



ANGLEENERGYINC

Q2

SECOND QUARTER INTERIM REPORT

For the Three and Six Months Ended June 30, 2009

HIGHLIGHTS

	THREE MONTHS ENDED JUNE 30,			SIX MONTHS ENDED JUNE 30,		
	2009	2008	CHANGE	2009	2008	CHANGE
<i>(000s, except per share data)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(%)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(%)</i>
FINANCIAL						
Commodity revenues	17,405	33,896	(49)	38,863	56,380	(31)
Funds from operations ⁽¹⁾	8,539	18,970	(55)	18,228	33,096	(45)
Per share – basic	0.21	0.55	(62)	0.45	0.95	(53)
Per share – diluted	0.20	0.53	(62)	0.44	0.93	(53)
Cash flow from operating activities	(3,799)	16,172	(123)	8,757	27,655	(68)
Net income (loss)	(2,248)	7,527	(130)	(2,937)	10,511	(128)
Per share – basic	(0.05)	0.22	(123)	(0.07)	0.30	(123)
Per share – diluted	(0.05)	0.21	(124)	(0.07)	0.30	(123)
Capital expenditures	29,020	21,712	34	46,795	38,748	21
Total assets	212,578	173,188	23	212,578	173,188	23
Net debt ⁽²⁾	9,228	8,576	8	9,228	8,576	8
Shareholders' equity	167,231	122,108	37	167,231	122,108	37
<i>(000s)</i>	<i>(#)</i>	<i>(#)</i>	<i>(%)</i>	<i>(#)</i>	<i>(#)</i>	<i>(%)</i>
COMMON SHARE DATA						
Shares outstanding (#)						
At end of period	46,005	38,594	19	46,005	38,594	19
Weighted average – basic	40,918	34,721	18	40,112	34,656	16
Weighted average – diluted	41,772	35,601	17	40,965	35,471	15
			(%)			(%)
OPERATING						
Sales						
Natural gas (<i>mcf/d</i>)	25,899	21,128	23	26,143	19,764	32
NGLs (<i>bbls/d</i>)	3,009	2,417	24	3,046	2,391	27
Light crude oil (<i>bbls/d</i>)	146	27	437	155	23	574
Total oil equivalent (<i>boe/d</i>)	7,472	5,965	25	7,558	5,708	32
Average wellhead prices ⁽³⁾						
Natural gas (<i>\$/mcf</i>)	3.63	9.81	(63)	4.17	8.93	(53)
NGLs (<i>\$/bbl</i>)	29.68	71.88	(59)	32.11	63.00	(49)
Light crude oil (<i>\$/bbl</i>)	54.35	132.46	(59)	51.14	121.27	(58)
Total oil equivalent (<i>\$/boe</i>)	25.60	64.49	(60)	28.41	57.80	(51)
Gross (net) wells drilled (#)						
Gas	2 (2.0)	5 (4.7)	(60) (-57)	5 (3.9)	8 (6.6)	(38) (-41)
Oil	- (-)	- (-)	- (-)	- (-)	2 (1.5)	(100) (-100)
Dry and abandoned	- (-)	1 (1.0)	(100) (-100)	3 (3.0)	2 (2.0)	50 (50)
Total	2 (2.0)	6 (5.7)	(67) (-65)	8 (6.9)	12 (10.1)	(33) (-32)
Average working interest (%)	100	95	5	86	84	2

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

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

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

(4) 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

FELLOW SHAREHOLDER:

The second quarter of 2009 continued a weakening trend in natural gas prices, although light crude oil and condensate prices strengthened over the prior quarter. These trends highlight the importance of low cost operations and the benefits of producing a rich gas stream. During the three months ended June 30, 2009, Angle's production base was maintained at an operating cost of \$4.56/boe (\$0.76/mcfe), including transportation costs. Additionally, our Company's production base is composed 40% of NGLs, providing commodity diversification to dry natural gas. Consequently, even in a poor quarter for most natural gas producers, Angle was able to post an average operating netback of \$15.78/boe (\$2.63/mcfe).

The Company is well positioned to capture opportunities in the current environment due to the prior points noted as well as a strong balance sheet. During the second quarter, we increased our development drilling inventory, acquired quality assets in a core area and successfully raised equity in a market where the criteria for investment has tightened significantly. Angle's activities, as outlined in more detail below, illustrate our ability to execute our Company's plan for sustainable growth.

This letter contains certain forward-looking statements that are based on assumptions and subject to risks outlined in more detail in the Management's Discussion and Analysis ("MD&A") attached. Shareholders should read this letter, MD&A, financial statements and accompanying notes in their entirety.

CORPORATE ACTIVITIES AND FINANCIAL HIGHLIGHTS

In early May 2009, the Company announced it had entered into an agreement with a syndicate of underwriters to purchase, on a bought deal private placement basis, special warrants of Angle at a price of \$4.50 per special warrant. The agreement included an option to increase the offering by approximately \$10.0 million, which was exercised by the underwriters. On May 26, 2009, Angle successfully closed the financing for gross proceeds of \$30.0 million, and subsequently, issued 6,666,724 common shares of the Company upon conversion of all special warrants purchased. Proceeds from the offering will be used for drilling, primarily on Crown lands, and to fund the acquisition discussed below.

On June 1, 2009, the Company closed an acquisition of producing assets in our core operating area at Ferrier for cash consideration of \$22.5 million. The purchase included 550 boe/d of low cost, high netback production from seven gas wells (53% average working interest) and seven oil wells (75% average working interest), as well as 7,430 net acres of land (3,350 net acres undeveloped) and a 25% working interest in a gas gathering pipeline and a compression facility. These acquired assets are adjacent to and complement our existing production in the area and will provide new drilling opportunities eligible for Alberta's royalty incentives.

Further weakening product prices received during the three months ended June 30, 2009 resulted in Angle recording year-over-year and quarter-over-quarter decreases in sales and funds from operations. Commodity revenues declined 19% from the first quarter of 2009 to \$17.4 million while funds from operations fell 12% to \$8.5 million or \$0.20 per diluted share. Angle exited the period with net debt of \$9.2 million or a very healthy debt to annualized second quarter cash flow ratio of 0.3:1. As a result of our new syndicated banking facility that closed in April, we have borrowing capacity of \$80.0 million, thereby enhancing our Company's financial flexibility for the continued development of our core areas and in seeking additional growth opportunities and strategic acquisitions.

OPERATING HIGHLIGHTS

The Company recorded another successful operational quarter that included:

- increasing production 25% to an average 7,472 boe/d compared to the second quarter of 2008;
- drilling 2 gross (2.0 net) successful wells at an average 100% working interest; and
- acquiring 16 sections or 10,240 acres (100% working interest) of Crown mineral rights in our core operating areas at an average price of \$160.90 per hectare.

HARMATTAN

Second quarter production averaged 5,037 boe/d from 41 producing wells in the Harmattan area. In May, the AltaGas Harmattan gas plant experienced a mechanical failure on the condensate stabilizer reboiler that resulted in approximately four days of lost production and a 70 boe/d average impact for the reporting period. During the quarter at Harmattan, we successfully drilled 1 gross (1.0 net) development well that encountered pay in the Mannville 'B' zone and in the Viking. The Company forecasts up to four additional wells will be drilled at Harmattan by the end of 2009, although this activity level is flexible and dependent on commodity prices. Additionally, Viking trends present in the Harmattan area will be tested using existing suspended wellbores, allowing for a low capital cost evaluation that will yield additional drilling locations if successful.

FERRIER

At Ferrier, second quarter sales volumes from 22 wells averaged 2,435 boe/d despite an average 30 boe/d of lost production due to volume cutbacks imposed in order to perform required maintenance at the Keyera Strachan gas plant. During the three-month period, we drilled and tied in 1 gross (1.0 net) development well in the area that encountered pay in the Ostracod formation and is a successful follow-up of the prolific Ostracod channel well drilled in 2008. During the final six months of 2009, we expect to drill up to six wells in the Ferrier area.

Of the 550 boe/d of new production acquired at Ferrier on June 1, 2009, 410 boe/d was shut-in due to a plant fire at a third party processing facility. The resulting impact was lost production of 135 boe/d for the second quarter. As the anticipated downtime was to extend for several months, Angle began evaluating and planning two pipeline projects to reroute the impacted production. The first project was completed on July 20, 2009, restoring 135 boe/d of this production, with the second project expected to restore the remaining 275 boe/d by the end of August 2009.

Wells drilled in the first quarter of 2009 were not brought on production during the second quarter due to capacity restrictions at Angle's 100% owned compression facility located at 9-3-38-7 W5M. A second compressor was installed at the site in July, thereby increasing capacity and allowing additional volumes to be brought on line in the third quarter.

LONE PINE CREEK

The Lone Pine Creek area is a primary exploration focus for Angle. As a result of the Company's farm-in with Exxon Mobil Canada, Angle has a commitment to drill two wells for a total estimated net cost of \$2.4 million. The Company spud the first commitment well in June, with rig release and subsequent completion operations conducted in July. The well encountered 12 metres of pay at an average 6% porosity in the Crossfield member of the Wabamun zone. Completion consisted of perforation and an acid squeeze, with gas rates averaging 500 mcf/d and approximately 8% hydrogen sulphide content. Reservoir pressures measured are high, indicating that little to no reservoir depletion is present. The well was drilled and completed at an estimated cost of \$1.8 million, within budget expectations. The operation was conducted safely and without incident, and met all commitments to area residents.

The results from the initial well are encouraging as the anticipated presence of a gas charged reservoir has been established. The lower permeability revealed by the flow test, combined with the thick pay encountered, indicates that horizontal drilling exploitation in conjunction with multi-stage fracturing techniques is favourable for the adjacent lands. Angle maintains a 100% working interest on these lands, which are a mixture of Crown and freehold. A minimum of eight horizontal locations are currently identified.

We expect to drill our second commitment well in the north end of the Lone Pine block during the fourth quarter of 2009. This well is exploratory in nature due to its distance from the existing discovery.

Sour gas operations possess inherent timing risks as surface and regulatory determinations can affect operational planning. Angle will continue to report on its progress in this major new core area as activity continues.

ALBERTA CROWN ROYALTY PROGRAM

Subsequent to April 1, 2009, new wells brought on production are eligible for the Alberta government's extended three-point incentive program. For new wells drilled prior to March 31, 2011, the program provides a credit of \$200 per metre drilled and caps royalties at 5% for the first 12 months of production up to a maximum of 50 mbbbls of oil or 500 mmcf of natural gas. We will continue to monitor our Company's capital budget in conjunction with commodity prices and our development drilling plans in order to maximize the benefit of the incentive program. During the second quarter of 2009, Angle recorded \$540,000 in drilling credits for one Crown well drilled that qualified for the program, thereby reducing our overall drilling capital. Additionally, one well on Crown lands was tied in during the quarter, which is eligible for the initial 5% royalty program.

OUTLOOK

Angle continues to successfully expand its development projects at Harmattan and Ferrier with the benefits of being one of a small number of active junior gas producers in the current environment. Year-over-year project cost reductions of 10% to 15% overall are being achieved due to the decreased cost of services and tangibles such as steel. Our Company's low cost operations, rich gas stream and conservative balance sheet have positioned Angle to capture material Crown drilling incentives as well as to purchase long-life, quality assets with cash considerations.

Currently, we have over 50 high quality drilling locations on Company controlled lands that have been identified as providing potential economic returns within a commodity price window of \$2.85 to \$6.00/mcf AECO. In addition, the development and exploration at Lone Pine Creek could provide material increases to our Company's value.

A combination of decisive action and prudent planning to provide the groundwork for growth is the hallmark of Angle's management style. Our Company is prepared to survive and thrive under a possible protracted period of weak natural gas prices.

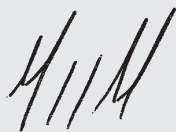
We look forward to updating you on our third quarter activities in our next interim report.

On behalf of the Board of Directors,



Heather Christie-Burns

PRESIDENT & CHIEF OPERATING OFFICER



D. Gregg Fischbuch

CHIEF EXECUTIVE OFFICER

August 4, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following Management's Discussion and Analysis ("MD&A") reports on the financial condition and the results of operations of Angle Energy Inc. ("Angle" or the "Company") for the three and six months ended June 30, 2009 and 2008 and should be read with the accompanying June 30, 2009 unaudited consolidated financial statements as well as the audited consolidated financial statements for the year ended December 31, 2008. All financial measures are expressed in Canadian dollars unless otherwise indicated. This commentary is based on the information available as at, and is dated August 4, 2009.

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

NON-GAAP MEASUREMENTS

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

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2009	2008	2009	2008
(000s)	(\$)	(\$)	(\$)	(\$)
Cash flow from operating activities	(3,799)	16,172	8,757	27,655
Changes in non-cash working capital	12,338	2,798	9,471	5,441
Funds from operations	8,539	18,970	18,228	33,096

FUTURE OUTLOOK AND FORWARD-LOOKING INFORMATION

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

MATERIAL ASSUMPTIONS ON FORWARD-LOOKING INFORMATION

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

PRODUCTION AND SALES RATES

During 2009, Angle expects that production and sales of natural gas, NGLs and light crude oil will average between 7,900 and 8,100 boe/d. Wells drilled in the first quarter of 2009 were not brought on production during the second quarter due to capacity restrictions at Angle's 100% owned Ferrier compression facility located at 9-3-38-7 W5M. A second compressor was installed at the site in July, thereby increasing capacity and allowing additional volumes to be brought on line in the third quarter. There are many factors that could result in production levels being less than anticipated, including: greater than anticipated declines in existing production due to poor reservoir performance, mechanical failures or inability to access production facilities; the unanticipated encroachment of water or other fluids into the producing formation; and, the inability to drill, complete and tie-in wells on schedule due to a lack of oilfield services being available on a cost efficient basis, poor weather, the inability to negotiate surface access with the landowners, or regulatory delays in obtaining all necessary drilling and production approvals.

PRODUCTION MIX

The Company anticipates that its 2009 product volume mix will be similar to 2008, and as a result, will approximate 58% natural gas, 40% NGLs and 2% light crude oil. This expectation may not be met if the wells are not drilled when expected (see "Drilling Program" below) or if the wells do not produce as expected (see "Production and Sales Rates" above).

COMMODITY PRICES

For purposes of its forecast for 2009, the Company has assumed that the natural gas price at AECO for spot delivery will average \$4.00/GJ and that the West Texas Intermediate crude oil price will average US\$55/bbl. There are many risks that may result in commodity price assumptions being less than expected. The price of natural gas in North America is primarily related to the domestic supply and demand equation. Demand is primarily affected by heating requirements in winter and cooling requirements in summer, with warm winters and/or cool summers having a negative demand influence. Supplies are generally domestic and respond to prices, but an increase in the deliverability of global NGLs into the North American market can also, at times, influence the supply situation.

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

Canadian producers realize a Canadian dollar price for natural gas, NGLs and crude oil, all of which are determined in large part by the U.S. dollar price for such products adjusted for the U.S. to Canadian dollar exchange rate. The exchange rate is influenced by many factors, which have and will continue to result in high volatility. Angle has used a Canadian to U.S. dollar price exchange rate of \$0.83 for its forecast pricing.

ROYALTY RATES

Angle expects that royalty rates during 2009 will average in the range of 31% to 33% of gross revenue, before realized or unrealized derivative gains or losses. This royalty rate expectation has resulted from the Company's view on commodity prices and increased sales from Crown lands. Total royalties are the combination of Crown royalties paid on Crown lands and freehold royalties paid on freehold lands. In addition, gross overriding royalties are payable on lands in which the Company has earned an interest by way of farm-in, whether the lands are Crown or freehold. Total royalties payable are a function of the mix between Crown and freehold lands as the rates are different.

Historically, the Company's freehold royalty rates have been higher than the Crown royalty rate applicable had the lands been Crown lands. However, under the new Alberta royalty rate program that became effective January 1, 2009, Angle's freehold royalty rates could, in certain cases, be less than the Crown royalty rates that would have applied had the lands been Crown owned depending on commodity prices.

During 2008, the Company's royalty mix was 20% Crown royalties and 11% freehold and gross overriding royalties, and the combined royalty rate was 31%. The actual combined royalty rate in any period will be a function of the mix between Crown and freehold production. Crown royalty rates are determined by the depth of the well, production rates and the price of natural gas or crude oil. As both Crown and freehold royalties are calculated as a percentage of revenue, royalties will vary directly with revenue and tend to mitigate the risk of declining revenues from lower production levels and/or lower commodity prices.

On March 3, 2009, the Government of Alberta announced a three-point incentive program to stimulate new and continued economic activity in Alberta. For new wells drilled between April 1, 2009 and March 31, 2011 on Crown lands, the program provides a credit of \$200 per metre drilled and caps royalties at 5% for the first 12 months of production up to a maximum of 50 mbbbls of oil or 500 mmcf of natural gas. The drilling credit will be applied to and reduce Angle's capital expenditures in the period earned. At June 30, 2009, Angle has booked a \$540,000 drilling credit related to the Ferrier well drilled during the second quarter. The Company will continue to monitor any further amendments to the incentive program and will update its plans as required.

OPERATING COSTS

The Company expects operating and transportation costs to average in the range of \$5.10 to \$5.30/boe for 2009. Generally, operating costs in the Harmattan area are slightly lower than in the Ferrier area, and as Ferrier production grows in proportion to the Company's total, the blended operating costs are expected to increase marginally.

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

GENERAL AND ADMINISTRATIVE ("G&A") COSTS

Angle anticipates that G&A expenses for 2009 will be approximately in the \$1.70 to \$1.75/boe range, net of capitalized amounts. Risks that G&A costs will exceed this amount relate to higher than expected employee costs necessarily incurred by the Company to retain key employees in a competitive market, the need to hire more staff than originally anticipated and general cost inflation.

FUNDS FROM OPERATIONS

The Company expects that funds from operations will be in the range of approximately \$42 million to \$44 million for 2009. This estimate is based on the assumptions as to production, commodity prices, royalty rates, operating costs and G&A costs discussed above. The risk that funds from operations are less than expected is the aggregate of all risks affecting the individual components thereof.

CAPITAL EXPENDITURES

In the second quarter of 2009, Angle was successful in closing an acquisition in its Ferrier core area for approximately \$22.5 million, which increases its expectations for capital expenditures during 2009 to be between \$75 million and \$77 million. This revised expectation excludes potential future acquisition activity and the impact of the Alberta Crown drilling credit incentive program. Angle's capital expenditures will consist of costs for drilling, completions, equipment, tie-ins, land and seismic. This is based on the assumption that the Company drills in the range of 19 to 21 gross wells during 2009. The capital program during 2009 is flexible, depending on commodity prices and recently announced Alberta Crown royalty incentive programs. Increases in capital costs from budgeted amounts can occur for the following reasons: general cost inflation in the industry, resulting from high utilization rates; poor weather that can delay activity and subject the Company to stand-by charges; and, problems encountered in drilling a well that can result in additional drilling time or, in some cases, losing the well entirely.

DRILLING PROGRAM

The Company expects to drill 19 to 21 gross wells during 2009. During the balance of 2009, a portion of Angle's expected drilling plans include four wells at Harmattan, six wells at Ferrier and the Company's second commitment well at Lone Pine Creek. The drilling program is a key assumption in the production estimates for the period discussed above. The risk that Angle will not meet its drilling targets is attributable to the following: lack of access to drilling rigs and related equipment at sites; delays in obtaining landowner consent for surface access; and, delays in obtaining well licences and drilling permits.

DRILLING SUCCESS

During 2009, the Company expects to add reserves from its drilling activities. In arriving at such expectations, Angle undertakes a risking process where each well is assigned a probability of success and the expected reserves that would be added in a success case. The basis for such assessment is a combination of geological, geophysical and reservoir engineering analysis, including reviewing analog reserves in the area of interest. There are many risks that a well may not add the reserves anticipated, including: poor reservoir rock due to low permeability and/or low porosity that inhibits production; the non-existence of the targeted zone due to erosion; the lack of an effective reservoir seal, preventing the migration of hydrocarbons; presence of water in the zone; damage to the zone from the drilling process; and, competitive drainage from offsetting acreage not owned by the Company.

DEVELOPING FUTURE PROSPECTS

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

DEBT

The Company anticipates that its combined bank debt and working capital deficit position at December 31, 2009 will be less than \$10 million, given the volatility of commodity prices. The forecast closing debt would be increased by any additional share purchases under the Company's normal course issuer bid or an acquisition. This assumes that capital expenditures are between \$52 million and \$54 million, prior to acquisitions and drilling credits, and that funds from operations are in the range of approximately \$42 million to \$44 million for 2009. The risk that debt levels are higher than expected would result from capital expenditures exceeding budget and/or funds from operations being less than budget, both of which have been considered above.

TAX HORIZON

Angle will not become cash taxable during 2009 based on the foregoing assumptions. Liability for current income tax is a function of the amount of revenue and expenses recognized for tax purposes, including deductions for capital expenditures. As such, taxable income is affected by many factors, including: production levels; commodity prices; and, the level and classification for tax purposes of capital spending into one of several categories with each being deductible at different rates. The liability for current income tax could be higher than expected if revenues exceed Angle's budget, if capital spending is lower than expected, or if a greater proportion of capital spending is allocated to a lower deduction category.

CURRENT MARKET CONDITIONS

Management is aware that the current equity market conditions may not be conducive to raising funds through treasury issues of common shares. However, the Company has the financial capability to continue its 2009 capital program through funds from operations and available credit under the existing bank line without the need to access capital markets.

GENERAL

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

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

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

BASIS OF PRESENTATION

Angle is a public company that was incorporated under the laws of Alberta on January 23, 2004 and commenced active oil and gas operations in 2005. This MD&A focuses on the Company's operations for the three and six months ended June 30, 2009 and 2008.

OPERATING RESULTS

DRILLING ACTIVITY

	EXPLORATION		DEVELOPMENT		TOTAL	
	Gross (wells)	Net (wells)	Gross (wells)	Net (wells)	Gross (wells)	Net (wells)
January 1 to June 30, 2009						
Natural gas and NGLs	–	–	5	3.9	5	3.9
Light crude oil	–	–	–	–	–	–
Dry and abandoned	3	3.0	–	–	3	3.0
Total wells	3	3.0	5	3.9	8	6.9
Success rate (%)		–		100		57
Average working interest (%)		100		78		86
January 1 to June 30, 2008						
Natural gas and NGLs	1	0.5	1	1.0	2	1.5
Light crude oil	–	–	8	6.6	8	6.6
Dry and abandoned	2	2.0	–	–	2	2.0
Total wells	3	2.5	9	7.6	12	10.1
Success rate (%)		20		100		80
Average working interest (%)		83		84		84

For the six months ended June 30, 2009, Angle drilled 8 gross (6.9 net) wells of which 2 gross (2.0 net) development wells were at Harmattan, 3 gross (1.9 net) wells were at Ferrier, 1 gross (1.0 net) exploration well was at Deanne and 2 gross (2.0 net) exploration wells were at Pembina. The Company's success rate is calculated on a net working interest completion basis.

CAPITAL EXPENDITURES

Capital expenditures for the three and six months ended June 30, 2009 and 2008 are summarized in the following table:

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2009	2008	2009	2008
(000s)	(\$)	(\$)	(\$)	(\$)
Drilling and completions	4,220	14,825	16,735	25,807
Drilling credit	(540)	–	(540)	–
Equipment and facilities	1,642	5,962	5,831	10,943
Geological and geophysical	82	4	298	332
Land and lease retention	896	833	1,569	1,295
Acquisitions	22,451	–	22,451	–
Head office	69	20	88	42
Capitalized G&A and other	200	68	363	329
Total	29,020	21,712	46,795	38,748

For the second quarter of 2009, drilling and completions expenditures totaled \$4,220,000 (2008 – \$14,825,000) that involved the drilling of 2 gross (2.0 net) wells, both of which were successful. In the comparative quarter of 2008, the Company drilled 6 gross (5.7 net) wells of which 5 gross (4.7 net) wells were successful and 1 gross (1.0 net) well was dry for an 82% net success rate. During the three months ended June 30, 2009, Angle recognized \$540,000 in drilling credits for one Crown well drilled that qualified for the Alberta government's incentive program.

Drilling and completions expenditures totaled \$16,735,000 for the six months ended June 30, 2009 (2008 – \$25,807,000), which involved the participation in 8 gross (6.9 net) wells. Of the 8 wells, 5 gross (3.9 net) wells were cased while the remaining 3 gross

(3.0 net) wells were not successful. In the comparative period of 2008, the Company drilled 12 gross (10.1 net) wells of which 10 gross (8.1 net) wells were cased while the remaining 2 gross (2.0 net) wells were unsuccessful.

For the three months ended June 30, 2009, the Company's expenditures on facilities totaled \$1,642,000 (2008 – \$5,962,000) primarily for wellsite facilities and related gathering pipelines. For the six months ended June 30, 2009, the Company's expenditures on facilities totaled \$5,831,000 (2008 – \$10,943,000) primarily for wellsite facilities, related gathering pipelines and construction of compression facilities at Harmattan.

Land purchases and lease retention costs incurred in the second quarter of 2009 totaled \$896,000 (2008 – \$833,000). Angle was successful in Crown land sales during the 2009 three-month period, and as a result, added an additional 16 sections or 10,240 acres, at 100% working interest, to its total land inventory. During the first six months of 2008, the Company expended \$1,569,000 (2008 – \$1,295,000) in land purchases and lease retention costs.

On June 1, 2009, the Company closed an acquisition of 550 boe/d low cost, high netback production, with associated facility interests and undeveloped land, within Angle's Ferrier core area. The acquisition included 7,430 net acres of land (3,350 net acres undeveloped) as well as a 25% working interest in both a gas gathering pipeline and a compression facility.

FINANCIAL AND OPERATING RESULTS OF OIL AND GAS ACTIVITIES

SALES, REVENUE AND PRICE

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2009	2008	2009	2008
Sales				
Natural gas sales (<i>mcf/d</i>)	25,899	21,128	26,143	19,764
NGLs sales (<i>bbls/d</i>)	3,009	2,417	3,046	2,391
Light crude oil sales (<i>bbls/d</i>)	146	27	155	23
Total sales (<i>boe/d</i>)	7,472	5,965	7,558	5,708
Total sales (<i>boe</i>)	679,960	542,859	1,367,984	1,038,840
(<i>000s</i>)	(\$)	(\$)	(\$)	(\$)
Revenue				
Natural gas	8,554	20,833	19,728	33,831
Realized derivative (loss) gain	–	(1,962)	–	(1,697)
Total natural gas	8,554	18,871	19,728	32,134
NGLs	8,127	15,809	17,703	27,416
Light crude oil	724	330	1,432	501
Total revenue before unrealized derivative (loss) gain	17,405	35,010	38,863	60,051
Unrealized derivative (loss) gain	–	(1,114)	–	(3,671)
Total revenue	17,405	33,896	38,863	56,380
Average Prices				
Natural gas sales price (<i>\$/mcf</i>)	3.63	10.83	4.17	9.40
Derivative realized gain (loss) (<i>\$/mcf</i>)	–	(1.02)	–	(0.47)
Total natural gas sales price (<i>\$/mcf</i>)	3.63	9.81	4.17	8.93
NGLs sales price (<i>\$/bbl</i>)	29.68	71.88	32.11	63.00
Light crude oil sales price (<i>\$/bbl</i>)	54.35	132.46	51.14	121.27
Total sales price (<i>\$/boe</i>)	25.60	64.49	28.41	57.80

For the three months ended June 30, 2009, revenue was \$17,405,000 compared to \$35,010,000 (before unrealized derivative loss) for the same period in 2008. Sales volumes during the second quarter of 2009 averaged 7,472 boe/d versus 5,965 boe/d a year ago and 7,645 boe/d recorded in the first quarter of 2009. Although Angle posted a 25% year-over-year increase in sales volumes, the Company's prices decreased 60% on a per boe basis with natural gas declining 63% and NGLs falling 59% from the comparable quarter in 2008.

The AltaGas Harmattan gas plant experienced a mechanical failure on the condensate stabilizer reboiler, which resulted in approximately four days of lost production and a 70 boe/d average impact for the current reporting period. In addition, the Keyera

Strachan gas plant imposed volume cutbacks to perform required plant maintenance, leading to lost production of 30 boe/d average during the period. Finally, of the 550 boe/d that was acquired as of June 1, 2009, 410 boe/d was shut-in due to a plant fire at a third party processing facility in the Ferrier area. The resulting impact was lost production of 135 boe/d during the period. Reports from the third party operator indicated that downtime was anticipated to extend for several months, and as a result, Angle began evaluating and planning two pipeline projects to reroute its impacted production. The first 135 boe/d of impacted production was restored on July 20, 2009 with the remaining 275 boe/d of impacted production expected to be restored by the end of August 2009.

During the three months ended June 30, 2009, Angle's product volume mix was 58% natural gas, 40% NGLs with 2% light crude oil.

Angle continues to have success in its development drilling program with volumes being tied in from both its Ferrier and Harmattan core areas. Ferrier contributed approximately 33% of the Company's total sales volumes during the second quarter of 2009, up slightly from 31% in the first quarter, while the balance of sales volumes were from Harmattan. In the comparative quarter of 2008, Ferrier sales were approximately 25% of Angle's total sales volumes.

For the first half of 2009, revenue was \$38,863,000 on average sales volume of 7,558 boe/d compared to \$60,051,000 (before unrealized derivative loss) and 5,708 boe/d for the same period in 2008. The 35% revenue decrease resulted from a 51% decline in blended product pricing, partially offset by a 32% increase in sales volumes.

The Company's drilling operations primarily target natural gas that is rich in associated NGLs. Angle's NGLs are comprised of approximately 35% ethane, 26% propane, 15% butane and 24% condensate. The price received for its NGLs is based on this mix, with condensate having the highest value of the NGLs stream.

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

ROYALTIES

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2009	2008	2009	2008
(000s)	(\$)	(\$)	(\$)	(\$)
Total revenue before unrealized derivative loss	17,405	35,010	38,863	60,051
Royalties				
Crown	1,443	7,151	6,202	11,831
Other	2,135	4,499	4,672	7,422
Total royalties	3,578	11,650	10,874	19,253
	(%)	(%)	(%)	(%)
% of Revenue				
Crown	9	20	16	20
Other	12	13	12	12
Total	21	33	28	32

For the second quarter of 2009, the Company recorded total royalties of \$3,578,000 or 21% of revenue versus \$11,650,000 or 33% of revenue for the same period in 2008.

Although other royalties are consistent throughout the reporting periods presented, Angle's Crown royalties declined to 9% and 16% for the second quarter and six months ended June 30, 2009, respectively, from an average of 20% for the comparative periods a year ago. These decreases were due in part to the decline in product prices which, under the new royalty framework, results in lower royalty rates. In addition, during the second quarter of 2009, Angle received a favourable gas cost allowance annual adjustment of approximately \$750,000 related to 2008 and is also receiving higher monthly gas cost allowance credits. These factors have affected both the quarter and the six-month Crown royalty rates. Without the annual adjustment, the Crown royalty rate would have been approximately 13% and 18% for the 2009 second quarter and six-month periods, respectively.

During the first six months of 2009, total royalties were \$10,874,000 or 28% of revenue compared to \$19,253,000 or 32% of revenue a year ago.

OPERATING EXPENSES

(000s)	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2009	2008	2009	2008
	(\$)	(\$)	(\$)	(\$)
Operating expense	2,864	2,663	5,930	4,861
Transportation expense	235	185	483	342
Total operating expenses	3,099	2,848	6,413	5,203
Total operating expenses (\$/boe)	4.56	5.25	4.69	5.01

Total operating expenses were \$3,099,000 or \$4.56/boe for the 2009 three-month period versus \$2,848,000 or \$5.25/boe a year ago. The reduction in oil and gas service activity, combined with the Company's cost saving initiatives, has reduced Angle's operating expenses in both the second quarter and the six months ended June 30, 2009. The Company has recognized approximately 10% lower costs primarily in materials charged to Angle by its contractors. This trending of lower per unit operating expenses will be considered when the Company completes the next forecast of expected operational and financial results for 2009.

During the first half of 2009, the Company incurred operating expenses of \$6,413,000 or \$4.69/boe compared to \$5,203,000 or \$5.01/boe in the 2008 period.

GENERAL AND ADMINISTRATIVE ("G&A") EXPENSES AND STOCK-BASED COMPENSATION

(000s)	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2009	2008	2009	2008
	(\$)	(\$)	(\$)	(\$)
G&A expenses	2,456	1,538	4,007	2,506
G&A capitalized (direct)	(200)	(68)	(363)	(329)
G&A recoveries via operations	(115)	(236)	(346)	(362)
G&A expenses (net)	2,141	1,234	3,298	1,815

G&A net expenses totaled \$2,141,000 for the three months ended June 30, 2009 versus \$1,234,000 in the same period a year ago. Expenses increased during the period due to financing fees for the new syndicated credit facility, related legal fees and annual costs such as insurance, bonuses and director fees. During the second quarter of 2009, these fees and annual costs totaled approximately \$700,000. Angle had 23 professional staff during the three-month period compared to 18 staff in the same period of 2008. During the three months ended June 30, 2009, the Company capitalized \$200,000 (2008 – \$68,000) in direct costs relating to its exploration and development staff salaries and \$115,000 (2008 – \$236,000) relating to operator recoveries on capital expenditures.

During the second quarter of 2009, Angle recorded non-cash stock-based compensation expense of \$325,000 (2008 – \$373,000) and capitalized \$128,000 (2008 – \$87,000) for total stock-based compensation of \$453,000 (2008 - \$460,000).

G&A net expenses totaled \$3,298,000 for the first half of 2009 compared to \$1,815,000 in the same period a year ago. During the six months ended June 30, 2009, the Company capitalized \$363,000 (2008 – \$329,000) in direct costs relating to its exploration and development efforts and \$346,000 (2008 – \$362,000) relating to operator recoveries on capital expenditures.

During the first six months of 2009, Angle recorded non-cash stock-based compensation expense of \$712,000 (2008 – \$575,000) and capitalized \$247,000 (2008 – \$179,000) for total stock-based compensation of \$959,000 (2008 – \$754,000). The Company's G&A expenses and stock-based compensation rose in part due to the increase in staffing to properly manage increased activities, finance fees for the new syndicated credit facility and increased ongoing costs due to public reporting requirements.

INTEREST EXPENSE

Interest expense incurred during the six months ended June 30, 2009 totaled \$50,000 (2008 – \$684,000) with the change resulting from the decreased use of credit facilities to date in 2009.

NETBACKS (PER UNIT)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2009	2008	2009	2008
	(\$/boe)	(\$/boe)	(\$/boe)	(\$/boe)
Sales prices	25.60	64.49	28.41	57.80
Royalties	(5.26)	(21.46)	(7.95)	(18.53)
Operating	(4.56)	(5.25)	(4.69)	(5.01)
Operating netback	15.78	37.78	15.77	34.26
G&A and other (excludes non-cash items)	(3.15)	(2.27)	(2.41)	(1.75)
Interest expense	(0.07)	(0.57)	(0.04)	(0.66)
Funds flow netback ⁽¹⁾	12.56	34.94	13.32	31.85
Depletion, depreciation and accretion	(15.57)	(13.12)	(15.29)	(13.28)
Stock-based compensation	(0.48)	(0.69)	(0.52)	(0.55)
Unrealized (loss) gain on derivative instrument	–	(2.05)	–	(3.53)
Future tax reduction (expense)	0.18	(5.22)	0.34	(4.37)
Net income (loss) netback	(3.31)	13.86	(2.15)	10.12

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

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

Angle's operating netback was \$15.77/boe for the six months ended June 30, 2009 compared to \$34.26/boe in 2008. The Company's operating netback was adversely impacted by the 51% decrease in commodity prices, slightly offset by lower Crown royalty rates, as a percentage of revenue, and lower operating expenses on a per unit basis.

FUNDS FROM OPERATIONS

Funds from operations totaled \$8,539,000 or \$0.21 per basic and \$0.20 per diluted share during the second quarter of 2009 versus \$18,970,000 or \$0.55 per basic and \$0.53 per diluted share in the comparable period of 2008.

For the six months ended June 30, 2009, the Company recorded funds from operations of \$18,228,000 or \$0.45 per basic and \$0.44 per diluted share compared to \$33,096,000 or \$0.95 per basic and \$0.93 per diluted share in the same period of 2008. Refer to the beginning of this MD&A section for discussion and reconciliation of funds from operations to cash flow from operating activities, which is the most directly comparable measure calculated in accordance with GAAP.

CASH FLOW FROM OPERATING ACTIVITIES

Cash flow deficit from operating activities totaled \$3,799,000 or \$0.09 per basic and diluted share during the second quarter of 2009 compared to cash flow from operating activities of \$16,172,000 or \$0.47 per basic and \$0.45 per diluted share a year ago.

During the first half of 2009, the Company's cash flow from operating activities was \$8,757,000 or \$0.22 per basic and \$0.21 per diluted share versus \$27,655,000 or \$0.80 per basic and \$0.78 per diluted share in 2008.

DEPLETION, DEPRECIATION AND ACCRETION ("DD&A")

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2009	2008	2009	2008
DD&A provision (\$000s)	10,589	7,125	20,915	13,797
DD&A provision (\$/boe)	15.57	13.12	15.29	13.28

The DD&A provision for the second quarter in 2009 was \$10,589,000 or \$15.57/boe compared to \$7,125,000 or \$13.12/boe recorded in the same period of 2008.

For the six months ended June 30, 2009, the DD&A provision was \$20,915,000 or \$15.29/boe compared to \$13,797,000 or \$13.28/boe recorded in the same period of 2008. The increase in DD&A was primarily due to increased production volumes, combined with an increase in the per unit rate, that resulted from lower reserves additions relative to capital expenditures due to unsuccessful exploratory drilling conducted during the first three months of 2009.

INCOME TAXES

A future tax reduction of \$127,000 was recognized for the three months ended June 30, 2009 compared to a future tax expense of \$2,831,000 recorded in the same period of 2008.

Future tax reductions totaled \$462,000 during the first six months of 2009 versus future income tax expense of \$4,542,000 recorded in the comparable period of 2008.

NET INCOME

The Company recorded a net loss of \$2,248,000 or \$0.05 per basic and diluted share during the second quarter of 2009 compared to net income of \$7,527,000 or \$0.22 per basic and \$0.21 per diluted share in the same period a year ago.

For the six months ended June 30, 2009, Angle recorded a net loss of \$2,937,000 or \$0.07 per basic and diluted share versus net income of \$10,511,000 or \$0.30 per basic and diluted share in the comparative period of 2008.

LIQUIDITY AND CAPITAL RESOURCES

The following table summarizes the change in working capital during the six months ended June 30, 2009 and the year ended December 31, 2008:

	SIX MONTHS ENDED JUNE 30, 2009	YEAR ENDED DECEMBER 31, 2008
<i>(000s)</i>	<i>(\$)</i>	<i>(\$)</i>
Working capital (deficiency) – beginning of period	(8,960)	(31,819)
Funds from operations	18,228	69,801
Issue of capital stock for cash (net of share issue expense)	28,299	38,695
Redemption of share capital	–	(5,760)
Derivative instruments	–	(11)
Capital expenditures	(46,795)	(79,866)
Working capital (deficiency) – end of period	(9,228)	(8,960)

Since inception on January 23, 2004 to June 30, 2009, Angle has raised funds through treasury equity issues in the amount of \$135,530,000 (net of share issue expenses and normal course issuer bid) at share prices ranging from \$0.60 to \$8.00 per common share.

The Company exited the period with a working capital deficiency and long-term debt of \$9,228,000 compared to available credit lines of \$80,000,000. On April 17, 2009, Angle closed a new banking facility that increased the borrowing capacity to \$80,000,000 from the previous credit line of \$70,000,000. 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. However, the Company is in full compliance with all bank debt covenants and has provided the bank with a reserves report, dated January 1, 2009, and does not expect any reduction in its borrowing base, and no repayment will be required, in the short-term.

Other liabilities included in working capital deficiency 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 order to protect a portion of the Company's revenue stream, Angle will periodically enter into forward sales contracts for its commodities. As at June 30, 2009 and as of the date of this report, the Company did not have any forward sales contracts outstanding.

As at August 4, 2009, Angle had 46,669,965 common shares, 2,238,333 stock options and 1,322,000 share appreciation rights ("SARs") issued and outstanding. On August 4, 2009, the Board of Directors of Angle authorized that the Company's SARs plan be terminated in accordance with the terms of that plan. Between the start of its normal course issuer bid in September 2008 and June 30, 2009, the Company has repurchased and cancelled 1,425,500 shares. Angle has not completed any purchases since December 31, 2008.

FINANCIAL INSTRUMENTS

Financial instruments of the Company consist primarily of cash, accounts receivable, accounts payable and bank debt. As at June 30, 2009, there were no significant differences between the carrying amounts reported on the balance sheet and their estimated fair values due to the short-term nature of these instruments.

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

CREDIT RISK

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

LIQUIDITY RISK

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

MARKET RISK

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

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in the commodity prices. The Company has attempted to mitigate commodity price risk through the use of financial derivative contracts in the past; however, there were no financial derivative contracts in place at June 30, 2009.

Foreign currency exchange rate risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company does not sell or transact in any foreign currency; however, the United States dollar influences the price of petroleum and natural gas sold in Canada. The Company's financial assets and liabilities are not affected by a change in currency rates. The Company had no foreign exchange contracts in place at June 30, 2009.

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate risk to the extent the changes in market interest rates will impact the Company's debts that have a floating interest rate. The Company had no interest rate swaps or hedges at June 30, 2009. With regards to interest rate risk, a change of 1% in the effective interest rate would impact net earnings by approximately \$65,000 in 2009, based on estimated average debt outstanding during the year.

SELECTED QUARTERLY INFORMATION

THREE MONTHS ENDED	JUN. 30, 2009	MAR. 31, 2009	DEC. 31, 2008	SEP. 30, 2008	JUN. 30, 2008	MAR. 31, 2008	DEC. 31, 2007	SEP. 30, 2007
<i>(000s, except per share data)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>
Total assets	212,578	191,682	186,985	192,179	173,188	148,891	134,371	115,490
Total sales <i>(boe/d)</i>	7,472	7,645	7,628	7,280	5,965	5,450	3,532	2,989
Oil and gas revenues	17,405	21,458	28,591	39,243	33,896	22,484	13,952	12,351
Funds from operations	8,539	9,689	15,688	21,017	18,970	14,126	7,672	6,561
Per share – basic	0.21	0.25	0.41	0.54	0.55	0.41	0.23	0.20
Cash flow from								
operating activities	(3,799)	12,556	13,892	31,770	16,172	11,483	12,515	4,779
Net income (loss)	(2,248)	(689)	2,790	13,071	7,527	2,984	2,932	1,225
Per share – basic	(0.05)	(0.02)	0.07	0.34	0.22	0.09	0.09	0.04
Capital expenditures	29,020	17,775	17,608	23,510	21,712	17,036	18,563	17,919
Working capital (deficiency)	(9,228)	(17,046)	(8,960)	(10,680)	(11,156)	(36,393)	(31,819)	(29,013)
Shareholders' equity	167,231	140,260	143,057	135,854	122,108	84,626	82,461	70,838

Note: The selected quarterly information has been prepared in accordance with the accounting principles as contained in the notes to the consolidated financial statements for the years ended December 31, 2008 and 2007.

FACTORS THAT HAVE CAUSED VARIATIONS OVER THE QUARTERS

The fluctuations in Angle's revenue and net earnings from quarter to quarter are primarily caused by increases in production volumes, realized commodity prices and the related impact on royalties, and realized and unrealized gains/losses on financial instruments. Angle has been successful in drilling and tie-in of its wells and has increased oil and gas revenues and related volumes each successive quarter, with the exception of the first two quarters of 2009. During the second quarter of 2009, the Company experienced production downtime due to mechanical failures at its processing facilities in both the Harmattan and Ferrier core producing areas. During the first two quarters of 2009, Angle's revenue stream was negatively impacted by the decrease in commodity prices experienced by the industry as a whole. In addition, future income tax estimates and changes in estimates contributed to the changes in net earnings. 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 a Canadian bank. The authorized borrowing amount under this facility as at June 30, 2009 was \$80,000,000. The Company's commitments are summarized below:

	2009	2010	2011
<i>(000s)</i>	<i>(\$)</i>	<i>(\$)</i>	<i>(\$)</i>
Operating lease – office	200	437	408
Operating lease – compressors	129	–	–
Exploration expenditures (flow-through)	693	–	–
Total	1,022	437	408

As a result of the Company's farm-in in the Lone Pine Creek area, Angle has a commitment to drill two wells for a total estimated net cost of \$2,400,000, of which one well was spud in June 2009 with drilling operations completed in July 2009. The Company expects to meet this commitment primarily from generation of funds from operations and, to a much lesser degree, drawing on its existing bank line. Please refer to the "Future Outlook and Forward-Looking Information" and the "Liquidity and Capital Resources" sections of this MD&A for further information.

RELATED PARTY AND OFF-BALANCE SHEET TRANSACTIONS

Angle has retained the law firm of Osler, Hoskin and Harcourt LLP (“Osler”) to provide legal services. Ms. Noralee Bradley, a Director and Chairman of Angle, is a partner of this firm. During the first six months of 2009, Angle incurred \$333,000 in costs with Osler (2008 – \$350,000). Services provided related to advice and counsel primarily in the areas of general legal, corporate governance matters, and banking and equity offerings. These services were billed at rates consistent with those charged to third parties. The Company expects to continue using the firm’s services throughout 2009.

CHANGES IN ACCOUNTING DISCLOSURES

The following disclosures to the consolidated financial statements are in effect as of January 1, 2009.

FUTURE ACCOUNTING POLICY CHANGES

BUSINESS COMBINATIONS

In December 2008, the Canadian Institute of Chartered Accountants (“CICA”) issued Section 1582 “Business Combinations”. This section is effective January 1, 2011 and applies prospectively to business combinations for which the acquisition date is during the first annual reporting period beginning on or after January 1, 2011 for the company. Early adoption is permitted. This section replaces Section 1581 “Business Combination” and harmonizes the Canadian standards with IFRS.

TRANSITION TO INTERNATIONAL FINANCIAL REPORTING STANDARDS (“IFRS”)

In February 2008, the CICA’s Accounting Standards Board (“AcSB”) confirmed the changeover to IFRS from Canadian GAAP will be required for publicly accountable enterprises for interim and annual financial statements for fiscal years beginning on or after January 1, 2011, including comparative figures for 2010.

In July 2009, the International Accounting Standards Board (“IASB”) published amendments to IFRS 1. The amendments permit the Company to apply IFRS prospectively by utilizing its current reserves volumes or reserves values at the transition date to allocate the Company’s full cost pool, with the provision that an impairment test, under IFRS standards, be conducted at the transition date. The eventual changeover to IFRS represents a change due to new accounting standards. The transition from current Canadian GAAP to IFRS is a significant undertaking that may materially affect the Company’s reported financial position and results of operations.

In response, the Company has completed a high-level IFRS transition plan and has established a preliminary timeline for its execution and completion. The Company has performed a preliminary review of the accounting policies of the Company under Canadian GAAP and compared them to IFRS. At June 30, 2009, the Company had begun the next phase of the project, conducting an in-depth review of the significant areas of difference identified during the preliminary assessment in order to identify all specific Canadian GAAP and IFRS differences and select ongoing IFRS policies. Key areas addressed are also being reviewed to determine any information technology issues, the impact on internal controls over financial reporting and the impact on other business activities, including compensation arrangements. As of the date of this report, the quantitative impact of the changes has not been determined. Staff training programs commenced in 2008 and will be ongoing as the project unfolds. The Company will also continue to monitor standards development as issued by the IASB and the AcSB as well as regulatory developments as issued by the Canadian Securities Administrators, which may affect the timing, nature or disclosure of its adoption of IFRS. Additional disclosures of the key elements of the transition plan and progress of the project will be provided as the information becomes available.

CONTROLS AND PROCEDURES

DISCLOSURE CONTROLS

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

INTERNAL CONTROLS OVER FINANCIAL REPORTING

Management has assessed the effectiveness of the Company’s internal controls over financial reporting as defined by National Instrument 52-109 at December 31, 2008. The assessment was based on the framework in “Internal Control – Integrated Framework” issued by the Committee of Sponsoring Organizations. No changes were made to the Company’s internal controls over financial reporting during the period ended June 30, 2009 that have materially affected, or are reasonably likely to materially affect, internal controls over financial reporting.

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

BUSINESS RISKS AND RISK MITIGATION

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

GLOBAL FINANCIAL CRISIS

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

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

INHERENT INDUSTRY RISKS – RISK OF FAILING TO DISCOVER ECONOMIC RESERVES ADDITIONS

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

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

OPERATIONAL AND ENVIRONMENTAL RISKS

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



Stuart C. Symon, CMA

VICE PRESIDENT FINANCE & CHIEF FINANCIAL OFFICER

August 4, 2009

CONSOLIDATED BALANCE SHEETS

AS AT	JUNE 30, 2009	DECEMBER 31, 2008
<i>(000s) (unaudited)</i>	<i>(\$)</i>	<i>(\$)</i>
ASSETS		
Current		
Cash	–	939
Accounts receivable	9,364	12,496
Prepaid expenses and other	3,921	1,266
	13,285	14,701
Property and equipment <i>(note 3)</i>	199,293	172,284
	212,578	186,985
LIABILITIES		
Current		
Accounts payable and accrued liabilities	14,592	23,661
	14,592	23,661
Bank debt <i>(note 4)</i>	7,921	–
Future tax liability	20,060	18,288
Asset retirement obligations <i>(note 5)</i>	2,774	1,979
	45,347	43,928
SHAREHOLDERS' EQUITY		
Share capital <i>(note 6)</i>	131,166	104,995
Contributed surplus <i>(note 6)</i>	4,597	3,657
Retained earnings	31,468	34,405
	167,231	143,057
	212,578	186,985

COMMITMENTS *(note 10)*

SUBSEQUENT EVENT *(note 11)*

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2009	2008	2009	2008
<i>(000s, except per share data) (unaudited)</i>	(\$)	(\$)	(\$)	(\$)
REVENUE				
Oil and gas revenues	17,405	36,972	38,863	61,748
Realized derivative instrument (loss) gain	–	(1,962)	–	(1,697)
Unrealized derivative instrument (loss) gain	–	(1,114)	–	(3,671)
	17,405	33,896	38,863	56,380
Royalty expense	(3,578)	(11,650)	(10,874)	(19,253)
	13,827	22,246	27,989	37,127
EXPENSES				
Operating	3,099	2,848	6,413	5,203
General and administrative	2,141	1,234	3,298	1,815
Interest	48	308	50	684
Stock-based compensation <i>(note 6)</i>	325	373	712	575
Depletion, depreciation and accretion	10,589	7,125	20,915	13,797
	16,202	11,888	31,388	22,074
INCOME BEFORE INCOME TAXES	(2,375)	10,358	(3,399)	15,053
INCOME TAXES				
Future tax expense (reduction)	(127)	2,831	(462)	4,542
NET INCOME (LOSS) FOR THE PERIOD	(2,248)	7,527	(2,937)	10,511
RETAINED EARNINGS – BEGINNING OF PERIOD	33,716	13,142	34,405	10,158
RETAINED EARNINGS – END OF PERIOD	31,468	20,669	31,468	20,669
Net income (loss) per share <i>(note 6)</i>				
Basic	(0.05)	0.22	(0.07)	0.30
Diluted	(0.05)	0.21	(0.07)	0.30

See accompanying notes to the consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	2009	2008	2009	2008
<i>(000s) (unaudited)</i>	(\$)	(\$)	(\$)	(\$)
CASH PROVIDED BY (USED IN):				
OPERATING ACTIVITIES				
Net income (loss) for the period	(2,248)	7,527	(2,937)	10,511
Add back non-cash items:				
Depletion, depreciation and accretion	10,589	7,125	20,915	13,797
Stock-based compensation	325	373	712	575
Unrealized loss (gain)				
on derivative instruments <i>(note 8)</i>	–	1,114	–	3,671
Future income tax (reduction)	(127)	2,831	(462)	4,542
	8,539	18,970	18,228	33,096
Change in non-cash working capital <i>(note 7)</i>	(12,338)	(2,798)	(9,471)	(5,441)
	(3,799)	16,172	8,757	27,655
FINANCING ACTIVITIES				
Issue of common shares, net of share issue expenses	28,299	28,764	28,299	28,906
Increase (decrease) in bank debt	4,574	(22,588)	7,921	(25,770)
Changes in non-cash working capital <i>(note 7)</i>	10	556	54	556
	32,883	6,732	36,274	3,692
INVESTING ACTIVITIES				
Property and equipment additions	(6,569)	(21,712)	(24,344)	(38,748)
Property and equipment acquisition	(22,451)	–	(22,451)	–
Change in non-cash working capital <i>(note 7)</i>	(64)	1,825	825	10,418
	(29,084)	(19,887)	(45,970)	(28,330)
NET INCREASE (DECREASE) IN CASH	–	3,017	(939)	3,017
CASH – BEGINNING OF PERIOD	–	–	939	–
CASH – END OF PERIOD	–	3,017	–	3,017

See accompanying notes to the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2009

(unaudited)

1. NATURE OF OPERATIONS

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

2. ACCOUNTING POLICIES

These consolidated financial statements are stated in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles. These interim financial statements should be read in conjunction with the consolidated financial statements and notes disclosed in the Company's annual report for the year ended December 31, 2008. The interim financial statements have been prepared following the same accounting policies and methods of computation as the consolidated financial statements for the Company for the year ended December 31, 2008.

3. PROPERTY AND EQUIPMENT

	Cost	Accumulated Depletion and Amortization	Net Book Value
	(\$)	(\$)	(\$)
<i>(000s)</i>			
June 30, 2009			
Petroleum and natural gas properties	272,325	73,572	198,753
Office equipment	815	275	540
	273,140	73,847	199,293
December 31, 2008			
Petroleum and natural gas properties	224,581	52,833	171,748
Office equipment	727	191	536
	225,308	53,024	172,284

The Company capitalized \$362,000 (2008 – \$329,000) of direct general and administrative costs, \$247,000 (2008 – \$179,000) of stock-based compensation expense and \$346,000 (2008 – \$362,000) of operator overhead related to its exploration and development activity for the period ended June 30, 2009.

Unevaluated and undeveloped properties with a cost of \$16,619,000 (2008 – \$14,852,000), included in petroleum and natural gas properties, have not been subject to depletion as reserves related to these costs had not been evaluated or assigned for the period ended June 30, 2009. As at period-end, future development costs totaling \$4,471,000 (2008 – \$8,208,000) were included in amounts subject to depletion.

On June 1, 2009, the Company closed an acquisition of producing assets in the Ferrier area for net cash consideration of \$22,451,000.

4. BANK DEBT

Effective April 17, 2009, the Company established a revolving committed credit facility with two banks with a borrowing base of \$80,000,000. This credit facility may be extended and revolve beyond the initial one-year period, if requested by the Company and accepted by the lenders. If the credit facility does not continue to revolve, the facility will convert to a 366-day non-revolving term loan facility. The amount of the facility is subject to a borrowing base test performed on a periodic basis by the lenders, based primarily on reserves and using commodity prices estimated by the lenders as well as other factors. A decrease in the borrowing base could result in a reduction to the credit facility, which may require a repayment to the lenders. The next semi-annual review of the credit facility is scheduled to take place on October 31, 2009.

4. BANK DEBT (continued)

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

5. ASSET RETIREMENT OBLIGATIONS

The Company recorded an asset retirement obligation calculated as the present value of the estimated future cost to abandon its petroleum and natural gas properties. To determine the value of this obligation, the Company utilized an inflation rate of 2% (2008 – 2%) and a credit adjusted risk-free interest rate of 8% to 10% (2008 – 8% to 10%) to discount the future estimated cash flows of \$6,122,000 (2008 – \$4,622,000) of which the majority of costs are expected to be incurred over a period of one to 15 years. At June 30, 2009 and December 31, 2008, the obligation was as follows:

	Six Months Ended June 30, 2009	Year Ended December 31, 2008
(000s)	(\$)	(\$)
Balance – beginning of period	1,979	1,403
Change in estimates	–	(331)
Liabilities incurred	207	760
Liabilities acquired	496	–
Accretion of asset retirement obligation	92	147
Asset retirement obligation – end of period	2,774	1,979

6. SHARE CAPITAL

(a) Authorized

Unlimited number of common voting shares, no par value.

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

(b) Issued

	Six Months Ended June 30, 2009		Year Ended December 31, 2008	
	Shares (#)	Amount (\$000s)	Shares (#)	Amount (\$000s)
Common Shares				
Balance – beginning of period	39,296,574	104,995	34,522,908	69,922
Common shares issued (ii)	6,708,391	30,061	4,311,166	32,306
Common shares repurchased	–	–	(1,425,500)	(3,635)
Flow-through shares issued	–	–	1,888,000	10,006
Tax effect of flow-through shares (i)	–	(2,600)	–	(1,199)
Share issue costs (ii)	–	(1,743)	–	(3,321)
Tax benefit of share issue costs	–	453	–	916
Balance – end of period	46,004,965	131,166	39,296,574	104,995

(i) Flow-Through Shares

In January 2009, the Company renounced the \$10,006,000 in qualified exploration expenditures for the 1,888,000 flow-through common shares issued in December 2008, and the related tax effect of the transaction was booked at that time.

6. SHARE CAPITAL (continued)

(b) Issued (continued)

(ii) Private Placements

In May 2009, the Company issued 6,666,724 special warrants at a price of \$4.50 per special warrant, for total proceeds of \$30,000,000 (\$28,257,000 net of issue costs). Upon exercise, or deemed exercise, each special warrant was convertible to one common share. All special warrants were deemed exercised and converted to common shares in June 2009.

In June 2009, the Company issued 41,667 common shares, resulting from the exercise of stock options, for cash proceeds of \$42,000 and previously recognized stock-based compensation expense of \$19,000.

(c) Contributed Surplus

	Six Months Ended June 30, 2009	Year Ended December 31, 2008
<i>(000s)</i>	(\$)	(\$)
Balance – beginning of period	3,657	2,381
Stock-based compensation expense – options	403	976
Reduction due to exercise of options	(19)	(296)
Stock-based compensation – share appreciation rights	556	596
Balance – end of period	4,597	3,657

(d) Per Share Amounts

For the six months ended June 30, 2009, net income (loss) per common share is calculated using the weighted average number of shares outstanding of 40,111,959 (basic and diluted) (June 30, 2008 – 34,655,960 basic and 35,470,866 diluted). Outstanding options and SARs are anti-dilutive instruments because the Company realized a net loss in the six months ended June 30, 2009.

For the three months ended June 30, 2009, net income (loss) per common share is calculated using the weighted average number of shares outstanding of 40,918,383 (basic and diluted) (June 30, 2008 – 34,720,514 basic and 35,600,543 diluted). Outstanding options and SARs are anti-dilutive instruments because the Company realized a net loss in the three months ended June 30, 2009.

(e) Options Outstanding

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

The following summarizes information about stock options outstanding as at June 30, 2009:

	Options (#)	Weighted Average Exercise Price (\$)
Outstanding at December 31, 2008	2,945,000	2.81
Exercised in the year	(41,667)	1.00
Outstanding at June 30, 2009	2,903,333	2.83

6. SHARE CAPITAL (continued)

(e) Options Outstanding (continued)

Exercise Price (\$)	Outstanding (#)	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price (\$)	Exercisable (#)	Weighted Average Exercise Price (\$)
As at June 30, 2009					
1.00	803,333	0.2	1.00	803,333	1.00
3.00	945,000	1.5	3.00	945,000	3.00
3.75	345,000	2.1	3.75	230,000	3.75
3.90	435,000	3.3	3.90	145,000	3.90
4.00	300,000	3.7	4.00	100,000	4.00
5.30	75,000	3.9	5.30	25,000	5.30
	2,903,333	1.8	2.83	2,248,333	2.49

(f) Share Appreciation Rights Outstanding

The Company has a share appreciation rights plan, administered by the Board of Directors, which provides for the granting of share appreciation rights ("SARs") to employees, officers and directors of the Company. Under the plan, SARs vest equally one-third on the first, second and third anniversary dates from the SARs grants and expire in five years or immediately from the date from which the rightsholder ceases to be a director, officer or employee of the Company or six months after the involuntary withdrawal of the rightsholder. Proceeds from the exercise of SARs can be paid in either common shares or cash, at the discretion of the Company.

The following summarizes information about SARs outstanding as at June 30, 2009:

	SARs (#)	Weighted Average Exercise Price (\$)
Outstanding at December 31, 2008 and June 30, 2009	1,322,000	5.23

Exercise Price (\$)	Outstanding (#)	Weighted Average Remaining Contractual Life (years)	Weighted Average Exercise Price (\$)	Exercisable (#)	Weighted Average Exercise Price (\$)
As at June 30, 2009					
3.80	200,000	4.3	3.80	—	—
4.00	242,000	3.8	4.00	80,667	4.00
5.30	423,000	3.9	5.30	141,002	5.30
6.25	200,000	4.1	6.25	—	—
6.44	173,000	4.0	6.44	57,667	6.44
6.70	12,000	4.2	6.70	—	—
6.90	28,000	4.2	6.90	—	—
7.00	44,000	4.1	7.00	—	—
	1,322,000	4.0	5.23	279,336	5.16

6. SHARE CAPITAL (continued)

(g) Management of Capital Structure

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

In the management of capital, the Company includes share capital of \$131,166,000 and net debt of \$9,228,000 (defined as the sum of current assets, current liabilities and bank debt) in the definition of capital.

The key measures that the Company utilizes in evaluating its capital structure are net debt to funds from operations (which is cash flow from operations before changes in non-cash working capital and settlement of retirement costs) and the current credit available from its creditors in relation to the Company's budgeted capital expenditures program. Net debt to funds from operations is determined as net debt divided by funds from operations and represents the time period it would take to pay off the debt if no further capital expenditures were incurred and if funds from operations stayed constant. Annualized funds from operations for the six months ended June 30, 2009 was \$36,456,000 (2008 – \$66,192,000), resulting in a net debt to funds from operations ratio of 0.25 (2008 – 0.13). This ratio is within an acceptable range for the Company of 2.0 or less.

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

The Company initiated a normal course issuer bid to buy back up to 2,997,700 shares of the Company in the open market and subsequently cancel these shares. This action was taken because management and the directors of the Company believe that common shares may become available during the proposed purchase period at prices that make them an attractive investment.

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

During the first six months of 2009, the Company's strategy in managing its capital was unchanged.

7. CHANGES IN NON-CASH WORKING CAPITAL

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
(000s)	(\$)	(\$)	(\$)	(\$)
Accounts receivable	996	(5,600)	3,132	(8,536)
Prepaid expenses and other	(2,722)	(136)	(2,655)	(125)
Accounts payable and accrued liabilities	(10,666)	5,319	(9,069)	14,194
	(12,392)	(417)	(8,592)	5,533

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
(000s)	(\$)	(\$)	(\$)	(\$)
Operating	(12,338)	(2,798)	(9,471)	(5,441)
Financing	10	556	54	556
Investing	(64)	1,825	825	10,418
	(12,392)	(417)	(8,592)	5,533

8. FINANCIAL INSTRUMENTS

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

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

(a) Credit Risk

Substantially all of the Company's petroleum and natural gas production is marketed under standard industry terms. The industry has a pre-arranged monthly settlement day for payment of revenues from all buyers of crude oil and natural gas. This occurs on the 25th day following the month in which the production is sold. As a result, Angle collects sales revenues in an organized manner. Management monitors purchaser credit positions to mitigate any potential credit losses. To the extent Angle has joint interest activities with industry partners, the Company must collect, on a monthly basis, partners' share of capital and operating expenses. These collections are subject to normal industry credit risk. Angle attempts to mitigate risk from joint venture receivables by obtaining partner approval of capital projects prior to expenditure and collects in advance for significant amounts related to partners' share of capital expenditures in accordance with the industry operating procedures. The Company does not typically obtain collateral from petroleum and natural gas marketers or joint venture partners; however, Angle does have the ability to withhold production from joint venture partners in the event of non-payment. At June 30, 2009, of the accounts receivable balance of \$9,364,000, 85% was current, 6% was 31 to 90 days and the balance was over 90 days due. Angle had no material accounts receivable deemed uncollectible. The Company's credit risk is limited to the carrying amount of its accounts receivable, which are due primarily from other entities involved in the oil and gas industry. These amounts are subject to the same risks as the industry as a whole.

(b) Liquidity Risk

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

8. FINANCIAL INSTRUMENTS (continued)

(c) Market Risk

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

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

(i) Commodity Price Risk

Commodity price risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in the commodity prices. Commodity prices for petroleum and natural gas are impacted by not only the relationship between the Canadian and United States dollar, as outlined below, but also global economic events that dictate the levels of supply and demand. The Company has attempted to mitigate commodity price risk through the use of financial derivative contracts in the past; however, there were no financial derivative contracts in place at June 30, 2009.

(ii) Foreign Currency Exchange Rate Risk

Foreign currency exchange rate risk is the risk that the fair value of future cash flows will fluctuate as a result of changes in foreign exchange rates. The Company does not sell or transact in any foreign currency; however, the United States dollar influences the price of petroleum and natural gas sold in Canada. The Company's financial assets and liabilities are not affected by a change in currency rates. The Company had no foreign exchange contracts in place at June 30, 2009.

(iii) Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate risk to the extent the changes in market interest rates will impact the Company's debts that have a floating interest rate. The Company had no interest rate swaps or hedges at June 30, 2009. With regards to interest rate risk, a change of 1% in the effective interest rate would impact net earnings by approximately \$65,000 in 2009, based on estimated average debt outstanding during the year.

(d) Fair Value of Financial Assets and Liabilities

Financial instruments of the Company consist primarily of cash, accounts receivable, accounts payable and bank debt. As at June 30, 2009, there were no significant differences between the carrying amounts reported on the balance sheet and their estimated fair values due to the short-term nature of these instruments.

9. RELATED PARTIES

During the first six months of 2009, expenses and share issue costs were recorded totaling \$333,000 (2008 – \$350,000) that were charged to the Company by a legal firm of which a Director of the Company is a partner, and \$137,000 (2008 – \$129,000) remained in accounts payable at June 30, 2009. These amounts are billed and recorded at rates consistent with those charged to third parties.

10. COMMITMENTS

The Company has lease commitments for office premises that expire in 2011 and three compressors that expire in 2009. Future minimum lease payments under the leases are as follows:

<i>(000s)</i>	<i>(\$)</i>
2009	329
2010	437
2011	408
	<u>1,174</u>

The Company is committed to spend \$10,006,000 on qualified exploration and development expenditures by December 31, 2009. At June 30, 2009, there was \$693,000 remaining to be expended on this commitment.

11. SUBSEQUENT EVENT

On August 4, 2009, the Board of Directors of Angle authorized that the Company's SARs plan be terminated in accordance with the terms of that plan. As a result, 855,250 options will be issued to replace the SARs previously outstanding to employees and officers of the Company.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Noralee Bradley – Chairman ⁽³⁾⁽⁴⁾

Partner

Osler Hoskin & Harcourt LLP

Clarence Chow ⁽¹⁾⁽²⁾

President

AGS Capital Management Ltd.

Timothy V. Dunne ⁽¹⁾⁽³⁾

Independent Businessman

D. Gregg Fischbuch

Chief Executive Officer

Angle Energy Inc.

John Gareau ⁽¹⁾⁽³⁾

Independent Businessman

Edward Muchowski ⁽²⁾⁽⁴⁾

Independent Businessman

(1) Audit Committee Member

(2) Reserves Committee Member

(3) Corporate Governance & Compensation Committee Member

(4) Environmental, Health & Safety Committee Member

OFFICERS

Heather Christie-Burns

President & Chief Operating Officer

D. Gregg Fischbuch

Chief Executive Officer

Stuart C. Symon

Vice President Finance, Chief Financial Officer &

Corporate Secretary

Glen Richardson

Vice President Land

Elizabeth More

Vice President Exploration

Matthew Mazuryk

Vice President Engineering

Heather Post

Controller

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REGISTRAR AND TRANSFER AGENT

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STOCK TRADING

Toronto Stock Exchange

Trading Symbol: NGL

ABBREVIATIONS

bbls	barrels
boe	barrels of oil equivalent
GJ	gigajoules
/d	per day
mbbls	thousand barrels
mcf	thousand cubic feet
mcfе	thousand cubic feet equivalent
mmcf	million cubic feet
NGLs	natural gas liquids

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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