



turning the corner

2010 Third Quarter Interim Report
For the Three and Nine Months Ended September 30, 2010

HIGHLIGHTS

| | THREE MONTHS ENDED SEPTEMBER 30, | | | NINE MONTHS ENDED SEPTEMBER 30, | | |
|---|----------------------------------|-------------|------------|---------------------------------|-------------|------------|
| | 2010 | 2009 | CHANGE | 2010 | 2009 | CHANGE |
| <i>(000s, except per share data)</i> | <i>(\$)</i> | <i>(\$)</i> | <i>(%)</i> | <i>(\$)</i> | <i>(\$)</i> | <i>(%)</i> |
| Financial | | | | | | |
| Commodity revenues ⁽¹⁾ | 30,345 | 17,483 | 74 | 81,661 | 56,346 | 45 |
| Funds from operations ⁽²⁾ | 14,255 | 8,699 | 64 | 40,570 | 26,927 | 51 |
| Per share – basic | 0.21 | 0.19 | 11 | 0.67 | 0.64 | 5 |
| Per share – diluted | 0.20 | 0.18 | 11 | 0.65 | 0.63 | 3 |
| Cash flow from operating activities | 15,965 | 4,907 | 225 | 29,762 | 13,664 | 118 |
| Net income (loss) | (4,546) | (1,896) | 140 | (3,890) | (4,833) | (20) |
| Per share – basic | (0.07) | (0.04) | 75 | (0.06) | (0.11) | (45) |
| Per share – diluted | (0.07) | (0.04) | 75 | (0.06) | (0.11) | (45) |
| Capital expenditures ⁽³⁾ | 71,428 | 9,496 | 652 | 324,601 | 56,291 | 477 |
| Total assets | 547,885 | 212,040 | 158 | 547,885 | 212,040 | 158 |
| Net debt (working capital) ⁽⁴⁾ | 168,314 | 9,350 | 1,700 | 168,314 | 9,350 | 1,700 |
| Shareholders' equity | 317,884 | 166,374 | 91 | 317,884 | 166,374 | 91 |
| <i>(000s)</i> | <i>(#)</i> | <i>(#)</i> | <i>(%)</i> | <i>(#)</i> | <i>(#)</i> | <i>(%)</i> |
| Common Share Data | | | | | | |
| Shares outstanding | | | | | | |
| At end of period | 69,025 | 46,712 | 48 | 69,025 | 46,712 | 48 |
| Weighted average – basic | 68,988 | 46,579 | 48 | 60,740 | 42,291 | 44 |
| Weighted average – diluted | 70,183 | 47,226 | 49 | 62,019 | 43,072 | 44 |
| | | | (%) | | | (%) |
| Operating | | | | | | |
| Sales | | | | | | |
| Natural gas (mcf/d) | 38,245 | 26,710 | 43 | 31,371 | 26,334 | 19 |
| NGLs (bbls/d) | 2,891 | 3,015 | (4) | 2,689 | 3,036 | (11) |
| Light crude oil (bbls/d) | 756 | 85 | 789 | 527 | 131 | 302 |
| Total oil equivalent (boe/d) | 10,021 | 7,552 | 33 | 8,445 | 7,556 | 12 |
| Average wellhead prices ⁽¹⁾ | | | | | | |
| Natural gas (\$/mcf) | 4.09 | 3.23 | 27 | 4.53 | 3.85 | 18 |
| NGLs (\$/bbl) | 41.16 | 32.42 | 27 | 43.96 | 32.21 | 36 |
| Light crude oil (\$/bbl) | 72.13 | 69.62 | 4 | 73.53 | 55.18 | 33 |
| Total oil equivalent (\$/boe) | 32.92 | 25.16 | 31 | 35.42 | 27.32 | 30 |
| Gross (net) wells drilled | | | | | | |
| Gas (#) | 9 (7.9) | 3 (3.0) | 200 (163) | 18 (16.2) | 8 (6.9) | 125 (135) |
| Oil (#) | 3 (3.0) | – (–) | 100 (100) | 13 (11.4) | – (–) | 100 (100) |
| Dry and abandoned (#) | 3 (1.7) | 1 (1.0) | 200 (70) | 3 (1.7) | 4 (4.0) | -25 (-58) |
| Total (#) | 15 (12.6) | 4 (4.0) | 275 (215) | 34 (29.3) | 12 (10.9) | 183 (169) |
| Average working interest (%) | 84 | 100 | (16) | 86 | 91 | (5) |

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

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

(3) Total capital expenditures, including acquisitions.

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

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

Letter to Shareholders

This has been a very active year for Angle Energy Inc. To date in 2010, our Company has achieved several key milestones in production volumes, reserves and resource assessment as a direct result of this year's project investments and drilling activities. Our goal is to extend, develop and operate our high quality Alberta asset base with a focus on increasing our net asset value per share, and ultimately, our cash flow performance per share for all our investors.

COMPANY HIGHLIGHTS

Production

- > Total production averaged 10,021 boe/d, a 33% year-over-year increase and a 37% improvement over the second quarter of 2010.
- > Light oil production rose 789% over the prior year to 756 bbls/d with current production at approximately 1,150 bbls/d.
- > Based on field estimates, Angle's current total production is approximately 12,100 boe/d (65% natural gas, 35% oil and NGLs).

Capital Investment and Revenue

- > Commodity revenues increased 74% to \$30.3 million from the comparative quarter in 2009.
- > Funds from operations improved to \$14.3 million, a 64% increase over the same period last year.
- > Capital spending totaled \$71.4 million for the quarter and \$324.6 million for the first nine months of 2010, of which \$170.7 million was spent on strategic acquisitions.

Reserves

- > Grew total proved plus probable reserves 100% to 50.2 mmboe over the 26.2 mmboe assessed at December 31, 2009 (pro forma the acquisition of Stonefire Energy Corp. ("Stonefire")). This calculated increase includes the replacement of 2.3 mmboe (2010 production to September 30).
- > Increased total proved reserves 101% to 27.3 mmboe from 14.7 mmboe at year-end 2009 (pro forma Stonefire). This calculated increase includes production replacement of 2.3 mmboe. Refer to Angle's October 20, 2010 press release for additional information.

Undeveloped Land and Resource Assessment

- > Improved net undeveloped land holdings 79% since year-end 2009 to 177,191 acres. Angle has acquired 39,340 net acres (61.5 net sections) at Crown land sales in core areas to date in 2010 with 34.6 net sections of Viking rights acquired in the Harmattan area.
- > The Company now owns over 65 net oil prone sections of Viking rights within this resource play and 30 sections of Viking acreage identified as primarily gas prone. The Company has a Viking oil drilling inventory of approximately 195 wells (3 wells per section).
- > GLJ Petroleum Consultants Ltd. ("GLJ") was engaged to prepare a Viking resource evaluation report effective October 1, 2010 for the Harmattan core area. The result was total discovered petroleum initially in place ("DPIIP") estimated at 471 mmstb of oil net to Angle. GLJ estimated that 47,800 acres of Angle interest lands would be classified as a discovered resource.

Credit and Equity

- > Increased our credit line to \$180 million and added a third bank to our banking syndicate.
- > Announced a flow-through equity placement of \$25 million on October 21, 2010, which is expected to close in early November 2010.

OPERATIONAL ACTIVITIES

During the third quarter, Angle drilled 15 gross (12.6 net) wells with 80% success at an average working interest of 84%. Four of these wells were drilled on our Harmattan Viking play targeting light oil reserves. During the first nine months of 2010, our Company has drilled 34 gross (29.3 net) wells throughout our four core producing areas with 91% success at an 86% average working interest.

Angle closed the previously announced Edson asset transaction on June 30, 2010, which added average corporate volumes of 1,975 boe/d during the third quarter. Performance from the acquired assets has been as forecast by Angle's internal engineers with a stable production decline of 25%. Additional volumes from our Company's drilling program at Lone Pine Creek were tied in late in September with the successful construction and start-up of the Company's 100% owned 13-kilometre, 8-inch pipeline. Capacity in this system is currently constrained to 5.0 mmcf/d due to third party limitations. Overall, wet field conditions experienced in the third quarter impacted the pace of completion and tie-in activity, pushing project completion dates into the fourth quarter at Edson and delaying the on-stream timing of our Lone Pine Creek pipeline by approximately ten days in September.

Currently, Angle's corporate volumes not yet on production include 300 boe/d at Edson awaiting tie-in and 800 boe/d at Ferrier awaiting compression installation. Anticipated production from wells with early stage or incomplete testing operations have not been included in these volumes.

The Company has two Viking oil wells and one Mannville gas well with high NGLs at Harmattan, one Ellerslie well at Ferrier as well as one Notikewin well, one Bluesky well and one multi-zone (non-operated) vertical gas well at Edson all in various stages of completion operations. Current drilling includes one Viking light oil well at Harmattan, one Cardium oil well at Ferrier and one Cardium gas well (non-operated) at Edson.

Prospect development and land acquisitions have broadened the exploitation base for our 2010/2011 drilling programs and increased our Company's light oil project exposure. Our focus at Harmattan is to continue to develop two light oil resource plays in the Viking and Cardium sands as well as a liquids-rich (190 bbl/mmcft) gas play in the Mannville.

Angle's updated 2010 production forecast is to average 9,600 boe/d, while exiting the year at 13,500 boe/d.

RESERVES UPDATE

Angle has proven significant success in drilling its 2010 program with new reserves additions. The Company commissioned an updated reserves assessment that would reflect the value achieved to date and demonstrate Angle's transition to a resource asset base. Refer to the Company's October 20, 2010 press release for additional information. The September 30, 2010 reserves assessment yielded the following results:

- > Proved plus probable reserves replacement of 1,043% (based on 2010 production to September 30 of 2.3 mmmboe) and total proved reserves replacement of 541%.
- > Reserve life index increased 42% to approximately 11.5 years proved plus probable and 35% to approximately 6.2 years proved (based on production of 12,000 boe/d).

Angle's 2010 projects are in various stages of being recognized by our independent evaluator. Increasing the number of horizontal wells on the play, combined with ongoing horizontal well production, will provide further de-risking and allow additional reserves to be recognized going forward. Continued reserves recognition is expected in our Company's emerging Viking oil play. Presently, eight (gross) Viking locations are booked, which represents approximately 6% of Angle's internal inventory. Similarly, our Edson Wilrich play is also poised to show incremental reserves growth. Currently, ten (gross) wells are booked in the recent reserves update, representing only 10% of the Company's internal inventory.

VIKING PLAY UPDATE AND DPIIP STUDY

GLJ was engaged to prepare a Viking resource evaluation report effective October 1, 2010 for Angle's owned lands in the Harmattan core area. Based on geological well control, existing vertical well production and drilling results to date, including two Angle horizontal Viking wells, GLJ has estimated that 47,800 acres of Company interest lands would be classified as a discovered resource. The best estimate DPIIP associated with this discovered resource was 471 mmstb of oil net to Angle.

DPIIP is defined in the Canadian Oil and Gas Evaluation ("COGE") Handbook as the quantity of hydrocarbons that are estimated to be in place within a known accumulation. DPIIP is divided into recoverable and unrecoverable portions, with the estimated future recoverable portion classified as reserves and contingent resources and the remainder as at evaluation date is by definition unrecoverable. There is no certainty that it will be economically viable or technically feasible to produce any portion of this DPIIP, except to the extent identified as proved or probable reserves.

It should be noted that given the early stages of development, the best estimate of DPIIP may change in the future with further exploration and development activity and the amount of contingent resources, as defined in the COGE Handbook, has yet to be determined. Additional drilling, testing and development are required to confirm economic development and ultimate recovery factors in the play. The resource estimates provided herein are estimates only, and as a result, the actual resources may be greater or less than the estimates provided herein. Other than the resources that have been booked as reserves in the September 30, 2010 report, a recovery factor for the remaining resources has not been estimated by GLJ and a recovery project cannot be defined for these volumes of DPIIP at this time.

To date, Angle has successfully drilled, completed and placed on production three 100% working interest Viking horizontal wells at Harmattan with production from two of the three wells exceeding 80 days per well and the third well's production exceeding 30 days. Overall production from the three wells is currently 360 boe/d (74% oil and NGLs, 26% gas). Three additional wells are expected to be completed and producing by year-end. We anticipate that the decline rates of long-term production will be between 10% and 15% per year once stability is achieved. As an example, the Company's wells on the Ferrier Cardium oil resource play showed production stability within the first 90 days of production, although more typically soon after the initial 60 days of production. Angle will continue to report the results of its horizontal Viking oil well program and update investors with the expected type curve for the large-scale program. Our drilling strategy includes testing diverse locations throughout our prospective land base in order to de-risk reserves estimations as well as allow high-grades, where applicable, for full scale development drilling. Our Company's technical expertise plays a large role in the exploitation of this zone, and we expect that with further drilling, we will continue to improve our techniques and optimize our total well cost.

OUTLOOK

On October 21, 2010, Angle announced that it had entered into a bought deal financing to issue 2.5 million common flow-through shares at a price of \$10.05 per share for aggregate gross proceeds of approximately \$25 million. The bought deal financing is expected to close in mid-November 2010. This financing is earmarked for stepout resource base drilling primarily on the Viking play at Harmattan, and to a lesser extent, for the Edson multi-zone gas project, while preserving funds for development oil drilling and tenure or commitment based gas exploitation.

In addition, on October 26, 2010, we increased our credit line to \$180 million and added a third financial institution to our banking syndicate. Consequently, our Company continues to maintain its financial strength and stability.

In this protracted environment of weak gas commodity prices, the Company's position in high NGLs content gas plays as well as the ongoing development of our Viking light oil resource provide defensive value and high quality growth for our investors. Angle will communicate our 2011 capital budget and guidance in the fourth quarter following the successful closing of the financing.

On behalf of the Management and Board of Directors,



Heather Christie-Burns
President & Chief Operating Officer
November 3, 2010



D. Gregg Fischbuch
Chief Executive Officer

Management's Discussion and Analysis

The following Management's Discussion and Analysis ("MD&A") reports on the financial condition and the results of operations of Angle Energy Inc. ("Angle" or the "Company") for the three and nine months ended September 30, 2010 and 2009 and should be read with the accompanying September 30, 2010 unaudited consolidated financial statements and notes as well as the audited consolidated financial statements and notes for the year ended December 31, 2009. All financial measures are expressed in Canadian dollars unless otherwise indicated. This commentary is based on the information available as at, and is dated November 2, 2010.

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

NON-GAAP MEASUREMENTS

This MD&A contains the terms "funds from operations", "funds from operations per share", "funds flow netback" and "net income netback", which should not be considered an alternative to or more meaningful than net earnings or cash flow from operating activities as determined in accordance with Canadian generally accepted accounting principles ("GAAP") as an indicator of the Company's performance. These terms do not have any standardized meaning as prescribed by GAAP. Angle's determination of funds from operations, funds from operations per share, funds flow netback and net income netback may not be comparable to that reported by other companies. Management uses funds from operations to analyze operating performance and leverage, and considers funds from operations to be a key measure as it demonstrates the Company's ability to generate cash necessary to fund future capital investments and to repay debt. Funds from operations is calculated using cash flow from operating activities as presented in the consolidated statement of cash flows before changes in non-cash working capital. 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 SEPTEMBER 30, | | NINE MONTHS ENDED SEPTEMBER 30, | |
|-------------------------------------|----------------------------------|-------|---------------------------------|--------|
| | 2010 | 2009 | 2010 | 2009 |
| (000s) | (\$) | (\$) | (\$) | (\$) |
| Cash flow from operating activities | 15,965 | 4,907 | 29,762 | 13,664 |
| Changes in non-cash working capital | (1,710) | 3,792 | 10,808 | 13,263 |
| Funds from operations | 14,255 | 8,699 | 40,570 | 26,927 |

FUTURE OUTLOOK AND FORWARD-LOOKING INFORMATION

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

MATERIAL ASSUMPTIONS ON FORWARD-LOOKING INFORMATION

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

Production and Sales Rates

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

Production Mix

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

Commodity Prices

For purposes of its remaining forecast for 2010, the Company has assumed that the natural gas price at AECO for spot delivery will average \$4.00/mcf and that the crude oil price will average \$75/bbl Edmonton Par. There are many risks that may result in commodity prices being less than expected. The price of natural gas in North America is primarily related to the continental 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 continental and respond to prices, but an increase in the deliverability of global liquefied natural gas 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 geopolitical activities in oil exporting countries. The current slowdown in economic growth due to economic 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 commodity price volatility.

Royalty Rates

Angle expects that royalty rates during 2010 will average in the range of 20% to 22% of gross revenue, before realized or unrealized derivative gains or losses. This royalty rate expectation has resulted from the Company's view on commodity prices and increased sales from Crown lands. Total royalties are the combination of Crown royalties paid on Crown lands and freehold royalties paid on freehold lands. In addition, gross overriding royalties are payable on lands in which the Company has earned an interest by way of farm-in, whether the lands are Crown or freehold. Total royalties payable are a function of the mix between Crown and freehold lands as the rates are different.

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

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

Operating Costs

The Company expects operating and transportation costs to average approximately \$6.35 to \$6.50/boe for 2010. Operating costs in the Lone Pine Creek and Edson areas are expected to be higher than in the Harmattan and Ferrier areas, and if production from these areas grows in proportion to the Company's total, the blended operating costs are expected to increase.

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

General and Administrative ("G&A") Costs

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

Capital Expenditures

Angle expects to incur approximately \$187 million for capital expenditures in 2010, excluding the acquisition of Stonefire Energy Corp. that was completed January 12, 2010, the Edson property acquisition that was completed June 30, 2010, any potential future acquisition activity and the impact of the Alberta Crown drilling credit incentive program. Angle's capital expenditures will consist of costs for drilling, completions, equipment, tie-ins, land and seismic. This is based on the assumption that the Company drills 39 gross (34 net) wells during the year. The capital program during 2010 is flexible, depending on commodity prices and any changes to the Alberta Crown royalty incentive programs. Increases in capital costs from budgeted amounts can occur for the following reasons: general cost inflation in the industry resulting from high utilization rates; poor weather that can delay activity and subject the Company to stand-by charges; and, problems encountered in drilling a well that can result in additional drilling time or, in some cases, losing the well entirely.

Drilling Program

The Company expects to drill 39 gross (34 net) wells during 2010. The drilling program is a key assumption in the production estimates for the period discussed above. The risk that Angle will not meet its drilling targets is attributable to the following: rising capital costs rendering projects less economic; lack of access to drilling rigs and related equipment at sites; delays in obtaining landowner consent for surface access; and, delays in obtaining well licences and drilling permits.

Drilling Success

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

Future Prospects

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

Market Conditions

Management is aware that equity market conditions may not always be conducive to raising funds through treasury issues of common shares. However, the Company has the financial capability to continue its 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, commenced active oil and gas operations in 2005 and had its common shares listed for trading on the Toronto Stock Exchange commencing June 30, 2008. This MD&A focuses on the Company's operations for the three and nine months ended September 30, 2010 and 2009.

OPERATING RESULTS

Drilling Activity

| | EXPLORATION | | DEVELOPMENT | | TOTAL | |
|--|-------------|------------|-------------|-------------|-----------|-------------|
| | GROSS | NET | GROSS | NET | GROSS | NET |
| | (#) | (#) | (#) | (#) | (#) | (#) |
| January 1 to September 30, 2010 | | | | | | |
| Natural gas and NGLs | 4 | 3.5 | 14 | 12.7 | 18 | 16.2 |
| Light crude oil | 3 | 3.0 | 10 | 8.4 | 13 | 11.4 |
| Dry and abandoned | – | – | 3 | 1.7 | 3 | 1.7 |
| Total wells | 7 | 6.5 | 27 | 22.8 | 34 | 29.3 |
| Success rate (%) | | 100 | | 93 | | 94 |
| Average working interest (%) | | 93 | | 84 | | 86 |
| January 1 to September 30, 2009 | | | | | | |
| Natural gas and NGLs | 1 | 1.0 | 7 | 5.9 | 8 | 6.9 |
| Light crude oil | – | – | – | – | – | – |
| Dry and abandoned | 3 | 3.0 | 1 | 1.0 | 4 | 4.0 |
| Total wells | 4 | 4.0 | 8 | 6.9 | 12 | 10.9 |
| Success rate (%) | | 25 | | 86 | | 63 |
| Average working interest (%) | | 100 | | 86 | | 91 |

For the nine months ended September 30, 2010, Angle drilled 34 gross (29.3 net) wells of which 10 gross (7.0 net) wells were at Ferrier (7.0 net development), 7 gross (7.0 net) wells were at Lone Pine Creek (2.0 net exploratory and 5.0 net development), 10 gross (8.3 net) wells were at Edson (2.5 net exploratory and 5.8 net development) and 7 gross (7.0 net) wells were at Harmattan (2.0 net exploratory and 5.0 net development). The Company's success rate is calculated on a net working interest completion basis.

Capital Expenditures

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

| | THREE MONTHS ENDED SEPTEMBER 30, | | NINE MONTHS ENDED SEPTEMBER 30, | |
|----------------------------|----------------------------------|---------|---------------------------------|---------|
| | 2010 | 2009 | 2010 | 2009 |
| (000s) | (\$) | (\$) | (\$) | (\$) |
| Drilling and completions | 50,156 | 6,621 | 98,514 | 23,356 |
| Drilling credits | (1,542) | (1,649) | (6,490) | (2,189) |
| Equipment and facilities | 10,816 | 3,133 | 23,843 | 8,964 |
| Geological and geophysical | 104 | 300 | 1,273 | 598 |
| Land and lease retention | 11,040 | 881 | 35,755 | 2,450 |
| Acquisitions | 452 | – | 170,671 | 22,451 |
| Head office | 75 | 17 | 237 | 105 |
| Capitalized G&A and other | 327 | 193 | 798 | 556 |
| Total | 71,428 | 9,496 | 324,601 | 56,291 |

For the third quarter of 2010, drilling and completions expenditures totaled \$50,156,000 (2009 – \$6,621,000), which involved participation in the drilling of 15 gross (12.6 net) wells. Of the 15 wells, 12 gross (10.9 net) were successful, while the remaining 3 gross (1.7 net) wells were unsuccessful. Angle had one well drilling at quarter-end that was rig released in early October. In the comparative quarter of 2009, the Company drilled 4 gross (4.0 net) wells, three of which were successful and one that was dry. During the three months ended September 30, 2010, Angle recognized \$1,542,000 in Crown drilling credits (2009 – \$1,649,000).

Drilling and completions expenditures totaled \$98,514,000 for the nine months ended September 30, 2010 (2009 – \$23,356,000), which involved participation in the drilling of 34 gross (29.3 net) wells. Of the 34 wells, only 3 gross (1.7 net) wells were unsuccessful. In the comparative period of 2009, the Company drilled 12 gross (10.9 net) wells of which 8 gross (6.9 net) wells were successful, while the remaining 4 gross (4.0 net) wells were unsuccessful. In 2010, Angle began using horizontal drilling and multi-stage fracturing completion techniques, which has resulted in an increase in the per well cost when compared to 2009.

The Company's expenditures on facilities totaled \$10,816,000 for the three-month period ended September 30, 2010 (2009 – \$3,133,000) and \$23,843,000 for the nine-month period ended September 30, 2010 (2009 – \$8,964,000). Costs were incurred for wellsite facilities and related gathering pipelines as well as construction of a 13-kilometre, 8-inch sour pipeline at Lone Pine Creek and initial construction costs for a gas processing facility at Edson.

Angle has been active in Crown land purchases in 2010 in order to transform the Company into a resource player and to position itself for increased drilling activity, primarily in the Harmattan area where it is focusing on light oil targets. Angle's land cost per acre has increased due to the competitive and prospective nature of the areas that Angle is pursuing. Total net undeveloped acreage increased 79% to 177,191 acres at September 30, 2010 compared to 98,966 acres at year-end 2009. Land purchases and lease retention costs incurred in the third quarter of 2010 totaled \$11,040,000 (2009 – \$881,000) and included adding 22 sections (14,080 acres), at 100% working interest, to its total land inventory. During the first nine months of 2010, the Company expended \$35,755,000 (2009 – \$2,450,000) in land purchases and lease retention costs.

Acquisitions were significantly higher during the first nine months of 2010 compared to same period in 2009. Angle has closed three major transactions during 2010, including:

- > On January 12, 2010, Angle acquired all of the issued and outstanding shares of Stonefire Energy Corp. ("Stonefire") for cash consideration of \$46,650,000, plus the assumption of \$26,417,000 of net debt and transaction costs of \$1,060,000, for total consideration of \$74,127,000. The operations of Stonefire have been included with the results of Angle commencing January 12, 2010. Refer to note 3 of the unaudited consolidated financial statements for further details.
- > In June 2010, Angle acquired an additional working interest in several wells and a compression facility in the Ferrier area for cash consideration of \$7,271,000, with associated asset retirement obligations of \$46,000.
- > On June 30, 2010, Angle acquired certain interests in petroleum and natural gas properties in the Edson area for cash consideration of \$116,396,000 (including transaction costs of approximately \$1,396,000), with associated asset retirement obligations of \$1,856,000.

As is customary in acquisitions, revisions may be made to the above amounts as cost estimates and balances are finalized and final statements of adjustments are received. However, Angle does not believe that these adjustments will be material.

FINANCIAL AND OPERATING RESULTS OF OIL AND GAS ACTIVITIES

Sales, Revenue and Prices

| | THREE MONTHS ENDED SEPTEMBER 30, | | NINE MONTHS ENDED SEPTEMBER 30, | |
|---|----------------------------------|---------------|---------------------------------|---------------|
| | 2010 | 2009 | 2010 | 2009 |
| Sales | | | | |
| Natural gas sales (<i>mcf/d</i>) | 38,245 | 26,710 | 31,371 | 26,334 |
| NGLs sales (<i>bbls/d</i>) | 2,891 | 3,015 | 2,689 | 3,036 |
| Light crude oil sales (<i>bbls/d</i>) | 756 | 85 | 527 | 131 |
| Total sales (<i>boe/d</i>) | 10,021 | 7,552 | 8,445 | 7,556 |
| Total sales (<i>boe</i>) | 921,884 | 694,791 | 2,305,526 | 2,062,775 |
| (<i>000s</i>) | (<i>\$</i>) | (<i>\$</i>) | (<i>\$</i>) | (<i>\$</i>) |
| Revenue | | | | |
| Natural gas | 13,461 | 7,943 | 37,024 | 27,671 |
| Realized derivative gain | 924 | – | 1,779 | – |
| Total natural gas | 14,385 | 7,943 | 38,803 | 27,671 |
| NGLs | 10,946 | 8,995 | 32,271 | 26,698 |
| Light crude oil | 5,014 | 545 | 10,587 | 1,977 |
| Total revenue before unrealized derivative gain | 30,345 | 17,483 | 81,661 | 56,346 |
| Unrealized derivative gain (loss) | (624) | – | 466 | – |
| Total revenue | 29,721 | 17,483 | 82,127 | 56,346 |
| Average Prices | | | | |
| Natural gas sales price (<i>\$/mcf</i>) | 3.83 | 3.23 | 4.32 | 3.85 |
| Realized derivative gain (loss) (<i>\$/mcf</i>) | 0.26 | – | 0.21 | – |
| Total natural gas sales price (<i>\$/mcf</i>) | 4.09 | 3.23 | 4.53 | 3.85 |
| NGLs sales price (<i>\$/bbl</i>) | 41.16 | 32.42 | 43.96 | 32.21 |
| Light crude oil sales price (<i>\$/bbl</i>) | 72.13 | 69.62 | 73.53 | 55.18 |
| Total sales price (<i>\$/boe</i>) | 32.92 | 25.16 | 35.42 | 27.32 |

For the three months ended September 30, 2010, revenue was \$30,345,000 compared to \$17,483,000 for the same period in 2009 (before unrealized derivative gains). Sales volumes during the third quarter of 2010 averaged 10,021 boe/d versus 7,552 boe/d a year ago and 7,290 boe/d recorded in the second quarter of 2010. Angle posted a 33% year-over-year increase in sales volumes and a 31% increase in price on a per boe basis, with natural gas and NGLs improving 27% and light crude oil increasing 4%, resulting in a 74% increase in revenue for the 2010 three-month period. Angle's sales volumes increased 2,731 boe/d compared to the second quarter of 2010, despite having a corporate annual decline rate of approximately 25%, due to the acquisition of producing assets at Edson that closed on June 30, 2010, which contributed approximately 1,975 boe/d during the third quarter, as well as new volumes brought on production resulting from the 2010 drilling program.

During the three months ended September 30, 2010, Angle's product volume mix was 64% natural gas, 29% NGLs and 7% light crude oil. It is expected that the Company's light crude oil production will increase during the final three months of 2010 due to a greater focus on oil drilling operations planned for the remainder of the year.

In the fourth quarter of 2009, Angle added its third core producing area of operations when production commenced at Lone Pine Creek and, during the first half of 2010, added its fourth core area at Edson through the acquisition of Stonefire, which closed on January 12, 2010, and the acquisition of producing assets, which closed on June 30, 2010. During the third quarter of 2010, Harmattan contributed approximately 39% of the Company's total sales volumes, Ferrier contributed 27%, Edson contributed 32% and the remaining 2% of sales volumes came from Lone Pine Creek. Angle expects the proportionate share of sales

volumes from Lone Pine Creek to increase during the final three months of 2010 due to the completion of the sour pipeline at the end of the third quarter.

The Company's drilling operations primarily target light crude oil or natural gas that is rich in associated NGLs. Angle's NGLs are comprised of approximately 27% ethane, 29% propane, 15% butane and 29% condensate. The price received for its NGLs is based on this mix, with condensate having the highest value of the NGLs stream.

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

The Company has fixed the price applicable to future sales through the following contract, on which \$692,000 in fair value had been recorded at September 30, 2010:

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

Royalties

| | THREE MONTHS ENDED SEPTEMBER 30, | | NINE MONTHS ENDED SEPTEMBER 30, | |
|--|----------------------------------|--------|---------------------------------|--------|
| | 2010 | 2009 | 2010 | 2009 |
| (000s) | (\$) | (\$) | (\$) | (\$) |
| Total revenue before unrealized derivative gain/loss | 30,345 | 17,483 | 81,661 | 56,346 |
| Royalties | | | | |
| Crown | 3,756 | 1,761 | 9,556 | 7,963 |
| Other | 2,519 | 1,869 | 7,714 | 6,541 |
| Total royalties | 6,275 | 3,630 | 17,270 | 14,504 |
| | (%) | (%) | (%) | (%) |
| % of Revenue | | | | |
| Crown | 13 | 10 | 12 | 14 |
| Other | 8 | 11 | 9 | 12 |
| Total | 21 | 21 | 21 | 26 |

For the third quarter of 2010, the Company recorded total royalties of \$6,275,000 or 21% of revenue versus \$3,630,000 or 21% of revenue for the same period in 2009. Although total royalties as a percentage of revenue are consistent in the two periods, the proportionate share of Crown versus other royalties has increased due to the Edson property acquisition, which is primarily subject to Crown royalties.

During the first nine months of 2010, total royalties were \$17,270,000 or 21% of revenue compared to \$14,504,000 or 26% of revenue a year ago. The decrease in royalties as a percentage of revenue was due to more of Angle's production being subject to Crown royalties, which have a more favourable rate than other royalties.

Operating Expenses

| | THREE MONTHS ENDED SEPTEMBER 30, | | NINE MONTHS ENDED SEPTEMBER 30, | |
|-----------------------------------|----------------------------------|-------|---------------------------------|--------|
| | 2010 | 2009 | 2010 | 2009 |
| (000s) | (\$) | (\$) | (\$) | (\$) |
| Operating expenses | 5,944 | 3,397 | 13,364 | 9,327 |
| Transportation expenses | 705 | 249 | 1,545 | 732 |
| Total operating expenses | 6,649 | 3,646 | 14,909 | 10,059 |
| Total operating expenses (\$/boe) | 7.21 | 5.25 | 6.47 | 4.88 |

Total operating expenses were \$6,649,000 or \$7.21/boe for the 2010 three-month period versus \$3,646,000 or \$5.25/boe a year ago.

During the first nine months of 2010, the Company incurred operating expenses of \$14,909,000 or \$6.47/boe compared to \$10,059,000 or \$4.88/boe in the 2009 period. The year-over-year increase for both the three and nine-month periods was due to several factors, including a plant turnaround at Ferrier and a compressor overhaul at Edson during the second quarter, and planned facility downtime at Edson during the third quarter that resulted in lower production volumes and increased costs. The Company also had higher property taxes for 2010 and increased oil production, which carries a higher operating cost per boe.

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

| | THREE MONTHS ENDED SEPTEMBER 30, | | NINE MONTHS ENDED SEPTEMBER 30, | |
|-------------------------------|----------------------------------|-------|---------------------------------|-------|
| | 2010 | 2009 | 2010 | 2009 |
| (000s) | (\$) | (\$) | (\$) | (\$) |
| G&A expenses | 2,910 | 1,732 | 8,151 | 5,739 |
| G&A capitalized (direct) | (326) | (193) | (798) | (556) |
| G&A recoveries via operations | (735) | (163) | (1,446) | (509) |
| G&A expenses (net) | 1,849 | 1,376 | 5,907 | 4,674 |

Net G&A expenses totaled \$1,849,000 for the three months ended September 30, 2010 versus \$1,376,000 in the comparable period a year ago. Angle had 38 professional staff during the third quarter of 2010 versus 24 staff in the same period of 2009. During the third quarter of 2010, the Company capitalized \$326,000 (2009 – \$193,000) in direct costs relating to its exploration and development staff salaries and recovered \$735,000 (2009 – \$163,000) relating to operator recoveries on capital expenditures.

During the 2010 three-month period, Angle recorded non-cash stock-based compensation expense of \$750,000 (2009 – \$319,000) and capitalized \$180,000 (2009 – \$72,000) for total stock-based compensation of \$930,000 (2009 – \$391,000). The increase in total stock-based compensation was due to a higher number of outstanding options related to increased staff levels in 2010 compared to 2009.

Net G&A expenses totaled \$5,907,000 for the first nine months of 2010 compared to \$4,674,000 in the same period a year ago. During the nine months ended September 30, 2010, the Company capitalized \$798,000 (2009 – \$556,000) in direct costs relating to its exploration and development efforts and recovered \$1,446,000 (2009 – \$509,000) relating to operator recoveries on capital expenditures. G&A recoveries have increased in conjunction with higher capital spending in 2010 for both the three and nine-month periods ended September 30, 2010 compared to the same periods in 2009.

During the first nine months of 2010, Angle recorded non-cash stock-based compensation expense of \$2,016,000 (2009 – \$1,031,000) and capitalized \$492,000 (2009 – \$319,000) for total stock-based compensation of \$2,508,000 (2009 – \$1,350,000). The Company’s G&A expenses and stock-based compensation rose in part due to the increase in staffing to properly manage increased activities, finance fees related to the credit facility and increased ongoing costs due to public reporting requirements.

Interest Expense

Interest expense incurred totaled \$1,276,000 and \$2,839,000 for the three and nine months ended September 30, 2010, respectively, compared to \$97,000 and \$147,000 in the respective periods a year ago. The year-over-year increases were due to the increased utilization of the Company’s credit facilities in 2010 as well as commitment fees paid on the expansion of the borrowing base from \$88,000,000 at year-end 2009 to \$160,000,000 at September 30, 2010. Angle’s credit facility bears interest at the bank’s prime rate plus a margin (1.00% to 2.50%) or at bankers’ acceptance rates plus a stamping fee (2.50% to 4.00%) based on the Company’s total debt to cash flow ratio.

Netbacks (per unit)

| | THREE MONTHS ENDED SEPTEMBER 30, | | NINE MONTHS ENDED SEPTEMBER 30, | |
|---|----------------------------------|----------|---------------------------------|----------|
| | 2010 | 2009 | 2010 | 2009 |
| | (\$/boe) | (\$/boe) | (\$/boe) | (\$/boe) |
| Sales prices | 32.92 | 25.16 | 35.42 | 27.32 |
| Royalties | (6.81) | (5.22) | (7.49) | (7.03) |
| Operating | (7.21) | (5.25) | (6.47) | (4.88) |
| Operating netback | 18.90 | 14.69 | 21.46 | 15.41 |
| G&A and other (excludes non-cash items) | (2.01) | (2.03) | (2.56) | (2.29) |
| Interest expense | (1.38) | (0.14) | (1.23) | (0.07) |
| Funds flow netback ⁽¹⁾ | 15.51 | 12.52 | 17.67 | 13.05 |
| Stock-based compensation | (0.81) | (0.41) | (0.87) | (0.48) |
| Depletion, depreciation and accretion | (20.59) | (15.29) | (19.23) | (15.29) |
| Unrealized gain (loss) on derivative instrument | (0.68) | – | 0.20 | – |
| Future tax reduction | 1.64 | 0.45 | 0.54 | 0.38 |
| Net income (loss) netback | (4.93) | (2.73) | (1.69) | (2.34) |

(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 \$18.90/boe and \$21.46/boe for the three and nine months ended September 30, 2010, respectively, compared to \$14.69/boe and \$15.41/boe recorded in the respective periods of 2009. The Company's operating netbacks were positively impacted by the year-over-year increase in commodity prices, slightly offset by higher royalties and operating expenses on a per unit basis.

Funds From Operations

Funds from operations totaled \$14,255,000 or \$0.21 per basic and \$0.20 per diluted share during the third quarter of 2010 versus \$8,699,000 or \$0.19 per basic and \$0.18 per diluted share in the same period of 2009.

For the nine months ended September 30, 2010, the Company recorded funds from operations of \$40,570,000 or \$0.67 per basic and \$0.65 per diluted share compared to \$26,927,000 or \$0.64 per basic and \$0.63 per diluted share in the same period of 2009. Refer to the beginning of this MD&A section for discussion and reconciliation of funds from operations to cash flow from operating activities, which is the most directly comparable measure calculated in accordance with GAAP.

Cash Flow From Operating Activities

Cash flow from operating activities totaled \$15,965,000 or \$0.23 per basic and diluted share during the three months ended September 30, 2010 compared to \$4,907,000 or \$0.11 per basic and \$0.10 per diluted share a year ago.

During the first nine months of 2010, the Company's cash flow from operating activities was \$29,762,000 or \$0.49 per basic and \$0.48 per diluted share versus \$13,664,000 or \$0.32 per basic and diluted share in 2009.

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

| | THREE MONTHS ENDED SEPTEMBER 30, | | NINE MONTHS ENDED SEPTEMBER 30, | |
|-------------------------|----------------------------------|--------|---------------------------------|--------|
| | 2010 | 2009 | 2010 | 2009 |
| DD&A provision (\$000s) | 18,979 | 10,626 | 44,324 | 31,541 |
| DD&A provision (\$/boe) | 20.59 | 15.29 | 19.23 | 15.29 |

The DD&A provision for the third quarter of 2010 was \$18,979,000 or \$20.59/boe compared to \$10,626,000 or \$15.29/boe recorded in the same period of 2009.

For the nine months ended September 30, 2010, the DD&A provision was \$44,324,000 or \$19.23/boe compared to \$31,541,000 or \$15.29/boe recorded in the same period of 2009. The 79% and 41% increase in DD&A for the three and nine-month periods, respectively, was due to an increase in the per unit rate that resulted from assets acquired which carry higher DD&A per boe of reserves as well as an increase in future development costs based on the October 1, 2010 reserves report prepared by Angle's independent reserves evaluator, GLJ Petroleum Consultants Ltd.

Income Taxes

A future income tax reduction of \$1,511,000 was recognized for the three months ended September 30, 2010 compared to \$315,000 recorded in the same period of 2009.

Future income tax reduction totaled \$1,248,000 during the first nine months of 2010 versus \$777,000 recorded in the comparable period of 2009.

Net Income (Loss)

The Company recorded a net loss of \$4,546,000 or \$0.07 per basic and diluted share during the third quarter of 2010 compared to a net loss of \$1,896,000 or \$0.04 per basic and diluted share in the same period a year ago.

For the nine months ended September 30, 2010, Angle recorded a net loss of \$3,890,000 or \$0.06 per basic and diluted share versus a net loss of \$4,833,000 or \$0.11 per basic and diluted share in the comparative period of 2009.

LIQUIDITY AND CAPITAL RESOURCES

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

| | NINE MONTHS ENDED SEPTEMBER 30, 2010 | YEAR ENDED DECEMBER 31, 2009 |
|---|---|---------------------------------|
| <i>(000s)</i> | <i>(\$)</i> | <i>(\$)</i> |
| Working capital (net debt) – beginning of period | 38,255 | (8,960) |
| Funds from operations | 40,570 | 40,154 |
| Issue of capital stock for cash (net of share issue expense) | 105,441 | 71,636 |
| Capital expenditures | (153,930) | (64,575) |
| Acquisitions | (170,671) | – |
| Debt and working capital deficiency acquired on corporate acquisition | (27,979) | – |
| Working capital (net debt) – end of period | (168,314) | 38,255 |

Since inception on January 23, 2004 to September 30, 2010, Angle has raised funds through treasury equity issues in the amount of \$284,307,000 (net of share issue expenses and normal course issuer bid) at share prices ranging from \$0.60 to \$8.00 per common share.

The Company exited the period with net debt of \$168,314,000 compared to available expanded credit lines established on October 26, 2010 of \$180,000,000.

The amount of the credit facility is subject to a borrowing base test performed on a semi-annual basis by the lenders, based primarily on reserves and using commodity prices estimated by the lenders as well as other factors. A decrease in the borrowing base could result in a reduction to the credit facility, which may require a repayment to the lenders. The next semi-annual review of the credit facility is scheduled to take place on or before April 29, 2011.

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

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

As at November 2, 2010, Angle had 69,025,498 common shares and 5,202,050 stock options issued and outstanding.

On October 21, 2010, Angle announced that it had entered into a flow-through common share financing agreement with a syndicate of underwriters to issue 2,488,000 flow-through common shares at a price of \$10.05 per flow-through share for aggregate gross proceeds of approximately \$25,004,000.

SELECTED QUARTERLY INFORMATION

| THREE MONTHS ENDED | SEP. 30, 2010 | JUN. 30, 2010 | MAR. 31, 2010 | DEC. 31, 2009 | SEP. 30, 2009 | JUN. 30, 2009 | MAR. 31, 2009 | DEC. 31, 2008 |
|--------------------------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| <i>(000s, except per share data)</i> | <i>(\$)</i> | <i>(\$)</i> | <i>(\$)</i> | <i>(\$)</i> | <i>(\$)</i> | <i>(\$)</i> | <i>(\$)</i> | <i>(\$)</i> |
| Total assets | 547,885 | 490,605 | 334,973 | 246,465 | 212,040 | 212,578 | 191,682 | 186,985 |
| Total sales (boe/d) | 10,021 | 7,290 | 8,003 | 7,446 | 7,552 | 7,472 | 7,645 | 7,628 |
| Oil and gas revenues ⁽¹⁾ | 30,345 | 23,474 | 27,842 | 23,652 | 17,483 | 17,405 | 21,458 | 28,591 |
| Funds from operations | 14,255 | 12,803 | 13,512 | 13,227 | 8,699 | 8,539 | 9,689 | 15,688 |
| Per share – basic | 0.21 | 0.22 | 0.25 | 0.27 | 0.19 | 0.21 | 0.25 | 0.41 |
| Cash flow from operating activities | 15,965 | 7,138 | 6,659 | 14,179 | 4,907 | (3,799) | 12,556 | 13,892 |
| Net income (loss) | (4,546) | (955) | 1,611 | 1,801 | (1,896) | (2,248) | (689) | 2,790 |
| Per share – basic | (0.07) | (0.02) | 0.03 | 0.04 | (0.04) | (0.05) | (0.02) | 0.07 |
| Capital expenditures ⁽²⁾ | 71,428 | 167,876 | 85,297 | 8,284 | 9,496 | 29,020 | 17,775 | 17,608 |
| Working capital (net debt) | (168,314) | (111,438) | (60,712) | 38,255 | (9,350) | (9,228) | (17,046) | (8,960) |
| Shareholders' equity | 317,884 | 321,212 | 215,346 | 212,201 | 166,374 | 167,231 | 140,260 | 143,057 |

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

(2) Total capital expenditures, including acquisitions.

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

FACTORS THAT HAVE CAUSED VARIATIONS OVER THE QUARTERS

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

CONTRACTUAL OBLIGATIONS

The Company has a committed revolving term facility with two chartered banks. The authorized borrowing amount under this facility as at September 30, 2010 was \$160,000,000. This limit was increased following quarter-end to \$180,000,000 and a third bank was added to the syndicate. The Company's commitments are summarized below:

| | 2010 | 2011 | 2012 | 2013 | 2014 |
|-------------------------------|------|-------|-------|------|------|
| (000s) | (\$) | (\$) | (\$) | (\$) | (\$) |
| Operating lease – office | 209 | 798 | 687 | 687 | 630 |
| Operating lease – compressors | 357 | 1,317 | 580 | – | – |
| Total | 566 | 2,115 | 1,267 | 687 | 630 |

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

RELATED PARTY

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 nine months of 2010, Angle incurred \$1,149,000 in costs with Osler (2009 – \$394,000). Services provided related to advice and counsel primarily in the areas of general legal, corporate governance matters, corporate acquisitions, and banking and equity offerings. These services were billed at rates consistent with those charged to third parties. The Company expects to continue using the firm's services throughout the remainder of 2010.

FUTURE ACCOUNTING POLICY CHANGES

Business Combinations

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

Consolidated Financial Statements and Non-Controlling Interests

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

Transition to International Financial Reporting Standards

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

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

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

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

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

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

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

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

CONTROLS AND PROCEDURES

Disclosure Controls

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

Internal Controls Over Financial Reporting

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

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

BUSINESS RISKS AND RISK MITIGATION

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

Global Financial Crisis

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

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

Credit Risk

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

Liquidity Risk

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

Market Risk

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

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

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

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate risk to the extent the changes in market interest rates will impact the Company's debts that have a floating interest rate. The Company had no interest rate swaps or hedges at September 30, 2010. With regards to interest rate risk, a change of 1% in the effective interest rate would impact net earnings by approximately \$192,000 in the third quarter of 2010, based on average debt outstanding during the period.

Risk of Failing to Discover Economic Reserves Additions

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

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

Operational and Environmental Risks

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

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

Stuart C. Symon, CMA

Vice President Finance & Chief Financial Officer

November 2, 2010

Consolidated Balance Sheets

| AS AT | SEPTEMBER 30, 2010 | DECEMBER 31, 2009 |
|--|-----------------------|----------------------|
| (000s) (unaudited) | (\$) | (\$) |
| ASSETS | | |
| Current | | |
| Cash and cash equivalents | – | 34,644 |
| Accounts receivable | 18,962 | 11,988 |
| Prepaid expenses and other | 4,741 | 3,722 |
| Derivative instruments (note 9) | 692 | 226 |
| | 24,395 | 50,580 |
| Property and equipment (note 4) | 523,490 | 195,885 |
| | 547,885 | 246,465 |
| LIABILITIES | | |
| Current | | |
| Accounts payable and accrued liabilities | 62,000 | 12,099 |
| Future income tax liability | 194 | – |
| | 62,194 | 12,099 |
| Bank debt (note 5) | 130,017 | – |
| Future tax liability | 31,801 | 19,453 |
| Asset retirement obligations (note 6) | 5,989 | 2,712 |
| | 230,001 | 34,264 |
| SHAREHOLDERS' EQUITY | | |
| Share capital (note 7) | 283,593 | 175,710 |
| Contributed surplus (note 7) | 6,808 | 5,118 |
| Retained earnings | 27,483 | 31,373 |
| | 317,884 | 212,201 |
| | 547,885 | 246,465 |

COMMITMENTS (note 11)

SUBSEQUENT EVENTS (note 5 and 12)

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Operations and Retained Earnings

| | THREE MONTHS ENDED SEPTEMBER 30, | | NINE MONTHS ENDED SEPTEMBER 30, | |
|--|----------------------------------|----------------|---------------------------------|----------------|
| | 2010 | 2009 | 2010 | 2009 |
| <i>(000s, except per share data) (unaudited)</i> | | | | |
| | (\$) | (\$) | (\$) | (\$) |
| REVENUE | | | | |
| Oil and gas revenues | 29,421 | 17,483 | 79,882 | 56,346 |
| Realized derivative instrument gain | 924 | — | 1,779 | — |
| Unrealized derivative instrument gain (loss) | (624) | — | 466 | — |
| | 29,721 | 17,483 | 82,127 | 56,346 |
| Royalty expense | (6,275) | (3,630) | (17,270) | (14,504) |
| | 23,446 | 13,853 | 64,857 | 41,842 |
| EXPENSES | | | | |
| Operating | 6,649 | 3,646 | 14,909 | 10,059 |
| General and administrative | 1,849 | 1,376 | 5,907 | 4,674 |
| Interest | 1,276 | 97 | 2,839 | 147 |
| Stock-based compensation <i>(note 7)</i> | 750 | 319 | 2,016 | 1,031 |
| Depletion, depreciation and accretion | 18,979 | 10,626 | 44,324 | 31,541 |
| | 29,503 | 16,064 | 69,995 | 47,452 |
| LOSS BEFORE INCOME TAXES | (6,057) | (2,211) | (5,138) | (5,610) |
| INCOME TAXES | | | | |
| Future tax reduction | (1,511) | (315) | (1,248) | (777) |
| NET LOSS FOR THE PERIOD | (4,546) | (1,896) | (3,890) | (4,833) |
| RETAINED EARNINGS – BEGINNING OF PERIOD | 32,029 | 31,468 | 31,373 | 34,405 |
| RETAINED EARNINGS – END OF PERIOD | 27,483 | 29,572 | 27,483 | 29,572 |
| Net loss per share <i>(note 7)</i> | | | | |
| Basic | (0.07) | (0.04) | (0.06) | (0.11) |
| Diluted | (0.07) | (0.04) | (0.06) | (0.11) |

See accompanying notes to the consolidated financial statements.

Consolidated Statements of Cash Flows

| (000s) (unaudited) | THREE MONTHS ENDED SEPTEMBER 30, | | NINE MONTHS ENDED SEPTEMBER 30, | |
|---|----------------------------------|---------|---------------------------------|----------|
| | 2010 | 2009 | 2010 | 2009 |
| | (\$) | (\$) | (\$) | (\$) |
| CASH PROVIDED BY (USED IN): | | | | |
| OPERATING ACTIVITIES | | | | |
| Net loss for the period | (4,546) | (1,896) | (3,890) | (4,833) |
| Cash settlement of share appreciation rights plan | - | (35) | - | (35) |
| Add back non-cash items: | | | | |
| Depletion, depreciation and accretion | 18,979 | 10,626 | 44,324 | 31,541 |
| Stock-based compensation | 750 | 319 | 2,016 | 1,031 |
| Unrealized gain (loss) on derivative instruments (note 9) | 624 | - | (466) | - |
| Future tax reduction | (1,511) | (315) | (1,248) | (777) |
| Asset retirement expenditures | (41) | - | (166) | - |
| | 14,255 | 8,699 | 40,570 | 26,927 |
| Change in non-cash working capital (note 8) | 1,710 | (3,792) | (10,808) | (13,263) |
| | 15,965 | 4,907 | 29,762 | 13,664 |
| FINANCING ACTIVITIES | | | | |
| Issue of common shares, net of share issue expenses | 297 | 675 | 105,441 | 28,974 |
| Increase (decrease) in bank debt | 27,754 | 3,156 | 107,317 | 11,077 |
| Changes in non-cash working capital (note 8) | (498) | (3) | (57) | 51 |
| | 27,553 | 3,828 | 212,701 | 40,102 |
| INVESTING ACTIVITIES | | | | |
| Property and equipment additions | (70,976) | (9,496) | (153,930) | (33,840) |
| Corporate acquisition (note 3) | - | - | (46,148) | - |
| Property and equipment acquisitions (note 3) | (452) | - | (124,523) | (22,451) |
| Change in non-cash working capital (note 8) | 27,910 | 761 | 47,494 | 1,586 |
| | (43,518) | (8,735) | (277,107) | (54,705) |
| NET INCREASE (DECREASE) IN CASH | - | - | (34,644) | (939) |
| CASH - BEGINNING OF PERIOD | - | - | 34,644 | 939 |
| CASH - END OF PERIOD | - | - | - | - |

See accompanying notes to the consolidated financial statements.

Notes to the Consolidated Financial Statements

SEPTEMBER 30, 2010

(unaudited)

1. NATURE OF OPERATIONS

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

2. ACCOUNTING POLICIES

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

3. PROPERTY AND EQUIPMENT ACQUISITIONS

(a) Corporate Acquisition

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

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

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

3. PROPERTY AND EQUIPMENT ACQUISITIONS (continued)

(b) Property Acquisitions

On June 30, 2010, Angle acquired certain interests in petroleum and natural gas properties in the Edson area for cash consideration of \$116,396,000 (including transaction costs of approximately \$1,396,000), with associated asset retirement obligations of \$1,856,000. These amounts are estimates made by management based on currently available information. Revisions may be made as cost estimates and balances are finalized. A final statement of adjustments is due 12 months following the close of the acquisition, which may result in changes to the final balances.

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

4. PROPERTY AND EQUIPMENT

| | COST | ACCUMULATED DEPLETION AND AMORTIZATION | NET BOOK VALUE |
|--------------------------------------|----------------|--|-------------------|
| (000s) | (\$) | (\$) | (\$) |
| September 30, 2010 | | | |
| Petroleum and natural gas properties | 661,259 | 138,579 | 522,680 |
| Office equipment | 1,374 | 564 | 810 |
| | 662,633 | 139,143 | 523,490 |
| December 31, 2009 | | | |
| Petroleum and natural gas properties | 289,908 | 94,765 | 195,143 |
| Office equipment | 1,137 | 395 | 742 |
| | 291,045 | 95,160 | 195,885 |

The Company capitalized \$798,000 (2009 – \$556,000) of direct general and administrative costs, \$492,000 (2009 – \$319,000) of stock-based compensation expense and \$1,446,000 (2009 – \$509,000) of operator overhead related to its exploration and development activity for the period ended September 30, 2010.

Unevaluated and undeveloped properties with a cost of \$62,564,000 (2009 – \$18,961,000), included in petroleum and natural gas properties, have not been subject to depletion as reserves related to these costs had not been assigned for the period ended September 30, 2010. As at period-end, future development costs totaling \$102,231,000 (2009 – \$20,821,000) were included in amounts subject to depletion.

5. BANK DEBT

The Company has a revolving committed credit facility with two chartered banks with a borrowing base of \$160,000,000. An additional increase in the borrowing base to \$180,000,000 occurred on October 26, 2010, at which time a third bank was added to the syndicate. The next semi-annual review of the credit facility is scheduled to take place on or before April 29, 2011.

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

The credit facility provides that advances may be made by way of direct advances or bankers' acceptances. The credit facility bears interest at the bank's prime rate plus a margin (1.00% to 2.50%) or at bankers' acceptance rates plus a stamping fee (2.50% to 4.00%) based on the Company's total debt to cash flow ratio. For purposes of this calculation, consolidated total debt is defined as total liabilities less current assets and cash flow is defined as cash flow from operations for the last two quarters multiplied by 2 (annualized). A general security agreement over all present and after acquired personal property and a floating charge on all lands has been provided as security.

6. ASSET RETIREMENT OBLIGATIONS

The Company recorded an asset retirement obligation calculated as the present value of the estimated future cost to abandon its petroleum and natural gas properties. To determine the value of this obligation, the Company utilized an inflation rate of 2% (2009 – 2%) and a credit adjusted risk-free interest rate of 8% to 10% (2009 – 8% to 10%) to discount the future estimated cash flows of \$15,527,000 (2009 – \$5,796,000) of which the majority of costs are expected to be incurred over a period of one to 25 years. At September 30, 2010 and December 31, 2009, the obligation was as follows:

| | NINE MONTHS ENDED SEPTEMBER 30, 2010 | YEAR ENDED DECEMBER 31, 2009 |
|---|---|---------------------------------|
| (000s) | (\$) | (\$) |
| Balance – beginning of period | 2,712 | 1,979 |
| Change in estimates | 158 | (385) |
| Liabilities incurred | 448 | 904 |
| Liabilities acquired on corporate acquisition | 594 | – |
| Liabilities acquired on property acquisitions | 1,902 | – |
| Liabilities settled | (166) | – |
| Accretion of asset retirement obligation | 341 | 214 |
| Balance – end of period | 5,989 | 2,712 |

7. SHARE CAPITAL

(a) Authorized

Unlimited number of common voting shares, no par value.

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

(b) Issued

| | NINE MONTHS ENDED SEPTEMBER 30, 2010 | | YEAR ENDED DECEMBER 31, 2009 | |
|-----------------------------------|---|--------------------|---------------------------------|--------------------|
| | SHARES (#) | AMOUNT (\$000s) | SHARES (#) | AMOUNT (\$000s) |
| Common Shares | | | | |
| Balance – beginning of period | 54,481,132 | 175,710 | 39,296,574 | 104,995 |
| Common shares issued | 14,544,366 | 112,530 | 15,184,558 | 76,384 |
| Tax effect of flow-through shares | – | – | – | (2,516) |
| Share issue costs | – | (6,271) | – | (4,212) |
| Tax benefit of share issue costs | – | 1,624 | – | 1,059 |
| Balance – end of period | 69,025,498 | 283,593 | 54,481,132 | 175,710 |

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

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

In June 2010, the Company issued 8,050,000 subscription receipts at a price of \$7.90 per subscription receipt, for total proceeds of \$63,595,000 (\$59,965,000 net of issue costs). Upon exercise, each subscription receipt was convertible to one common share. All subscription receipts were deemed exercised and converted to common shares on June 30, 2010.

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

In the third quarter of 2010, the Company issued 65,000 common shares, resulting from the exercise of stock options, for cash proceeds of \$263,000 and previously recognized stock-based compensation expense of \$111,000.

(c) Contributed Surplus

| | NINE MONTHS ENDED SEPTEMBER 30, 2010 | YEAR ENDED DECEMBER 31, 2009 |
|--|---|---------------------------------|
| (000s) | (\$) | (\$) |
| Balance – beginning of period | 5,118 | 3,657 |
| Stock-based compensation – options | 2,508 | 1,393 |
| Reduction due to exercise of options | (818) | (536) |
| Stock-based compensation – share appreciation rights | – | 639 |
| Reduction due to cash settlement of share appreciation rights plan | – | (35) |
| Balance – end of period | 6,808 | 5,118 |

7. SHARE CAPITAL (continued)

(d) Per Share Amounts

For the nine months ended September 30, 2010, net income (loss) per common share is calculated using the weighted average number of shares outstanding of 60,739,617 (basic and diluted) (September 30, 2009 – 42,291,256 basic and diluted). Outstanding options were anti-dilutive instruments in 2009 because the Company realized a net loss in the nine months ended September 30, 2010 and 2009.

For the three months ended September 30, 2010, net loss per common share is calculated using the weighted average number of shares outstanding of 68,988,052 (basic and diluted) (September 30, 2009 – 46,578,788 basic and diluted). Outstanding options were anti-dilutive instruments in 2010 and 2009 because the Company realized a net loss in the three-month periods ended September 30, 2010 and 2009.

(e) Options Outstanding

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

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

| | OPTIONS (#) | WEIGHTED AVERAGE EXERCISE PRICE (\$) |
|--|------------------|--|
| Outstanding at December 31, 2009 | 4,380,916 | 4.14 |
| Granted in the period | 1,332,000 | 7.80 |
| Exercised in the period | (414,366) | 3.14 |
| Forfeited in the period | (105,000) | 5.28 |
| Outstanding at September 30, 2010 | 5,193,550 | 5.14 |

| EXERCISE PRICE (\$) | OUTSTANDING (#) | WEIGHTED AVERAGE REMAINING CONTRACTUAL LIFE (years) | WEIGHTED AVERAGE EXERCISE PRICE (\$) | EXERCISABLE (#) | WEIGHTED AVERAGE EXERCISE PRICE (\$) |
|---------------------------------|--------------------|--|--|--------------------|--|
| As at September 30, 2010 | | | | | |
| 2.80 – 4.59 | 3,100,800 | 2.33 | 3.94 | 1,987,296 | 3.71 |
| 4.60 – 6.39 | 760,750 | 3.69 | 5.36 | 240,332 | 5.19 |
| 6.40 – 8.19 | 1,113,500 | 4.71 | 7.60 | – | – |
| 8.20 – 10.00 | 218,500 | 4.39 | 8.82 | – | – |
| | 5,193,550 | 3.12 | 5.14 | 2,227,628 | 3.87 |

The fair value of common share options granted during the period ended September 30, 2010 was estimated to be \$2,152,000 or \$3.54 per weighted average option (2009 – \$3,900,000 or \$2.55) as at the date of grant using the Black-Scholes pricing model and the following average assumptions:

7. SHARE CAPITAL (continued)

(e) Options Outstanding (continued)

| NINE MONTHS ENDED SEPTEMBER 30, | 2010 | 2009 |
|---------------------------------|-------|------|
| Risk-free interest rate (%) | 2.18 | – |
| Expected life (years) | 5.00 | – |
| Expected volatility (%) | 52.13 | – |

(f) Management of Capital Structure

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

In the management of capital, the Company includes share capital of \$283,593,000 and net debt of \$168,314,000 (defined as the sum of current assets, current liabilities and bank debt, excluding derivative instruments and related tax effects) in the definition of capital.

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 nine months ended September 30, 2010 was \$54,093,000 (2009 – \$35,903,000) resulting in a net debt to funds from operations ratio of 3.11 (2009 – 0.26). This ratio is above the Company's standard acceptable range of 2.0 or less due to the timing of the property acquisition completed on June 30, 2010. The Company expects this ratio to be closer to the acceptable range by year-end 2010.

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

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

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

8. CHANGES IN NON-CASH WORKING CAPITAL

| | THREE MONTHS ENDED SEPTEMBER 30, | | NINE MONTHS ENDED SEPTEMBER 30, | |
|--|----------------------------------|---------|---------------------------------|----------|
| | 2010 | 2009 | 2010 | 2009 |
| (000s) | (\$) | (\$) | (\$) | (\$) |
| Accounts receivable | (2,966) | (360) | (6,106) | 2,772 |
| Prepaid expenses and other | (1,011) | 124 | (504) | (2,531) |
| Accounts payable and accrued liabilities | 33,099 | (2,798) | 43,239 | (11,867) |
| | 29,122 | (3,034) | 36,629 | (11,626) |

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

| | THREE MONTHS ENDED SEPTEMBER 30, | | NINE MONTHS ENDED SEPTEMBER 30, | |
|-----------|----------------------------------|---------|---------------------------------|----------|
| | 2010 | 2009 | 2010 | 2009 |
| (000s) | (\$) | (\$) | (\$) | (\$) |
| Operating | 1,710 | (3,792) | (10,808) | (13,263) |
| Financing | (498) | (3) | (57) | 51 |
| Investing | 27,910 | 761 | 47,494 | 1,586 |
| | 29,122 | (3,034) | 36,629 | (11,626) |

9. FINANCIAL INSTRUMENTS

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

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

(a) Credit Risk

Substantially all of the Company's petroleum and natural gas production is marketed under standard industry terms. The industry has a pre-arranged monthly settlement day for payment of revenues from all buyers of crude oil and natural gas. This occurs on the 25th day following the month in which the production is sold. As a result, Angle collects sales revenues in an organized manner. Management monitors purchaser credit positions to mitigate any potential credit losses. To the extent Angle has joint interest activities with industry partners, the Company must collect, on a monthly basis, partners' share of capital and operating expenses. These collections are subject to normal industry credit risk. Angle attempts to mitigate risk from joint venture receivables by obtaining partner approval of capital projects prior to expenditure and collects in advance for significant amounts related to partners' share of capital expenditures in accordance with the industry operating procedures. The Company does not typically obtain collateral from petroleum and natural gas marketers or joint venture partners; however, Angle does have the ability to withhold production from joint venture partners in the event of non-payment. At September 30, 2010, of the accounts receivable balance of \$18,962,000, 70% was current, 14% 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.

9. FINANCIAL INSTRUMENTS (continued)

(b) Liquidity Risk

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

(c) Market Risk

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

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

(i) Commodity Price Risk

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

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

The fair value of this contract as at September 30, 2010 was an asset of \$692,000.

(ii) Foreign Currency Exchange Rate Risk

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

(iii) Interest Rate Risk

Interest rate risk is the risk that future cash flows will fluctuate as a result of changes in market interest rates. The Company is exposed to interest rate risk to the extent the changes in market interest rates will impact the Company's debts that have a floating interest rate. The Company had no interest rate swaps or hedges at September 30, 2010. With regards to interest rate risk, a change of 1% in the effective interest rate would impact net earnings by approximately \$192,000 in 2010, based on average debt outstanding during the period.

10. RELATED PARTIES

During the first nine months of 2010, expenses and share issue costs were recorded totaling \$1,149,000 (2009 – \$394,000) that were charged to the Company by a legal firm of which a Director of the Company is a partner, and \$nil (2009 – \$6,000) remained in accounts payable at September 30, 2010. These amounts are billed and recorded at rates consistent with those charged to third parties.

11. COMMITMENTS

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

| <i>(000s)</i> | <i>(\$)</i> |
|---------------|-------------|
| 2010 | 566 |
| 2011 | 2,115 |
| 2012 | 1,267 |
| 2013 | 687 |
| 2014 | 630 |
| | 5,265 |

12. SUBSEQUENT EVENTS

On October 21, 2010, Angle announced that it had entered into a flow-through common share financing agreement with a syndicate of underwriters to issue 2,488,000 flow-through common shares at a price of \$10.05 per flow-through share for aggregate gross proceeds of approximately \$25,004,000.

On November 2, 2010, Angle fixed the price applicable to future production through the following contract:

| CRUDE OIL | VOLUME | PRICING POINT | STRIKE PRICE | TERM |
|-----------------------|------------|---------------|---------------|----------------------|
| Fixed Price/Financial | 500 bbls/d | NYMEX | US\$87.05/bbl | Jan.1/11 – Jun.30/12 |

Corporate Information

Board of Directors

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

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

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

D. Gregg Fischbuch
Chief Executive Officer
Angle Energy Inc.

John Gareau ⁽¹⁾⁽³⁾
Independent Businessman

Edward Muchowski ⁽²⁾⁽⁴⁾
Independent Businessman

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

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

Officers

Heather Christie-Burns
President & Chief Operating Officer

D. Gregg Fischbuch
Chief Executive Officer

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

G. Graham Cormack
Vice President Operations

Glen Richardson
Vice President Land

Elizabeth More
Vice President Exploration

Matthew Mazuryk
Vice President Engineering

Heather Post
Controller

Head Office

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Telephone: (403) 263-4534
Facsimile: (403) 263-4179
Website: www.angleenergy.com

Auditors

KPMG LLP
Calgary, Alberta

Bankers

ATB Financial
Calgary, Alberta

Bank of Montreal
Calgary, Alberta

Canadian Imperial Bank of Commerce
Calgary, Alberta

Evaluation Engineers

GLJ Petroleum Consultants Ltd.
Calgary, Alberta

Seaton-Jordan & Associates Ltd.
Calgary, Alberta

Legal Counsel

Osler, Hoskin & Harcourt LLP
Calgary, Alberta

Registrar and Transfer Agent

Valiant Trust Company
Calgary, Alberta

Stock Trading

Toronto Stock Exchange
Trading Symbol: NGL

Abbreviations

| | |
|-------|-----------------------------------|
| bbls | barrels |
| boe | barrels of oil equivalent |
| GJ | gigajoules |
| /d | per day |
| mbbls | thousand barrels |
| mcf | thousand cubic feet |
| mm | million |
| mmboe | million barrels of oil equivalent |
| mmcf | million cubic feet |
| mmstb | million stock tank barrels |
| 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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