government regulations.

The Government of Canada has announced its intention to regulate greenhouse gases (GHG). As these regulations are under development, the Company is unable to predict the total impact of the potential regulations upon its business. The Government of Alberta has set targets for GHG emission reductions, including maximum emissions of GHG from large industrial facilities. In order to comply with the Alberta regulations, companies can make operating improvements to their facilities, purchase carbon offsets or make a monetary contribution to the Alberta Climate Change and Emissions Management Fund.

(Signed) Stuart C. Symon, CMA
Vice President Finance & Chief Financial Officer

November 1, 2011

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at	Note	September 30, 2011	December 31, 2010
<i>(\$000s) (unaudited)</i>			
ASSETS			
Accounts receivable		16,147	19,724
Deposits and prepaid expenses		3,893	3,894
Derivative instruments	12	1,574	–
Total current assets		21,614	23,618
Exploration and evaluation	4	52,380	49,442
Property and equipment	5	535,825	461,553
		609,819	534,613
LIABILITIES			
Accounts payable and accrued liabilities		34,802	37,080
Derivative instruments	12	–	1,047
Total current liabilities		34,802	38,127
Bank debt	6	127,281	138,916
Convertible debentures	7	52,780	–
Derivative instruments	12	–	810
Decommissioning liabilities	8	14,110	12,324
Premium liability	9	902	5,145
Deferred tax liabilities		36,498	23,115
		266,373	218,437
SHAREHOLDERS' EQUITY			
Share capital	9	311,307	306,742
Equity component of convertible debentures	7	4,105	–
Contributed surplus		11,032	7,843
Retained earnings		17,002	1,591
Total equity		343,446	316,176
Commitments	9, 14		
		609,819	534,613

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

		Three Months Ended September 30		Nine Months Ended September 30	
Note	2011	2010	2011	2010	
<i>(\$000s, except per share amounts) (unaudited)</i>					
REVENUE					
Oil and natural gas revenues	47,698	29,421	140,362	79,882	
Royalties	(9,875)	(6,275)	(29,156)	(17,270)	
Oil and natural gas revenues, net of royalties	37,823	23,146	111,206	62,612	
Realized gain on derivative instruments	558	924	637	1,779	
Unrealized gain (loss) on derivative instruments	2,766	(624)	3,431	466	
	41,147	23,446	115,274	64,857	
EXPENSES					
Operating	8,164	5,944	23,216	13,364	
Transportation	649	705	1,967	1,545	
General and administrative	3,833	3,149	11,884	11,252	
Depletion and depreciation	18,598	13,835	48,156	33,332	
Gain on disposition of undeveloped land	–	–	(1,408)	–	
Impairment loss	–	40,453	–	40,453	
	31,244	64,086	83,815	99,946	
Operating income (loss)	9,903	(40,640)	31,459	(35,089)	
Interest expense	2,192	1,276	6,885	2,839	
Accretion and finance charges	515	91	1,483	244	
Net income (loss) before income tax	7,196	(42,007)	23,091	(38,172)	
Deferred income tax expense (reduction)	2,156	(10,879)	7,680	(9,957)	
Net income (loss) and comprehensive income (loss)	5,040	(31,128)	15,411	(28,215)	
Net income per share					
Basic	9	0.07	(0.45)	0.21	(0.46)
Diluted	9	0.07	(0.45)	0.21	(0.46)

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital	Convertible debentures, equity component	Contributed surplus	Retained earnings (deficit)	Total equity
<i>(\$000s) (unaudited)</i>					
Balance at January 1, 2011	306,742	–	7,843	1,591	316,176
Issue of common shares	3,131	–	–	–	3,131
Share-based compensation expensed	–	–	3,688	–	3,688
Share-based compensation capitalized	–	–	935	–	935
Options exercised	1,434	–	(1,434)	–	–
Issue of convertible debentures, net of issue costs and deferred income taxes	–	4,105	–	–	4,105
Net income for the period	–	–	–	15,411	15,411
Balance at September 30, 2011	311,307	4,105	11,032	17,002	343,446
Balance at January 1, 2010	178,523	–	5,387	26,874	210,784
Issue of common shares	107,065	–	–	–	107,065
Share-based compensation expensed	–	–	2,044	–	2,044
Share-based compensation capitalized	–	–	526	–	526
Options exercised	590	–	(590)	–	–
Net loss for the period	–	–	–	(28,215)	(28,215)
Balance at September 30, 2010	286,178	–	7,367	(1,341)	292,204

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

		Three Months Ended September 30		Nine Months Ended September 30	
	Note	2011	2010	2011	2010
<i>(\$000s) (unaudited)</i>					
OPERATING ACTIVITIES					
Net income (loss)		5,040	(31,128)	15,411	(28,215)
Adjustments for:					
Depletion and depreciation	4, 5	18,598	13,835	48,156	33,332
Impairment loss		–	40,453	–	40,453
Change in fair value of derivative instruments	12	(2,766)	624	(3,431)	(466)
Accretion and finance charges	7, 8	515	91	1,483	244
Share-based compensation	9	1,309	732	3,688	2,044
Deferred income tax expense (reduction)		2,156	(10,879)	7,680	(9,957)
Gain on disposition of undeveloped land		–	–	(1,408)	–
Settlement of decommissioning liabilities	8	(39)	(41)	(136)	(221)
Change in non-cash working capital	10	1,136	1,212	3,488	(10,865)
Net cash from (used in) operating activities		25,949	14,899	74,931	26,349
FINANCING ACTIVITIES					
Issue of common shares, net of issue costs	9	870	297	3,131	105,441
Increase (decrease) in bank debt		19,616	27,754	(11,635)	107,317
Issue of convertible debentures, net of issue costs	7	–	–	57,171	–
Net cash from (used in) financing activities		20,486	28,051	48,667	212,758
INVESTING ACTIVITIES					
Exploration and evaluation expenditures		(14,367)	(43,757)	(53,129)	(88,791)
Property and equipment expenditures		(30,796)	(26,651)	(70,601)	(64,238)
Business acquisition, net of cash acquired	5, 15	–	–	–	(45,088)
Property and equipment acquisitions	5, 15	–	(452)	–	(123,128)
Proceeds on disposition of undeveloped land		–	–	2,320	–
Change in non-cash working capital	10	(1,272)	27,910	(2,188)	47,494
Net cash from (used in) investing activities		(46,435)	(42,950)	(123,598)	(273,751)
Change in cash and cash equivalents		–	–	–	(34,644)
Cash and cash equivalents, beginning of period		–	–	–	34,644
Cash and cash equivalents, end of period		–	–	–	–

See accompanying notes to the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

As of and for the period ended September 30, 2011 (unaudited)

1. REPORTING ENTITY

Angle Energy Inc. ("Angle" or the "Company") is a publicly traded company incorporated under the laws of Alberta. The Company is principally engaged in the exploration for, and exploitation, development and production of, oil and natural gas and conducts many of its activities jointly with others. These financial statements reflect only the Company's share of these jointly controlled assets and a proportionate share of the relevant revenue and related costs.

2. BASIS OF PREPARATION

(a) Statement of Compliance

These consolidated interim financial statements for the three and nine months ended September 30, 2011 are unaudited and have been prepared in accordance with International Accounting Standard (IAS) 34 – *Interim Financial Reporting* using accounting policies consistent with International Financial Reporting Standards (IFRS) and IFRS 1 – *First-time Adoption of International Financial Reporting Standards* has been applied. These financial statements do not include all of the information required for full annual financial statements.

Angle's significant accounting policies under IFRS are presented in note 3. These policies have been retrospectively and consistently applied except where specific exemptions permitted an alternative treatment upon transition to IFRS in accordance with IFRS 1. The impact of the new standards, including reconciliations presenting the change from Canadian GAAP to IFRS as at and for the three and nine months ended September 30, 2010 is presented in note 15.

The consolidated financial statements were authorized for issue by the Board of Directors on November 1, 2011.

(b) Basis of Measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- (i) derivative financial instruments are measured at fair value; and
- (ii) held for trading financial assets are measured at fair value with changes in fair value recorded in earnings.

The methods used to measure fair values are discussed in note 11.

(c) Functional and Presentation Currency

These consolidated financial statements are presented in Canadian dollars, which is the Company's functional currency.

(d) Use of Estimates and Judgments

The preparation of financial statements in conformity with IFRS requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, revenues and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the year in which the estimates are revised and in any future years affected.

Information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements are as follows:

- Amounts recorded for depletion and depreciation and amounts used for impairment calculations are based on estimates of petroleum and natural gas reserves. By their nature, the estimates of reserves, including the estimates of future prices, costs, discount rates and the related future cash flows, are subject to measurement uncertainty. Accordingly, the impact to the consolidated financial statements in future periods could be material.
- Amounts recorded for decommissioning liabilities and the related accretion expense requires the use of estimates with respect to the amount and timing of decommissioning expenditures. Decommissioning liabilities are recognized in the period when it becomes probable that there will be a future cash outflow.
- The estimated fair value of derivative instruments resulting in financial assets and liabilities are by their very nature subject to measurement uncertainty.
- Compensation costs recognized for share-based compensation plans are subject to the estimation of what the ultimate payout will be using pricing models such as the Black-Scholes model which is based on significant assumptions such as volatility, dividend yield and expected term. Several compensation plans are also performance based and are subject to management's judgment as to whether or not performance criteria will be met.
- Tax interpretations, regulations and legislation in the various jurisdictions in which the Company operates are subject to change. As such, income taxes are subject to measurement uncertainty. Deferred income tax assets are assessed by management at the end of the reporting period to determine the likelihood that they will be realized from future taxable earnings.

3. SIGNIFICANT ACCOUNTING POLICIES

These consolidated financial statements are stated in Canadian dollars and have been prepared in accordance with International Financial Reporting Standards. These interim financial statements should be read in conjunction with the consolidated financial statements and accompanying notes disclosed in the company's first interim report for the period ended March 31, 2011. These interim financial statements have been prepared following the same accounting policies and methods of computation as the consolidated financial statements for the Company for the period ended March 31, 2011 as described in note 3 of the March 31, 2011 interim consolidated financial statements.

Certain comparative amounts have been reclassified to conform with the current quarter's presentation.

4. EXPLORATION AND EVALUATION ASSETS

	E&E Assets
Cost:	
Balance at January 1, 2010	\$ 14,129
Acquisitions through business combinations	5,750
Additions	88,539
Transfers to property and equipment	(58,515)
Lease expiries	(461)
Balance at December 31, 2010	49,442
Additions	53,129
Transfers to property and equipment	(46,567)
Lease expiries	(2,712)
Disposition of undeveloped land	(912)
Balance at September 30, 2011	\$ 52,380

E&E assets consist of Angle's exploration and development projects which are pending the determination of proved or probable reserves. Additions represent Angle's share of costs incurred on E&E assets during the period. The cost of undeveloped land that expires during a period is recognized as additional depletion expense.

5. PROPERTY AND EQUIPMENT

	Petroleum and Natural Gas Properties	Office Equipment	Total
Cost or deemed cost:			
Balance at January 1, 2010	\$ 181,014	\$ 1,137	\$ 182,151
Acquisitions through business combinations	198,479	-	198,479
Additions	109,700	303	110,003
Transfer from exploration and evaluation assets	58,515	-	58,515
Balance at December 31, 2010	547,708	1,440	549,148
Additions	72,915	234	73,149
Transfer from exploration and evaluation assets	46,567	-	46,567
Balance at September 30, 2011	\$ 667,190	\$ 1,674	\$ 668,864
Accumulated depletion and depreciation:			
Balance at January 1, 2010	\$ -	\$ 395	\$ 395
Depletion and depreciation for the year	46,507	240	46,747
Impairment loss	40,453	-	40,453
Balance at December 31, 2010	86,960	635	87,595
Depletion and depreciation for the year	45,260	184	45,444
Balance at September 30, 2011	\$ 132,220	\$ 819	\$ 133,039

	Petroleum and Natural Gas Properties	Office Equipment	Total
Net book value:			
At December 31, 2010	\$ 460,748	\$ 805	\$ 461,553
At September 30, 2011	\$ 534,970	\$ 855	\$ 535,825

(a) Capitalization of General and Administrative and Share-based Compensation Expenses

During the nine months ended September 30, 2011, approximately \$1.5 million of directly attributable general and administrative expense and \$0.9 million of directly attributable share-based compensation expense were capitalized as expenditures on property and equipment (December 31, 2010 – \$1.9 million and \$0.9 million, respectively).

(b) Amortization and Impairment Charges

During 2010, as a result of decreasing natural gas prices, Angle recognized a \$40.5 million impairment relating to one of the Company's CGUs. The impairment charge was taken at September 30, 2010 and recorded as an impairment loss with the offset recorded to accumulated depletion and depreciation. The impairment was based on the difference between the period end net book value of the assets and the recoverable amount. The recoverable amount was determined using fair value less costs to sell based on discounted cash flows of proved and probable reserves using forecast prices and costs.

(c) Future Development Costs and Salvage Value

For the September 30, 2011 period, an estimated \$293.2 million of future development costs associated with proved plus probable undeveloped reserves was included in the calculation of depletion and depreciation expense and an estimated \$12.3 million of salvage value of production equipment was excluded (December 31, 2010 – \$280.8 million and \$11.9 million respectively).

(d) Property Acquisition

On June 30, 2010, Angle acquired certain interests in petroleum and natural gas properties for cash consideration of \$116.4 million. Using the purchase method, \$5.0 million was recognized in exploration and evaluation assets for the value of undeveloped land, \$110.0 million were recognized in property and equipment and decommissioning liabilities of \$3.9 million was recognized in relation to the acquired properties. Acquisition costs of \$1.4 million were charged to general and administrative expense on the consolidated statement of income and comprehensive income.

6. BANK DEBT

The Company has a revolving committed credit facility with three chartered banks with a borrowing base of \$210.0 million. The next semi-annual review of the credit facility is to take place on or before April 29, 2012.

The credit facility may be extended and revolve beyond the initial one-year period, if requested by the Company and accepted by the lenders. The current revolving period will expire April 28, 2012. If the credit facility does not continue to revolve, the facility will convert to a 366-day non-revolving term loan facility. The amount of the facility is subject to a borrowing base test performed on a periodic basis by the lenders, based primarily on reserves and using commodity prices estimated by the lenders as well as other factors. A decrease in the borrowing base could result in a reduction to the credit facility, which may require a repayment to the lenders.

The credit facility provides that advances may be made by way of direct advances or bankers' acceptances. The credit facility bears interest at the bank's prime rate plus a margin (1.00 percent to 2.50 percent) or at bankers' acceptance rates plus a stamping fee (2.00 percent to 3.50 percent) based on the Company's consolidated total debt to cash flow ratio. For purposes of this calculation, consolidated total debt is defined as total liabilities less current assets and cash flow is defined as cash flow from operations for the last two quarters multiplied by two (annualized). A general security agreement over all present and after acquired personal property and a floating charge on all lands has been provided as security.

7. CONVERTIBLE DEBENTURES

On January 6, 2011, Angle completed the issuance of convertible unsecured subordinated debentures for gross proceeds of \$60.0 million (net proceeds of \$57.2 million) at a price of \$1,000 per debenture. The debentures bear interest at a rate of 5.75 percent per annum, which is payable semi-annually in arrears on January 31 and July 31 of each year commencing on July 31, 2011. The debentures mature on January 31, 2016 and can be converted into common shares of Angle at any time at the option of the holders at a conversion price of \$12.55 per common share.

After January 31, 2014, the Company may redeem the debentures in whole or in part provided the common shares weighted average trading price during a specified period prior to redemption is at least 125 percent of the conversion price. The Company may satisfy the payment of principal or interest in common shares under certain circumstances.

The debentures have been classified as debt, net of issue costs and net of the fair value of the conversion feature at the date of issue which has been classified as part of shareholders' equity. The issue costs will be amortized over the term of the debentures and the debt portion will accrete up to the principal balance at maturity. The accretion, amortization of issue costs and the interest paid are expensed on the consolidated statement of income and comprehensive income. The fair value of the conversion feature was determined at the time of issue as the difference between the principal value of the debentures and the discounted cash flows assuming an 8.3 percent rate which was the estimated rate for debt with similar terms at the time. If the debentures are converted to shares, a portion of the value of the conversion feature under shareholders' equity will be reclassified to shareholders' capital along with the conversion price paid.

The following table sets forth a reconciliation of the convertible debentures for the nine months ended September 30, 2011:

	Total
Principal at January 1, 2011	\$ –
Issued	60,000
Principal at September 30, 2011	\$ 60,000
Debt portion at January 1, 2011	\$ –
Issued, net of deferred financing charges	51,606
Accretion	806
Amortization of deferred financing charges	368
Debt portion at September 30, 2011	\$ 52,780
Equity portion at January 1, 2011	\$ –
Issued, net of the deferred income taxes	4,380
Deferred financing charges	(275)
Equity portion at September 30, 2011	\$ 4,105

Total debenture interest charged to net income for the period ended September 30, 2011 was \$2.5 million. In addition, \$0.8 million of debenture accretion and \$0.4 million of amortized financing charges were included in accretion and finance charges on the consolidated statement of income and comprehensive income.

8. DECOMMISSIONING LIABILITIES

	Decommissioning Liabilities
Balance at January 1, 2010	\$ 4,601
Change in estimates	497
Liabilities incurred	1,850
Liabilities acquired on business acquisitions	5,240
Liabilities settled	(232)
Accretion of decommissioning liabilities	368
Balance at December 31, 2010	12,324
Liabilities incurred	1,613
Liabilities settled	(136)
Accretion of decommissioning liabilities	309
Balance at September 30, 2011	\$ 14,110

(a) Decommissioning Liabilities

The Company's decommissioning liabilities result from its ownership interest in oil and natural gas assets. The total decommissioning liabilities are estimated based on the Company's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities and the estimated timing of the costs to be incurred in future years. The Company has estimated the net present value of the decommissioning obligations to be \$14.1 million as at September 30, 2011 (December 31, 2010 – \$12.3 million) based on an undiscounted total future liability of \$21.3 million (December 31, 2010 – \$19.3 million). These payments are expected to be incurred over a period of one to 25 years with the majority of costs to be incurred between 2012 and 2030. At September 30, 2011 a risk-free rate of 1.0 to 3.7 percent (December 31, 2010 – 1.7 to 3.5 percent) and an inflation rate of 2 percent were used to calculate the net present value of the decommissioning liabilities.

9. 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

	Number of Shares	Amount
Balance at January 1, 2010	54,481,132	\$ 178,523
Common shares issued	14,999,699	114,453
Flow-through shares issued, net of premium (i)	2,488,000	19,531
Share issue costs	–	(7,780)
Tax benefit of share issue costs	–	2,015
Balance at December 31, 2010	71,968,831	306,742
Common shares issued (ii)	852,000	4,565
Balance at September 30, 2011	72,820,831	\$ 311,307

(i) Flow-through Shares

In November 2010, the Company issued 2,488,000 flow-through shares at \$10.05 per share for total gross proceeds of \$25.0 million and \$2.20 per share or \$5.5 million was determined to be the implied premium on the flow-through shares. As at September 30, 2011 the Company is committed to spending an additional \$4.1 million on qualified exploration and development expenditures by December 31, 2011.

(ii) Exercise of Stock Options

During the nine months ended September 30, 2011 the Company issued 852,000 common shares, resulting from the exercise of stock options, for cash proceeds of \$3.1 million and previously recognized share-based compensation expense of \$1.5 million.

(c) **Per Share Amounts**

Basic net income per share was calculated as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
Net income (loss) for the year (000s)	\$ 5,040	\$ (31,128)	\$ 15,411	\$ (28,215)
Weighted average number of basic common shares:				
Issued common shares at January 1	71,968,831	54,481,132	71,968,831	54,481,132
Common shares issued	–	14,130,000	–	5,964,396
Stock options exercised	737,306	376,920	454,526	294,089
Weighted average number of basic common shares	72,706,137	68,988,052	72,423,357	60,739,617
Net income per weighted average basic common share	\$ 0.07	\$ (0.45)	\$ 0.21	\$ (0.46)

Diluted per share amounts were calculated as follows:

	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
Net income (loss) for the year (000s)	\$ 5,040	\$ (31,128)	\$ 15,411	\$ (28,215)
Weighted average number of diluted common shares:				
Weighted average number of basic common shares	72,706,137	68,988,052	72,423,357	60,739,617
Effect of outstanding options	1,200,705	–	1,325,213	–
Weighted average number of diluted common shares	73,906,842	68,988,052	73,748,570	60,739,617
Net income per weighted average diluted common share	\$ 0.07	\$ (0.45)	\$ 0.21	\$ (0.46)

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period that the options were outstanding. Excluded from diluted per share amounts is the effect of 7,939,332 options and the convertible debentures (2010 – 5,193,550 options) for the nine months ended September 30, 2011 and the effect of 7,617,340 options and the convertible debentures (2010 – 5,193,550 options) for the three months ended September 20, 2011 as their effect is anti-dilutive.

(d) **Options Outstanding**

The Company has an option program that entitles officers, directors, employees and certain consultants to purchase shares in the Company. Options are granted at the market price of the shares at the date of grant and vest equally one-third on the first, second and third anniversaries from the option grants and expire in five years.

The number and weighted average exercise prices of stock options are as follows:

Nine Months Ended September 30	2011		2010	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Outstanding at January 1	6,059,217	\$ 5.77	4,380,916	\$ 4.14
Granted	776,500	8.48	1,332,000	7.80
Exercised	(852,000)	3.68	(414,366)	(3.14)
Forfeited	(256,000)	6.63	(105,000)	(5.28)
Outstanding at September 30	5,727,717	\$ 6.41	5,193,550	\$ 5.14
Exercisable at September 30	2,276,877	\$ 5.10	2,227,628	\$ 3.87

The range of exercise prices of the outstanding options as at September 30, 2011 is as follows:

Range of Exercise Prices	Number Outstanding	Weighted Average Contractual Life (years)	Weighted Average Exercise Price	Number Exercisable	Weighted Average Exercise Price
\$2.80 to \$4.59	1,768,967	2.22	\$ 4.27	1,393,131	\$ 4.23
\$4.60 to \$6.39	710,750	2.74	5.36	460,749	5.28
\$6.40 to \$8.19	2,363,000	3.95	7.48	358,498	7.61
\$8.20 to \$10.00	885,000	4.29	8.67	64,499	8.82
	5,727,717	3.32	\$ 6.41	2,276,877	\$ 5.10

The fair value of the options granted was estimated using the Black-Scholes option pricing model with the following weighted average inputs:

Nine Months Ended September 30	2011	2010
Fair value at grant date	\$ 2,992	\$ 4,627
Risk-free interest rate	2.27%	2.32%
Expected life	4.38 years	4.30 years
Expected volatility	53.70%	52.86%
Expected dividend yield	0%	0%

A forfeiture rate of 3.8 percent (2010 – 4.8 percent) is used when recording share-based compensation expense. This estimate is adjusted to the actual forfeiture rate. Share-based compensation cost of \$3.7 million was expensed during 2011 (2010 – \$2.0 million).

10. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital is comprised of:

(000s)	Three Months Ended September 30		Nine Months Ended September 30	
	2011	2010	2011	2010
Source (use) of cash:				
Accounts receivable	\$ 2,676	\$ (2,966)	\$ 3,577	\$ (6,106)
Deposit and prepaid expenses	37	(1,011)	1	(504)
Accounts payable and accrued liabilities	(2,849)	33,099	(2,278)	43,239
	\$ (136)	\$ 29,122	\$ 1,300	\$ 36,629
Related to operating activities	\$ 1,136	\$ 1,212	\$ 3,488	\$ (10,865)
Related to investing activities	(1,272)	27,910	(2,188)	47,494
	\$ (136)	\$ 29,122	\$ 1,300	\$ 36,629
Interest paid	\$ 1,655	\$ 930	\$ 6,250	\$ 2,584

11. DETERMINATION OF FAIR VALUES

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(a) Evaluation and Exploration Assets and Property and Equipment

The fair value of property and equipment recognized in a business combination is based on market values. The market value of property and equipment is the estimated amount for which property and equipment could be exchanged on the acquisition date between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The market value of petroleum and natural gas properties (included in property and equipment) and exploration and evaluation assets is estimated with reference to the discounted cash flows expected to be derived from oil and natural gas production based on externally prepared reserve reports. The risk-adjusted discount rate is specific to the asset with reference to general market conditions.

The market value of other items of property and equipment is based on the quoted market prices for similar items.

(b) Cash and Cash Equivalents, Accounts Receivable, Accounts Payable and Accrued Liabilities and Bank Debt

The fair value of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities and bank debt is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date. The fair value of these balances approximated their carrying value due to their short term to maturity.

(c) Convertible Debentures

The convertible debentures trade on the Toronto stock exchange under the symbols NGL.DB. The fair value of the convertible debentures is based on quoted market prices. The carrying value includes the debt and equity portion of the convertible debentures and excludes the deferred income tax impact of the debentures charged against the equity portion.

(d) Derivative Instruments

The fair value of derivative contracts is determined by discounting the difference between the contracted prices and published forward price curves as at the balance sheet date, using the remaining contracted oil and natural gas volumes and a risk-free interest rate (based on published government rates).

(e) Stock Options

The fair value of stock options is measured using a Black-Scholes option pricing model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour) and the risk-free interest rate (based on government bonds).

Angle classifies the fair value of these transactions according to the following hierarchy based on the amount of observable inputs used to value the instrument.

- Level 1 – Quoted prices are available in active markets for identical assets or liabilities as of the reporting date. Active markets are those in which transactions occur in sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2 – Pricing inputs are other than quoted prices in active markets included in Level 1. Prices are either directly or indirectly observable as of the reporting date. Level 2 valuations are based on inputs, including quoted forward prices for commodities, time value and volatility factors, which can be substantially observed or corroborated in the marketplace.
- Level 3 – Valuations in this level are those with inputs for the asset or liability that are not based on observable market data.

The following tables provide fair value measurement information for financial assets and liabilities. The carrying value of cash and cash equivalents, accounts receivable and accounts payable and accrued liabilities included in the consolidated statement of financial position approximate fair value due to the short term nature of those instruments. These assets and liabilities are not included in the following tables:

As at September 30, 2011	Carrying value	Fair value	Fair value measurements using		
			Quoted prices in active markets (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)
Financial assets:					
Derivative instruments	\$ 1,574	1,574	–	1,574	–
Financial liabilities:					
Bank debt	\$ 127,281	127,281	127,281	–	–
Convertible debentures	\$ 58,345	56,106	56,106	–	–

As at December 31, 2010	Carrying value	Fair value	Fair value measurements using		
			Quoted prices in active markets (level 1)	Significant other observable inputs (level 2)	Significant unobservable inputs (level 3)
Financial liabilities:					
Bank debt	\$ 138,916	138,916	138,916	–	–
Derivative instruments	\$ 1,857	1,857	–	1,857	–

12. FINANCIAL RISK MANAGEMENT

(a) Overview

The Company's activities expose it to a variety of financial risks that arise as a result of its exploration, development, production and financing activities such as:

- credit risk;
- liquidity risk; 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 consolidated financial statements.

The Board of Directors oversees managements' establishment and execution of the Company's risk management framework. Management has implemented and monitors compliance with risk management policies. The Company's risk management policies are established to identify and analyze the risks faced by the Company, to set appropriate risk limits and controls, and to monitor risks and adherence to market conditions and the Company's activities.

(b) Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Company's receivables from joint venture partners and oil and natural gas marketers.

Accounts receivable

All of the Company's operations are conducted in Canada. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer.

Receivables from oil and natural gas marketers are normally collected on the 25th day of the month following production. The Company's policy to mitigate credit risk associated with these balances is to establish marketing relationships with a number of large purchasers. The Company historically has not experienced any collection issues with its oil and natural gas marketers. Receivables from joint venture partners are typically collected within one to three months of the joint venture bill being issued. The Company attempts to mitigate the risk from joint venture receivables by obtaining venturer pre-approval of significant capital expenditures. However, the receivables are from participants in the oil and natural gas sector, and collection of the outstanding balances is dependent on industry factors such as commodity price fluctuations, escalating costs and the risk of unsuccessful drilling. In addition, further risk exists with joint venturers as disagreements occasionally arise that increase the potential for non-collection. The Company does not typically obtain collateral from oil and natural gas marketers or joint venturers; however, the Company does have the ability to withhold production from joint venturers in the event of non-payment.

The Company does not anticipate any default as it transacts with creditworthy customers and management does not expect any losses from non-performance by these customers. As such a provision for doubtful accounts has not been recorded.

As at September 30, 2011 the maximum exposure to credit risk for loans and receivables at the reporting date by type of customer was:

	2011
Oil and natural gas marketing companies	\$ 13,820
Joint venture partners	1,960
Government agencies	276
Other	91
Total accounts receivable	\$ 16,147

As at September 30, 2011 the Company's accounts receivable are aged as follows:

	2011
Current (less than 90 days)	\$ 15,818
Past due (more than 90 days)	329
Total	\$ 16,147

At September 30, 2011, of \$16.1 million in accounts receivable, 91 percent was current, 7 percent was 31 to 90 days due and the balance was over 90 days due. Angle had no material accounts receivable deemed uncollectible.

(c) Liquidity Risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Company's reputation. The Company's financial liabilities consist of accounts payable and accrued liabilities, bank debt, derivative instruments and convertible debentures.

Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a normal period, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. To achieve this objective, the Company prepares annual capital expenditure budgets, which are regularly monitored and updated as considered necessary. Further, the Company utilizes authorizations for expenditures on both operated and non-operated projects to further manage capital expenditures. The Company also attempts to match its payment cycle with collection of oil and natural gas revenue on the 25th of each month.

The Company maintains a \$210.0 million credit facility to provide capital when needed, of which \$82.7 million was available at September 30, 2011. Angle anticipates it will continue to have adequate liquidity to fund its financial liabilities through its future funds from operations and available bank debt. The Company had no defaults or breaches on its bank debt or any of its financial liabilities as at September 30, 2011.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements at September 30, 2011:

	Carrying amount	Contractual cash flows	Less than one year	One – two years	Two – five years	More than five years
Non-derivative financial liabilities:						
Accounts payable and accrued liabilities	\$ 34,802	\$ 34,802	\$ 34,802	\$ –	\$ –	\$ –
Bank debt	127,281	134,175	6,364	127,811	–	–
Convertible debentures ⁽ⁱ⁾	58,345	74,950	3,450	3,450	68,050	–
	\$ 220,428	\$ 243,927	\$ 44,616	\$ 131,261	\$ 68,050	\$ –

⁽ⁱ⁾ Carrying value includes the debt and equity portion of the convertible debentures at September 30, 2011 and excludes the deferred income tax impact of the debentures charged against the equity portion.

(d) Market Risk

Market risk is the risk that changes in market prices, such as commodity prices, foreign exchange rates and interest rates will affect the Company's income or the value of the financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimizing the return.

The Company may use financial derivative contracts to manage market risks. All such transactions are conducted within risk management tolerances that are reviewed by the Board of Directors.

Currency Risk

Currency risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. Prices for oil are determined in global markets and generally denominated in United States dollars. 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 has entered into a currency average rate forward swap transaction whereby U.S. dollars have been converted to Canadian dollars as summarized in the following table:

Term	Amount	Strike Price
Jan. 1/11 – Jun. 30/12	US \$1,300,000/month	Cdn \$1.0535

Angle is only entitled to a cash settlement if the monthly average currency exchange rate as reported by the Bank of Canada is greater than 0.95. Angle entered into the above transaction to protect against foreign exchange fluctuations on the U.S. Nymex oil hedge. The fair value at September 30, 2011 was a liability of \$0.1 million (December 31, 2010 – asset of \$0.2 million) resulting in an unrealized loss of \$0.2 million for the nine months ended September 30, 2011. There was no unrealized gain or loss recorded for the nine months ended September 30, 2010.

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 interest charged on the outstanding bank loan fluctuates with the interest rates posted by the lenders. The Company is exposed to interest rate risk and has not entered into any mitigating interest rate hedges or swaps. With regards to interest rate risk, a change of 1 percent in the effective interest rate would impact net income by approximately \$0.9 million annually, based on average debt outstanding during the period.

Commodity Price Risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in commodity prices. Commodity prices for oil and natural gas are impacted by not only the relationship between the Canadian and United States dollar but also world economic events that dictate the levels of supply and demand.

It is the Company's policy to economically hedge some oil and natural gas sales through the use of financial derivative contracts. The Company does not apply hedge accounting to these contracts.

As at September 30, 2011, the Company had fixed the price applicable to future production through the following contracts:

Period	Commodity	Type of Contract	Quantity Contracted	Contract Price (\$/unit)
Apr. 1/11 – Oct. 31/11	Natural Gas	Financial	5,000 GJ/d	AECO Cdn \$3.82/GJ
Jan. 1/11 – Dec. 31/11	Natural Gas	Financial	5,000 GJ/d	AECO Cdn \$3.825/GJ
Apr. 1/11 – Mar. 31/12	Natural Gas	Financial	2,500 GJ/d	AECO Cdn \$3.775/GJ
Apr. 1/11 – Mar. 31/12	Natural Gas	Financial	2,500 GJ/d	AECO Cdn \$3.815/GJ
Jan. 1/11 – Jun. 30/12	Crude Oil	Financial	500 bbls/d	Nymex US \$87.05/bbl

At September 30, 2011 the fair value of the derivative contracts was an asset of \$1.6 million (December 31, 2010 – liability of \$2.0 million) resulting in an unrealized gain of \$3.6 million for the nine months ended September 30, 2011 (2010 – unrealized gain of \$0.5 million).

(e) Capital Management

The Company's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Company manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying oil and natural gas assets. The Company considers its capital structure to include shareholders' equity, bank debt, convertible debentures and working capital. In order to maintain or adjust the capital structure, the Company may issue shares and adjust its capital spending to manage current and projected debt levels.

In the management of capital, the Company includes share capital of \$311.3 million and net debt of \$202.0 million (defined as the sum of current assets less current liabilities, bank debt and convertible debentures outstanding, excluding derivative instruments).

The key measures that the Company utilizes in evaluating its capital structure are the ratio of net debt to funds from operations (which is cash flow from operations before changes in non-cash working capital and settlement of decommissioning liabilities) and the current credit available from its creditors in relation to the Company's budgeted capital expenditure program. The ratio of net debt to funds from operations is determined as net debt divided by funds from operations and represents the time it would take to pay off the debt if no further capital expenditures were incurred and if funds from operations stayed constant. Annualized funds from operations for the period ended September 30, 2011 were \$99.4 million, resulting in a net debt to funds from operations ratio of 2.0:1. This ratio is within the 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, forecast investment levels, the past efficiencies of the Company's investments, the efficiencies of forecast investments and the desired pace of investment, current and forecast total debt levels, current and forecast commodity prices, and other factors that influence commodity prices and funds from operations, such as foreign exchange and quality basis differentials.

In order to maintain or adjust the capital structure, the Company will consider its forecast net debt to funds from operations ratio while attempting to finance an acceptable capital expenditure 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 growth in the Company's oil and natural gas reserves, the availability of other sources of debt with different characteristics than the existing bank debt, the sale of assets limiting the size of the Company's capital spending program, and new common equity if available on favourable terms. The annual and updated budgets are approved by the Board of Directors.

There were no changes in the Company's approach to capital management during the period.

The Company is not subject to externally imposed capital requirements. The credit facilities are subject to a semi-annual review of the borrowing base which is directly impacted by the value of the oil and natural gas reserves.

13. RELATED PARTIES

During 2011, expenses were recorded totalling \$0.4 million (2010 – \$1.1 million) that were charged to the Company by a legal firm of which a Director of the Company is a partner, and none of these amounts remained in accounts payable at September 30, 2011 and 2010. These amounts are billed and recorded at rates consistent with those charged to third parties.

14. COMMITMENTS

The Company has lease commitments for office premises that expire in 2014, for three compressors that expire in 2011, for four compressors that expire in 2012 and for one compressor that expires in 2014. Future minimum payments under the leases are as follows:

As at September 30	2011	2010
Less than one year	\$ 2,314	\$ 2,324
Between one and five years	2,460	2,941
More than five years	–	–
	\$ 4,774	\$ 5,265

15. TRANSITION TO IFRS

Angle's accounting policies under IFRS differ from those followed under Canadian GAAP as described in note 3. These accounting policies have been applied for the three and nine months ended September 30, 2011, as well as to the comparative information for the three and nine months ended September 30, 2010. The adjustments arising from the application of IFRS to amounts on the statement of financial position on the transition date, and on transactions prior to that date, were recognized as an adjustment to the Company's opening retained earnings on the statement of financial position when appropriate.

On transition to IFRS on January 1, 2010 Angle used certain exemptions allowed under IFRS 1 – *First Time Adoption of International Reporting Standards*. The exemptions used were:

(a) Full Cost Accounting

IFRS 1 allows an entity that used full cost accounting under Canadian GAAP to elect, at the time of adoption to IFRS, to measure petroleum and natural gas assets in the development and production phases by allocating the amount determined under the entity's Canadian GAAP for those assets to the underlying assets pro rata using reserve volumes or reserve values as of that date. Angle has used reserve values as at January 1, 2010 to allocate the cost of development and production assets to CGUs.

(b) Decommissioning Liabilities

A decommissioning liabilities exemption was utilized by Angle which allows for the remeasurement of decommissioning liabilities on the IFRS transition date to be offset to retained earnings.

RECONCILIATION OF CONSOLIDATED STATEMENT OF FINANCIAL POSITION FROM CANADIAN GAAP TO IFRS

At the end of the last reporting comparative period under Canadian GAAP – September 30, 2010:

	Note	Canadian GAAP	Effect of Transition to IFRS	IFRS
<i>(000s) (unaudited)</i>		(\$)	(\$)	(\$)
ASSETS				
Accounts receivable		18,962	–	18,962
Deposits and prepaid expenses		4,741	–	4,741
Derivative instruments		692	–	692
Total current assets		24,395	–	24,395
Exploration and evaluation	(a)	–	54,100	54,100
Property and equipment	(a)(d)(e)(f)	523,490	(83,205)	440,285
		547,885	(29,105)	518,780
LIABILITIES				
Accounts payable and accrued liabilities		62,000	–	62,000
Deferred tax liabilities	(g)	194	(194)	–
Total current liabilities		62,194	(194)	62,000
Bank debt		130,017	–	130,017
Decommissioning liabilities	(b)	5,989	6,315	12,304
Deferred tax liabilities	(h)	31,801	(9,546)	22,255
		230,001	(3,425)	226,576
SHAREHOLDERS' EQUITY				
Share capital	(h)	283,593	2,585	286,178
Contributed surplus	(c)	6,808	559	7,367
Retained earnings		27,483	(28,824)	(1,341)
Total equity		317,884	(25,680)	292,204
		547,885	(29,105)	518,780

**RECONCILIATION OF CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS
FROM CANADIAN GAAP TO IFRS**

Reconciliation of consolidated statements of loss and comprehensive loss for the three months ended September 30, 2010:

	Note	Canadian GAAP	Effect of Transition to IFRS	IFRS
<i>(000s, except per share amounts) (unaudited)</i>				
		(\$)	(\$)	(\$)
REVENUE				
Oil and natural gas revenues		29,421	–	29,421
Royalties		(6,275)	–	(6,275)
Oil and natural gas revenues, net of royalties		23,146	–	23,146
Realized gain on derivative instruments		924	–	924
Unrealized loss on derivative instruments		(624)	–	(624)
		23,446	–	23,446
EXPENSES				
Operating		5,944	–	5,944
Transportation		705	–	705
General and administrative	(c)(f)	1,849	1,300	3,149
Share-based compensation	(c)	750	(750)	–
Depletion and depreciation	(d)	18,979	(5,144)	13,835
Impairment loss	(e)	–	40,453	40,453
		28,227	35,859	64,086
Operating loss		4,781	35,859	40,640
Interest expense		1,276	–	1,276
Accretion and finance charges	(b)	–	91	91
Net loss before income tax		6,057	35,950	42,007
Deferred income tax reduction	(g)	1,511	9,368	10,879
Net loss and comprehensive loss		4,546	26,582	31,128

**RECONCILIATION OF CONSOLIDATED STATEMENTS OF LOSS AND COMPREHENSIVE LOSS FROM
CANADIAN GAAP TO IFRS**

Reconciliation of consolidated statements of loss and comprehensive loss for the nine months ended September 30, 2010:

	Note	Canadian GAAP	Effect of Transition to IFRS	IFRS
<i>(000s, except per share amounts) (unaudited)</i>				
		(\$)	(\$)	(\$)
REVENUE				
Oil and natural gas revenues		79,882	–	79,882
Royalties		(17,270)	–	(17,270)
Oil and natural gas revenues, net of royalties		62,612	–	62,612
Realized gain on derivative instruments		1,779	–	1,779
Unrealized gain on derivative instruments		466	–	466
		64,857	–	64,857
EXPENSES				
Operating		13,364	–	13,364
Transportation		1,545	–	1,545
General and administrative	(c)(f)	5,907	5,345	11,252
Share-based compensation	(c)	2,016	(2,016)	–
Depletion and depreciation	(d)	44,324	(10,992)	33,332
Impairment loss	(e)	–	40,453	40,453
		67,156	32,790	99,946
Operating loss		2,299	32,790	35,089
Interest expense		2,839	–	2,839
Accretion and finance charges	(b)	–	244	244
Net loss before income tax		5,138	33,034	38,172
Deferred income tax reduction		1,248	8,709	9,957
Net loss and comprehensive loss		3,890	24,325	28,215

(a) IFRS 1 Election for Full Cost Oil and Gas Entities

Upon transition, the Company elected to use an IFRS 1 exemption whereby the Canadian GAAP full cost pool was used to measure exploration and evaluation assets and development and production assets on transition to IFRS as follows:

- (i) exploration and evaluation assets were reclassified from the full cost pool to exploration and evaluation assets at the amount that was recorded under Canadian GAAP; and
- (ii) the remaining full cost pool was allocated to the producing/development assets and components pro rata using reserve values.

For the nine months ended September 30, 2010 the exploration and evaluation asset transfer was \$54.1 million, which included undeveloped land acquired in 2010 net of expiries. This resulted in a corresponding decrease in property and equipment.

(b) Decommissioning Liabilities

Under Canadian GAAP decommissioning liabilities (previously referred to as asset retirement obligations) were discounted at a credit adjusted risk fee rate of 8 to 10 percent. Under IFRS the estimated cash flows to abandon and remediate the wells and facilities have been risk adjusted, therefore the provision is discounted at the risk-free rate in effect at the end of each reporting period. The change in the decommissioning liabilities each period as a result of changes in the discount rate will result in an offsetting charge to property and equipment. As at September 30, 2010 decommissioning liabilities were \$6.3 million higher than under Canadian GAAP due to the change in discount rate and its impact on liabilities incurred or acquired during 2010.

In addition, under Canadian GAAP, accretion of the discount was included in depletion and depreciation expense. Under IFRS it is included in accretion and finance charges on the statement of income (loss) and comprehensive income (loss).

(c) Share-based Compensation

Under Canadian GAAP, the Company recognized an expense related to share based payments on a straightline basis through the date of full vesting and did not incorporate a forfeiture rate at the grant date. Under IFRS, the Company is required to recognize the expense over the individual vesting periods for the graded vesting awards and estimate a forfeiture rate at the date of grant and update it throughout the vesting period. Adjustments to the performance factor are measured using the original grant date price under IFRS as opposed to treating the adjustment like an additional grant on the adjustment date. For the nine months ended September 30, 2010 contributed surplus increased by \$0.6 million. Share-based compensation is included with general and administrative expenses on the statement of income (loss) and comprehensive income (loss).

(d) Depletion Policy

Upon transition to IFRS, the Company adopted a policy of depleting petroleum and natural gas assets on a unit of production basis over proved plus probable reserves. The depletion policy under Canadian GAAP was based on units of production over proved reserves. In addition, depletion was calculated on the Canadian cost centre under Canadian GAAP. IFRS requires depletion and depreciation to be calculated based on individual components. Angle has determined the area level to be the appropriate level to use for calculating depletion.

For the three and nine months ended September 30, 2010 depleting the petroleum and natural gas properties over proved plus probable reserves resulted in a decrease to depletion of \$5.1 million and \$11.0 million respectively as a result of changes to the depletion calculation.

For exploration and evaluation assets, the cost of undeveloped land that expires during the period is charged as additional depletion expense.

(e) Amortization and Impairment Charges

During 2010, as a result of decreasing natural gas prices, Angle recognized a \$40.5 million impairment relating to one of the Company's CGUs. The impairment charge was taken at September 30, 2010 and recorded as an impairment loss with the offset recorded to accumulated depletion and depreciation. The impairment was based on the difference between the period end net book value of the assets and the recoverable amount. The recoverable amount was determined using fair value less costs to sell based on discounted cash flows of proved and probable reserves using forecast prices and costs.

(f) Business Combinations

On January 12, 2010, Angle acquired all of the issued and outstanding shares of Stonefire Energy Corp. for cash consideration of \$47.7 million. Using the purchase method, \$0.8 million was recognized in exploration and evaluation assets for the value of undeveloped land, \$88.5 million was recognized in property and equipment and decommissioning liabilities of \$1.3 million were recognized in relation to the acquired assets. Acquisition costs of \$1.1 million were charged to general and administrative expenses on the consolidated statement of income (loss) and comprehensive income (loss).

On June 30, 2010, Angle acquired certain interests in petroleum and natural gas properties for cash consideration of \$116.4 million. Using the purchase method, \$5.0 million was recognized in exploration and evaluation assets for the value of undeveloped land, \$110.0 million was recognized in property and equipment and decommissioning liabilities of \$3.9 million were recognized in relation to the acquired properties. Acquisition costs of \$1.4 million were charged to general and administrative expenses on the consolidated statement of income (loss) and comprehensive income (loss).

(g) Deferred Income Taxes

Under IFRS there is no requirement to separate the portion of deferred income taxes related to current assets or liabilities. The amounts previously classified as current have been reclassified to long-term.

Adjustments to deferred income taxes have been made in regards to the adjustments noted above that resulted in a change to the temporary difference between tax and accounting values.

(h) Flow-through Shares

Under IFRS, flow-through shares issued are recorded in share capital at the fair value of common shares on the date of issue. The premium received on issuing flow-through shares is initially recorded as a deferred credit as qualifying expenditures are incurred, the premium is reversed and a deferred tax liability is recorded. The net amount is then recognized as deferred income tax expense.

(i) Cash Flow Statement

The transition from prior Canadian GAAP to IFRS has had no material effect upon the reported cash flows generated by the Company. Transaction costs of \$1.1 million and \$1.4 million for the Stonefire and Edson property acquisitions, respectively, were included in general and administrative expenses rather than capitalized and as such are now included in cash provided from operating activities. The reconciling items between the former Canadian GAAP presentation and the IFRS presentation have no net impact on the cash flows generated for the three and nine month periods ended September 30, 2010.

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Clarence Chow ⁽²⁾⁽⁴⁾
President
CGS Asset Management Ltd.

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

D. Gregg Fischbuch
Chief Executive Officer
Angle Energy Inc.

John Gareau ⁽¹⁾⁽³⁾
Independent Businessman

Edward Muchowski ⁽²⁾⁽⁴⁾
Independent Businessman

Jacob Roorda ⁽¹⁾⁽²⁾
Vice Chairman
Canoe Financial

⁽¹⁾ Audit Committee Member

⁽²⁾ Reserves Committee Member

⁽³⁾ Corporate Governance & Compensation
Committee Member

⁽⁴⁾ Environmental, Health & Safety
Committee Member

Abbreviations

bbls	barrels
bcf	billion cubic feet
boe	barrels of oil equivalent
GJ	gigajoules
/d	per day
mbbls	thousand barrels
mboe	thousand barrels of oil equivalent
mcf	thousand cubic feet
mm	million
mmboe	million barrels of oil equivalent
mmbtu	million British thermal units
mmcf	million cubic feet
NGL	natural gas liquids
2-D	two dimensional
3-D	three dimensional

OFFICERS

Heather Christie-Burns
President & Chief Operating Officer

D. Gregg Fischbuch
Chief Executive Officer

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

G. Graham Cormack
Vice President Operations

Glen Richardson
Vice President Land

Elizabeth More
Vice President Exploration

Matthew Mazuryk
Vice President Engineering

Heather Post
Controller

Conversion of Units

1.0 acre	=	0.40 hectares
2.5 acres	=	1.0 hectare
1.0 bbl	=	0.159 cubic metres
6.29 bbls	=	1.0 cubic metre
1.0 foot	=	0.3048 metres
3.281 feet	=	1.0 metre
1.0 mcf	=	28.2 cubic metres
0.035 mcf	=	1.0 cubic metre
1.0 mile	=	1.61 kilometres
0.62 miles	=	1.0 kilometre

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

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Bank of Montreal
Calgary, Alberta

Canadian Imperial Bank of
Commerce
Calgary, Alberta

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GLJ Petroleum Consultants Ltd.
Calgary, Alberta

Seaton-Jordan & Associates Ltd.
Calgary, Alberta

LEGAL COUNSEL

Osler, Hoskin & Harcourt LLP
Calgary, Alberta

REGISTRAR AND TRANSFER AGENT

Inquiries regarding change of
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stock transfers or lost certificates
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STOCK TRADING

Toronto Stock Exchange
Trading Symbol: NGL



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