

Anglo Canadian Oil Corp.

**Operations Update
Management's Discussion and Analysis
September 30, 2011**

Operations Update

During Anglo Canadian Oil Corp.'s (Anglo or the Corporation) third quarter ending September 30, 2011 Anglo drilled the Ante Creek 8-3-67-26-W5 well. The well was completed and is being swab tested.

Subsequent to quarter end the 3-4-67-26-W5 well was drilled and cased, and is awaiting stimulation services.

Both the 8-3 and 3-4 wells are located on the pooled lands resultant from a farm-in agreement with Quatro Resources Inc. (Quatro) announced June 17, 2011. Under the terms of the agreement Anglo contributed five sections of prospective Nordegg bearing lands while Quatro contributed seven sections of prospective Montney and Nordegg bearing lands. Quatro maintained a 70% W.I. in the pooled lands while Anglo retained a 30% interest. By drilling the two wells, Anglo earned a 75% W.I. in seven sections of the pooled lands. Anglo can earn a 75% interest in the remaining five sections by drilling one more well on the pooled lands. All of the Quatro and Anglo lands under this agreement are adjacent and are in the Ante Creek North area of West Central Alberta.

In Southwest Saskatchewan, Anglo's Dodsland 6-22-32-20-W3 well drilled, cased, and completed in the second quarter was suspended.

In late July Anglo announced that it entered into a farm-out agreement on a small portion (approximately 9 sections) of its Central Alberta lands with Vesta Energy Ltd. (Vesta). Vesta has drilled and cased the Vesta Glenpark 11-34-48-27-W4 well and is in the process of completing the well.

Management's Discussion and Analysis

(tabular amounts in dollars, unless otherwise stated)

Advisories

The following Management's Discussion and Analysis ("MD&A") was prepared as at November 23, 2011, and should be read in conjunction with the financial statements for the year ended December 31, 2010, and for the three and six months ended September 30, 2011.

The reader is advised that historical results are not necessarily indicative of future performance. Additional information relating to the Corporation is available on the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com or at the Corporation's web-site at www.anglocanadianoil.com.

The following MD&A contains forward-looking information and statements, refers to and discusses certain non-IFRS financial measures and aggregates certain oil and gas information in terms of barrels of oil equivalent. The reader is specifically referred to and encouraged to read the section entitled "Advisories" at the end of this MD&A.

Corporate Overview and Strategy

Anglo Canadian Oil Corp. (“Anglo” or the “Corporation”) is a junior oil and gas company engaged in the exploration, development and exploitation of oil and gas reserves in Western Canada.

Financial Summary

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Petroleum and natural gas sales	\$ 135,191	\$ 61,332	\$ 284,986	\$ 162,814
Cash flow used in operations	\$ (911,527)	\$ 1,866,267	\$ (1,945,844)	\$ 1,394,436
Net loss	\$ (551,235)	\$ (270,243)	\$ (2,369,614)	\$ (2,328,856)
Capital asset additions	\$ 2,849,153	\$ 3,765,339	\$ 6,982,130	\$ 7,088,568

Revenue increased by 109% in Q3 2011 in comparison to the 3Q 2010 on 90% higher production volumes and 16% higher realized prices. For the nine months ended September 30, 2011, revenues increase 75% over the nine months ended September 30, 2010, on 54% higher volumes and 14% higher realized prices. Cash used by operations in Q3 2011 was higher than Q3 2010, largely due to changes in the non-cash working capital in 2010 and to higher exploration and evaluation expenditures of \$70k, and P&E impairment of \$174k in Q3 2011. Anglo’s net loss for Q3 2011 increased due to higher stock based compensation charges, higher operating costs, and P&E impairment, net against deferred income tax recoveries. The majority of capital expenditures in the nine months ended September 30, 2011 were the result of the drilling and completion costs for the Dodsland 6-22 and 4-29 wells, drilling costs for the Ante Creek 3-4 and 8-3 wells, the acquisition of 34,456 hectares of Beaverhill Lake and Duvernay lands located in West Central Alberta, and preliminary Geological/Geophysical work.

Revenue

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Average production				
Oil (boe/d)	20	11	14	9
Benchmark Prices				
Hardisty Heavy (\$/boe)	\$ 80.96	\$ 65.74	\$ 83.86	\$ 69.00
Realized prices				
Oil (\$/boe)	\$ 72.80	\$ 62.80	\$ 76.05	\$ 66.95
Revenue				
Oil	\$ 135,191	\$ 61,332	\$ 284,986	\$ 162,814

Oil revenue in Q3 2011 increased by 109% compared to the prior period due to 16% higher realized prices and 90% higher production volumes. Production volumes increased on an absolute basis due significantly to increased production from Buffalo Coulee 3-27 well.

The Corporation’s realized price in the 2011 rose due to market price increases.

Interest income included in net finance income of \$31,055 is comprised mostly of interest earned on cash held in short-term GICs.

Royalties

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Royalties	\$ 16,452	\$ 3,480	\$ 25,465	\$ 10,833
Royalty rate (% of revenue)	12.17%	5.67%	8.94%	6.65%

The Saskatchewan royalty structure is based upon commodity prices and well productivity, with higher prices and well productivity subject to higher royalty rates. Realized oil prices during the quarter were higher than the comparative period, Anglo's production increase resulted in higher royalty expense on an absolute basis as well, which is reflected in the higher royalty rate as a percentage of revenue.

Operating Expenses

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Operating expenses	\$ 101,106	\$ 50,376	\$ 255,707	\$ 102,490
Operating expenses per boe	\$ 54.45	\$ 51.58	\$ 68.24	\$ 42.15

Total operating expenses increased in Q3 2011 in relation to Q3 2010 by 101%, due largely to operational problems experienced on Sturgeon Lake 5-10 and higher costs on Buffalo Coulee 3-27 because of higher production volumes. On a per boe basis the quarterly operating costs were 6% higher than in 2010 due to Sturgeon Lake 5-10 costs offset by, increases in production volumes at Buffalo Coulee 3-27.

Operating Netbacks

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Realized price	\$ 72.80	\$ 62.80	\$ 76.05	\$ 66.95
Royalties	(8.86)	(3.56)	(6.80)	(4.45)
Operating expenses	(54.45)	(51.58)	(68.24)	(42.15)
Operating netback ⁽¹⁾	\$ 9.49	\$ 7.66	\$ 1.01	\$ 20.35

(1) Operating netback does not have any standardized meaning prescribed by IFRS, and therefore may not be comparable to similar measures used by other companies. Please refer to the Non-IFRS Financial Measures under the Advisories section in the MD&A for more details.

The 24% increase in operating netbacks in Q3 2011 compared to Q3 2010 results from 16% increased realized prices, offset by 149% increase in royalties and 6% higher operating costs.

The following is a reconciliation of operating netback per boe to net loss per boe:

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Operating netback	\$ 9.49	\$ 7.66	\$ 1.01	\$ 20.35
Exploration and Evaluation Expenses	37.56	-	112.65	4.71
Depletion and Depreciation	129.26	22.95	219.60	18.62
General and administrative expenses	128.94	190.61	218.62	203.52
Stock-based compensation	96.87	71.15	150.93	767.17
Net Finance expense/(Income)	(15.37)	(13.27)	(24.37)	(11.46)
Future income tax expense (recovery)	(70.94)	12.92	(44.09)	(4.54)
Net loss	\$ (296.84)	\$ (276.70)	\$ (632.33)	\$ (957.67)

Depletion and Depreciation

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Depletion and depreciation	\$ 240,037	\$ 22,415	\$ 822,949	\$ 45,271
Depletion and depreciation per boe (\$/boe)	\$ 129.26	\$ 22.95	\$ 219.60	\$ 18.62

Total depletion expense in Q3 2011 was significantly higher than in Q3 2010 due to the \$174,471 impairment recognized on the Central AB CGU (The Nordegg play), as costs spent are not supported by the fair value less cost to sell indicated by the reserves allocated to the CGU. Adjusted for the impairment, depletion and depreciation for Q3 2011 was \$65,566, or \$35.31/boe. This depletion rate per boe rose 54% due to large capital expenditures since Q3 2010 related to drilling and completions which did not add significantly to proved reserves.

Capital Asset additions

Nine months ended September 30,	2011		2010	
Drilling and completions	\$ 3,667,589	53%	\$ 3,689,726	52%
Equipment and facilities	727,273	10%	57,312	1%
Geological and geophysical	786,185	11%	180,921	3%
Land	1,790,161	26%	3,148,450	44%
	6,971,208	100%	7,076,409	100%
Furniture and Fixtures	10,922		12,159	
Total capital asset additions	\$ 6,982,130		\$ 7,088,568	

In 2011, Anglo continued with its exploration program in the Nordegg area, further work continued on Sturgeon Lake 5-10, and the drilling and completing of Dodsland 6-22 and 4-29 wells. Additionally, preliminary Geological/Geophysical and Drilling costs for the Ante Creek 3-4 and 8-3 wells, and further equipment and workover costs were incurred on Buffalo Coulee 7C16-22 well.

In March 2011, Anglo secured 34,456 net hectares of lands principally targeting the Duvernay and Beaverhill Lake oil prone formations in Central Alberta, from conventional reservoirs and source rock formations.

In March 2010, Anglo secured 68,832 net hectares (269 net sections) of potential Nordegg oil-bearing land close to Grande Prairie, Alberta.

Geological evaluation of the Corporation's Alberta and Saskatchewan properties continue and lease rentals are being incurred.

General and Administrative Expenses

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
General and administrative expenses	\$ 239,454	\$ 186,156	\$ 819,267	\$ 494,932
Total general and administrative expenses per boe (\$/boe)	\$ 128.94	\$ 190.61	\$ 218.62	\$ 203.52

Total general and administrative expenses (“G&A”) were 29% higher in Q3 2011 than in Q3 2010. In the latter half of 2010, Anglo increased contractor services, engineering, and G&G spending to assist with the significantly increased capital program in 2011.

Related Party Transactions

Management services were provided to the Corporation by consulting and legal firms controlled by directors and officers of the Corporation.

Management services provided to the Corporation by consulting and legal firms controlled by Directors and Officers of the Corporation totalled \$254,260 in the nine months ended September 30, 2011 (nine months ended September 30, 2010 – \$120,160). Also, services provided by the Corporation to a company owned and controlled by an officer and director of the Corporation in the nine months ended September 30, 2011 totalled \$28,286 (nine months ended September 30, 2010 - \$nil). The related party transactions were in the normal course of operations and were measured at the exchange amount, which was comparable to similar transactions conducted between arm’s length parties based on standard commercial terms.

Accounts payable at September 30, 2011, includes \$13,567 (December 31, 2010 – \$79,530) due to Directors and Officers of the Corporation related to amounts owing for consulting and legal services.

Accounts receivable at September 30, 2011 includes \$440,466 (December 31, 2010 - \$nil) held in trust with a company with a common director and officer, which was returned subsequent to quarter end.

Liquidity and Capital Resources

The Corporation considers capital structure to include working capital. Management reviews the capital management approach on an ongoing basis and believes that this approach, given the relative size of the Corporation, is reasonable.

The Corporation’s capital structure is:

As at	September 30, 2011	December 31, 2010
Current assets	\$ 11,207,293	\$ 12,316,329
Current liabilities (excluding flow-through share premium)	(2,455,660)	(1,978,922)
Working capital	\$ 8,751,633	\$ 10,337,407

On March 24, 2011, the Corporation issued 13,040,000 units at price of \$0.25 per unit and 10,344,828 common shares of the Corporation on a flow-through basis at a price of \$0.29 per flow-through share, for aggregate gross proceeds of \$6,260,000. Each unit consisted of one common share and one half of one common share purchase warrant and each whole warrant entitles the holder thereof to purchase one common share at a price of \$0.33 per common share at any time during the period of 18 months from the closing date. Of the total proceeds received for the units, \$2,463,113 was allocated to the common shares and \$796,887 to the warrants based on the relative fair values of the shares and the warrants at the date of issue. There is a four month hold period on the common shares, flow-through shares and warrants issued pursuant to the offering which expires on July 25, 2011. A flow-through-share premium of \$500,000 was recognized on this transaction. The Corporation will be required to incur \$3,000,000 of qualifying expenditures prior to December 31, 2012, with respect to the flow-through common shares. The Corporation paid a cash commission to certain arm's length parties who assisted with the placement of the units and flow-through shares of \$438,200 and issued 1,870,786 common share purchase warrants to such parties entitling the holders to acquire one common share at a price of \$0.35 per common share at any time during the period of 18 months from the closing date. In total, 8,390,786 warrants were issued in relation to this transaction. Share issuance costs of \$35,000 were also incurred related to legal fees and other expenses in relation to this transaction.

On November 25, 2010, the Corporation issued 7,698,927 units at price of \$0.21 per unit and 1,532,900 common shares of the Corporation on a flow-through basis at a price of \$0.25 per flow-through share, for aggregate gross proceeds of \$2,000,000. Each unit consisted of one common share and one half of one common share purchase warrant and each whole warrant entitles the holder thereof to purchase one common share at a price of \$0.28 per common share at any time during the period of 18 months from the closing date. Of the total proceeds received for the units, \$1,175,184 was allocated to the common shares and \$441,591 to the warrants based on the relative fair values of the shares and the warrants at the date of issue. There was a four month hold period on the common shares, flow-through shares and warrants issued pursuant to the offering which expired on March 25, 2011. The Corporation will be required to incur \$383,225 of qualifying expenditures prior to December 31, 2011, with respect to the flow-through common shares. The Corporation paid a cash commission to certain arm's length parties who assisted with the placement of the units and flow-through shares of \$72,268 and issued 375,157 common share purchase warrants to such parties entitling the holders to acquire one common share at a price of \$0.25 per common share at any time during the period of 18 months from the closing date. In total, 4,224,621 warrants were issued in relation to this transaction. Share issuance costs of \$88,852 were also incurred related to legal fees and other expenses in relation to this transaction.

On November 17, 2010, the Corporation issued 20,238,173 units at price of \$0.21 per unit and 19,549,000 common shares of the Corporation issued on a flow-through basis at a price of \$0.25 per flow-through share for aggregate gross proceeds of \$9,137,266. Each unit consisted of one common Share and one half of one common share purchase warrant and each whole warrant entitles the holder thereof to purchase one common share at a price of \$0.28 per common share at any time for a period of 18 months from the closing date. The warrants are subject to an acceleration clause whereby at any time after 90 days from the closing of the Offering, if the weighted average trading price of the common shares exceeds \$0.35 for a period of twenty consecutive trading days, the Corporation may elect to issue a news release giving notice that the warrants must be exercised within 30 days of the date of the news release, failing which the warrants will automatically expire. Of the total proceeds received for the units, \$3,066,507 was allocated to the common shares, and \$1,183,509 to the warrants based on the relative fair values of the shares and the warrants at the date of issue. There was a four month hold period on the common shares, flow-through shares and warrants issued pursuant to the Offering which expired on March 18, 2011. The Corporation will be required to incur \$4,887,250 of qualifying expenditures prior to December 31, 2011 with respect to the flow-through common shares. The Agents were paid a cash commission of \$639,609 and were reimbursed for their expenses. The Agents were also issued 3,182,974 non-transferrable common share purchase warrants, each whole Agents' warrant entitles the Agents to purchase one common share at a price of \$0.25 per common share at any time during the period of 18 months from the closing date. In total, 13,302,061 warrants were issued in relation to this transaction. Share issuance costs of \$40,070 were incurred related to legal fees and other expenses in relation to this transaction.

On May 17, 2010, the Corporation issued 7,627,783 units at price of \$0.18 per unit and 5,635,000 common shares of the Corporation issued on a flow through basis at a price of \$0.20 per flow-through share for aggregate gross proceeds of \$2,500,000. Each unit consisted of one common share and one half of one common share purchase warrant and each whole warrant entitles the holder thereof to purchase one common share at a price of \$0.25 per common share at any time during the period of 12 months from the closing date. Of the total proceeds received for the units, \$1,022,111 was allocated to the common shares, and \$350,889 to the warrants based on the relative fair values of the shares and the warrants at the date of issue. The Corporation will be required to incur \$1,127,000 of qualifying expenditures prior to December 31, 2011, with respect to the flow-through common shares issued. The Corporation also paid a cash commission to arm's length parties of \$112,000 and issued 665,689 common share purchase warrants entitling the holder to purchase one common share at a price of \$0.20 during the 12 month period subsequent to the offering. In total, 4,479,581 common share purchase warrants were issued in relation to this transaction. Share issuance costs of \$28,651 were incurred related to legal fees and other expenses in relation to this transaction.

On May 11, 2010, the Corporation issued 8,333,334 units at price of \$0.18 per unit and 17,500,000 common shares of the Corporation on a flow-through basis at a price of \$0.20 per flow-through share for aggregate gross proceeds of \$5,000,000. Each unit consists of one common share and one half of one common share purchase warrant and each whole warrant entitles the holder thereof to purchase one common share at a price of \$0.25 per common share at any time during the period of 12 months from the closing date. Of the total proceeds received for the units, \$1,108,180 was allocated to the common shares, and \$391,820 to the warrants based on the relative fair values of the shares and the warrants at the date of issue. The Corporation will be required to incur \$3,500,000 of qualifying expenditures prior to December 31, 2011 with respect to the flow through common shares issued. The Agent was paid a cash commission of \$350,000, and was reimbursed for expenses. The Agent was also issued 2,066,666 non-transferrable common share purchase warrants, each warrant entitles the Agent to purchase one Common Share at a price of \$0.20 during the 12 month period subsequent to the offering. In total, 6,233,333 common share purchase warrants were issued in relation to this transaction. Share issuance costs of \$103,809 were incurred related to legal fees and other expenses in relation to this transaction.

At September 30, 2011 the Corporation had 201,996,000 common shares issued and outstanding, and 201,996,000 common shares issued and outstanding at November 23, 2011, the date of the MD&A.

Contractual Obligations

The Corporation is required to incur \$9,897,475 of qualifying expenditures prior to December 31, 2011, with respect to the flow-through common shares issued in 2010. As at September 30, 2011, approximately \$9,113,875 of the required expenditures had been incurred.

The Corporation is required to incur \$3,000,000 of qualifying expenditures prior to December 31, 2012 with respect to the flow-through common shares issued in 2011 (note 9(b)). As at September 30, 2011, none of the required expenditures had been incurred.

In September 2010, the Corporation entered into an office lease agreement with a two year term. The agreement requires the Corporation to pay \$34,125 annually, before operating costs, through monthly lease payments. The lease expires on August 31, 2012.

Farm-out Agreement

In July, 2011 Anglo announced that it had secured a farm-out agreement with a third party on a small portion of the lands it acquired in April 2011 in Central Alberta. The third party will commit to drilling a well into the Mannville zone at 100% paying interest to earn a 75% working interest on the first three section block included in the agreement. The third party has a rolling option under the same terms on a second and third block containing approximately three sections each.

Risk Management

Financial instruments and risk management

(a) Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Substantially all of the Corporation's accounts receivable are due from purchasers of Anglo's oil and natural gas production, joint operation partners and government agencies and are subject to normal industry credit risk.

Significant changes in industry conditions and risks that negatively impact partners' ability to generate cash flow will increase the risk of not collecting receivables. Management of Anglo believes the risk is mitigated by the size and reputation of the companies to which they extend credit. The Corporation's management believes all receivables will be collected. As at September 30, 2011 and December 31, 2010, the Corporation's accounts receivable were comprised of the following.

	September 30, 2011	December 31, 2010
Oil and natural gas sales	\$ 51,846	\$ 34,731
Joint operation partners and other	645,373	459
GST	163,108	141,119
	<u>\$ 860,627</u>	<u>\$ 176,309</u>

As is common in the petroleum and natural gas industry in Western Canada, receivables relating to the sale of petroleum and natural gas are received on or about the 25th day of the following month. The Corporation sells the majority of its production to one petroleum and natural gas marketer and is therefore subject to concentration risk. As at September 30, 2011, \$51,846 (December 31, 2010 - \$34,731) was due from this marketer. Due to the small size of the Corporation, Management believes it is efficient to market all of its petroleum and natural gas to one marketer. Management will monitor the credit rating of its marketer to ensure no collection issues arise. No collection issues have been incurred to date with the Corporation's petroleum and natural gas marketer.

Joint operation receivables are typically collected within one to three months of the joint venture bills being issued to partners. However, the receivables are typically from participants in the petroleum and natural gas sector and collection of the outstanding balances is dependent on industry factors such as commodity price fluctuations, escalating costs, the risk of unsuccessful drilling and occasional disagreement between parties. The Corporation attempts to mitigate this risk by obtaining partner approval of significant capital expenditures prior to performance of the project. The Corporation typically does not obtain collateral from joint operation partners; however, a cash call may be requested in advance of the start of a project. In some cases, the Corporation does have the ability to withhold production from joint operation partners in the event of non-payment. Included in joint operation partners and others at September 30, 2011 is an amount of \$440,466 which was held in trust with a related party for seismic work which was subsequently cancelled. This amount was returned to the Corporation after quarter end.

The Corporation manages the credit exposure related to cash and cash equivalents by selecting financial institutions with high credit ratings and monitors all short term deposits to ensure an adequate rate of return. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations

(b) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they are due. The Corporation's approach to managing liquidity is to ensure it will have sufficient liquidity to meet its liabilities when due. The Corporation's ongoing liquidity is impacted by various external events and conditions, including commodity price fluctuations and the global economic downturn. The Corporation's financial liabilities consist of accounts payable and accrued liabilities. Accounts payable include invoices payable to trade suppliers for professional fees, office expenses and capital expenditures. Balances are paid within one year. Accounts payable also include royalties and field operating activities related to the production of the Corporation's petroleum and natural gas interests. By nature, the oil and gas industry is very capital intensive. As a result, the Corporation prepares annual capital expenditure budgets and utilizes authorizations for expenditures ("AFE") to manage capital expenditures

The Corporation expects to repay its financial liabilities in the normal course of operations and to fund future operational and capital requirements through operating cash flow, as well as future equity and/or debt financings.

The Corporation's accounts payable and accrued liabilities as at September 30, 2011 and December 31, 2010 are comprised of the following:

	September 30, 2011	December 31, 2010
Trade accounts payable	\$ 1,065,160	\$ 1,900,772
Accruals	1,390,500	78,000
Other	-	150
	<u>\$ 2,455,660</u>	<u>\$ 1,978,922</u>

(c) Market risk

Market risk is the risk that changes in market prices, such as commodity prices, interest rates and foreign exchange rates will affect the Corporation's net earnings or the value of financial instruments and are largely outside the control of the Corporation. The objective of the Corporation is to manage and mitigate market risk exposures within acceptable limits, while maximizing returns. Market risks are as follows:

Foreign currency risk

Prices for oil are determined in global markets and generally denominated in United States dollars. An increase in the value of the Canadian dollar relative to the U.S. dollar will decrease the revenues received from the sale of oil and gas commodities. The impact of such exchange rate fluctuations cannot be accurately quantified. As at September 30, 2011, the Corporation had no forward exchange rate contracts in place nor any working capital items denominated in foreign currencies.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Corporation is exposed to interest rate cash flow risk to the extent of interest rate fluctuations on its short-term deposits and abandonment deposit, which currently earn interest ranging from 0.75% to 1.4% annually. The Corporation had no interest rate swaps or hedges in place during 2011 or 2010.

If the rate of interest earned on the Corporation's short-term deposits and abandonment deposit in 2011 had decreased by 1%, with all other variables held constant, the net loss for the period would have been \$983 higher based on balances outstanding at September 30, 2011. An equal and opposite impact would have occurred to the Corporation's net loss if the prime rate had been 1% higher.

Commodity price risk

The nature of the Corporation's operations results in exposure to fluctuations in commodity prices. Commodity prices for oil and natural gas are impacted by global economic events that dictate the levels of supply and demand. Anglo's management continuously monitors commodity prices and may consider instruments to manage exposure to these risks when it deems it appropriate.

The Corporation's production is usually sold using "spot" or near term contracts, with prices fixed at the time of transfer of custody or on the basis of a monthly average market price. The Corporation, however, may give consideration in certain circumstances to the appropriateness of entering into long term, fixed price marketing contracts. The Corporation's current policy is not to enter into commodity price contracts, and it does not have any derivative contracts in place as at September 30, 2011.

IFRS 9 Financial Instruments

The IASB intends to replace IAS 39, Financial instruments: recognition and measurement ("IAS 39") with IFRS 9 Financial Instruments ("IFRS 9"). IFRS 9 addresses classification and measurement of financial assets and liabilities and is effective for annual periods beginning on or after January 1, 2013. There will be no significant impact to the Corporation upon implementation of the published standard.

IFRS 11 Joint Arrangements

The IASB intends to issue IFRS 11 Joint Arrangements ("IFRS 11") which presents a new model for determining whether an entity should account for joint arrangements using proportionate consolidation or the equity method and is effective for annual periods beginning on or after January 1, 2013. Management is currently assessing the impact of this standard.

IFRS 13 Fair Value Measurement

The IASB intends to issue IFRS 13 Fair Value Measurement ("IFRS 13") which provides comprehensive guidance for instances where IFRS requires fair value to be used and is effective for annual periods beginning on or after January 1, 2013. Management is currently assessing the impact of this standard.

IAS 1 Presentation of Financial Statements

The IASB intends to issue amendments to IAS 1 Presentation of Financial Statements ("IAS 1") which splits items of other comprehensive income ("OCI") between those that are reclassified to income and those that are not. The standard is effective for periods beginning on or after July 1, 2012. Management is currently assessing the impact of this standard.

Quarterly Information

The following table sets forth certain quarterly financial information of the Corporation for the eight most recent quarters.

	Q3 2011	Q2 2011	Q1 2011	Q4 2010	Q3 2010	Q2 2010	Q1 2010	Q4 2009 ⁽¹⁾
Revenue	\$ 135,191	\$ 84,999	\$ 64,796	\$ 125,518	\$ 61,332	\$ 44,470	\$ 57,012	\$ 96,997
Net (loss) income	\$(551,235)	\$(982,755)	\$(835,625)	\$(1,948,333)	\$(270,243)	\$(1,295,622)	\$(760,852)	\$(185,588)
per share – basic	\$(0.00)	\$(0.01)	\$(0.01)	\$(0.01)	\$(0.00)	\$(0.01)	\$(0.02)	\$(0.01)
per share – diluted	\$(0.00)	\$(0.01)	\$(0.01)	\$(0.01)	\$(0.00)	\$(0.01)	\$(0.02)	\$(0.01)

(1) Note: Q4 2009 is presented in Canadian GAAP format, whereas all subsequent numbers are presented in compliance with IFRS, as Anglo's transition date from Canadian GAAP to IFRS was January 1, 2010.

Revenue increased in the third quarter of 2011 due to increased production and higher realized prices. Net loss of the quarter decreased due decreased exploration and evaluation expenses and deferred income tax recoveries, offset by the net of decreased G&A, increased revenue, increased Op costs and impairment expenses.

Revenue increased in the second quarter of 2011 due to increased production and higher realized prices. Net loss for the quarter increased due to exploration and evaluation expenses related to dry hole costs, offset by a lower impairment expense of \$96k compared with \$408k in Q1 2011.

Revenue decreased in the first quarter of 2011 due to decreasing production from producing assets in SW Saskatchewan. Net loss for the quarter decreased as no options were granted in Q1.

Revenue increased in the fourth quarter of 2010 due to the addition of Oil Reserve Corporation's ("ORC") production, despite lower gross production from the producing assets owned by Anglo and ORC. Net loss for the quarter increased due to options granted in Q4, and increased DD&A in Q4 compared with Q1 through Q3 due to capital spent that did not add to proven reserves.

Revenue increased in the third quarter of 2010 due to the addition of ORC's production, despite lower gross production from the producing assets owned by Anglo and ORC. Net loss for the quarter decreased as no options were granted in Q3, and options granted in Q2 vested immediately.

Revenue decreased slightly in the second quarter of 2010 due to lower production, despite increased realized prices. The net loss for the quarter increased as the issuance of 3.9 million options in June 2010 created a non-cash, stock based compensation expense of \$1,129,167.

Revenue decreased in the first quarter of 2010 due to lower production volumes, despite higher realized oil prices. The net loss for the quarter increased as the issuance of 6.7 million options in January 2010 created a non-cash, stock based compensation expense of \$664,808.

In the fourth quarter of 2009, revenue was consistent with the prior quarter. The net loss decreased as the third quarter included a loss on sale of petroleum and natural gas properties.

Additional Information

Additional information relating to the Corporation, including the Company's 2010 Annual Information Form, is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com or at the Company's website at www.anglocanadianoil.com.

Advisories

Forward Looking Statements

This document contains forward looking or outlook information which reflects management's expectations regarding the Corporation's future growth, results of operations, performance and business prospects and opportunities. Forward looking statements include estimates, plans, expectations, opinions, forecasts, projections, guidance or other statements that are not statements of fact, including statements regarding cash flow, production, capital expenditures and planned wells in 2011, as well as the liquidity plans of the Corporation. These statements reflect management's current beliefs and are based on information currently available to management. Forward looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in these forward looking statements. Although management believes the expectations reflected in these forward looking statements are reasonable, there can be no assurances that actual results will be consistent with these forward looking statements. Readers should not put undue reliance on forward looking information. These statements are made as of the date hereof and management assumes no obligation to update or revise these statements to reflect new events or circumstances except as required by law.

Use of BOE Equivalentents

The calculation of barrels of oil equivalent ("boe") is based on a conversion ratio of six thousand cubic feet of natural gas to one barrel of oil to estimate relative energy content and does not represent a value equivalency at the wellhead. A boe conversion is based on an energy equivalency conversion method primarily applicable at the burner tip. Boe may be misleading, particularly if used in isolation.

Non-IFRS Financial Measures

Included in the MD&A and elsewhere in this report are references to terms used in the oil and natural gas industry such as cash flow from operations and operating netbacks. These terms are not defined by International Financial Reporting Standards ("IFRS"), and consequently are referred to as non-IFRS measures. Non-IFRS measures do not have any standardized meaning and therefore reported amounts may not be comparable to similarly titled measures reported by other companies. Cash flow from operations is derived from cash flow from operating activities before abandonment costs incurred and changes in non-cash working capital. Cash flow from operations should not be considered an alternative to, or more meaningful than, cash provided by operating, investing and financing activities or net earnings as determined in accordance with IFRS, as an indicator of the Corporation's performance or liquidity. Cash flow from operations is used by the Corporation to evaluate operating results and the Corporation's ability to generate cash to fund capital expenditures. The Corporation uses the operating netback measure, in conjunction with a barrel of oil equivalent volumetric measure, to assess comparability of petroleum sales and related costs between producing wells and periods.

Anglo Canadian Oil Corp.

1050, 633-6th Ave. SW
Calgary, AB T2P 2Y5
Telephone: (403) 508-9961
Fax: (403) 508-9395
www.anglocanadianoil.com

Directors

Todd Montgomery

Chairman & CEO, Anglo Canadian Oil Corp.

James Ehret

President, Anglo Canadian Oil Corp.

Frank van der Vliet

Principal, F.V. Consulting

Brent Walter

Lawyer, ProVenture Law LLP

Mason Douglas

President, Infrastructure Materials Corp.

Officers

Todd Montgomery

CEO

James Ehret

President

Daron Torrens

Vice President Operations

Rene Beaumier

Chief Financial Officer

Legal Counsel

ProVenture Law LLP

Auditors

Collins Barrow Calgary LLP

Consulting Engineers

AJM Petroleum Consultants

Bankers

The Bank of Nova Scotia

Transfer Agent

Olympia Trust Company
Suite 2300, 125 – 9th Ave. SE
Calgary, AB T2P 0P6

Stock Exchange Listing

TSX Venture Exchange
Trading symbol: **ACG.V**

Anglo Canadian Oil Corp.
Condensed Financial Statements
For the three and nine months ended September 30, 2011
(unaudited)

NOTICE OF NO AUDITOR REVIEW

The accompanying unaudited condensed financial statements have been prepared by management of Anglo Canadian Oil Corp. and the Corporation's independent auditors have not performed a review of these financial statements.

Anglo Canadian Oil Corp.

Condensed Balance Sheet

(amounts in Canadian dollars)

(unaudited)

	Notes	September 30, 2011	December 31, 2010	January 1, 2010 (Note 17)
Assets				
Current assets				
Cash and cash equivalents		\$ 10,298,788	\$ 12,110,349	\$ 1,514,967
Accounts receivable	4(a)	860,327	176,309	274,934
Subscriptions receivable		-	-	2,459,250
Deposits and prepaid expenses		48,178	29,671	18,763
Total current assets		11,207,293	12,316,329	4,267,914
Exploration and evaluation assets	6	8,102,661	3,529,885	-
Property and equipment	7	10,623,489	9,439,275	1,385,333
Abandonment deposit		84,514	84,086	83,890
Total assets		\$ 30,017,957	\$ 25,369,575	\$ 5,737,137
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	4(b)	\$ 2,455,660	\$ 1,978,922	\$ 783,173
Flow-through share premium		630,599	742,739	23,667
Total current liabilities		3,086,259	2,721,661	806,840
Decommissioning provisions	8	270,067	254,088	68,128
Deferred tax liabilities		823,902	500,902	-
Total liabilities		4,180,228	3,476,651	874,968
Shareholders' Equity				
Share capital	9(b)	29,883,427	24,843,259	6,971,977
Warrants	9(c)	3,582,401	3,635,016	14,640
Contributed surplus	9(d)	3,430,487	2,103,621	127,291
Deficit		(11,058,586)	(8,688,972)	(2,251,739)
Total shareholders' equity		25,837,729	21,892,924	4,862,169
Total liabilities and shareholders' equity		\$ 30,017,957	\$ 25,369,575	\$ 5,737,137

Commitments (note 15 and 16)

See accompanying notes to the condensed financial statements.

Anglo Canadian Oil Corp.

Condensed Statement of Loss and Comprehensive Loss

(amounts in Canadian dollars)

(unaudited)

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2011	2010 (Note 17)	2011	2010 (Note 17)
Revenue					
Oil and natural gas revenue, net of royalties	11	\$ 118,739	\$ 57,852	\$ 259,521	\$ 151,981
Expenses					
Exploration and evaluation expenditures		69,756	-	422,162	11,464
Production and operating expenses		101,106	50,376	255,707	102,490
Depletion and depreciation	7	240,037	22,415	822,949	45,271
General and administrative expenses		239,454	186,156	819,267	494,932
Stock-based compensation	10(b)	179,888	69,489	565,592	1,865,604
		830,241	328,436	2,885,677	2,519,761
Operating loss		(711,502)	(270,584)	(2,626,156)	(2,367,780)
Net finance income	12	28,538	12,958	91,337	27,874
Loss before income tax		(682,964)	(257,626)	(2,534,819)	(2,339,906)
Income tax expense					
Current income tax expense		-	-	935	-
Deferred income tax expense (recovery)		(131,729)	12,617	(166,140)	(11,050)
		(131,729)	12,617	(165,205)	(11,050)
Loss and comprehensive loss for the period		\$ (551,235)	\$ (270,243)	\$ (2,369,614)	\$ (2,328,856)
Loss per share	13				
Basic and Diluted		\$ (0.00)	\$ (0.00)	\$ (0.01)	\$ (0.02)

See accompanying notes to the condensed financial statements.

Anglo Canadian Oil Corp.

Condensed Statement of Changes in Equity

(amounts in Canadian dollars)

(unaudited)

	Notes	Number of Common Shares	Common Share capital stated value	Number of Warrants	Warrants stated value	Contributed surplus	Deficit	Total equity
Balance at December 31, 2010		176,941,039	\$ 24,843,259	27,206,263	\$ 3,635,016	\$ 2,103,621	\$ (8,688,972)	\$ 21,892,924
Issue of common shares	9(b)	13,040,000	2,463,113	-	-	-	-	2,463,113
Issue of flow-through common shares	9(b)	10,344,828	2,500,000	-	-	-	-	2,500,000
Share issue costs, net of tax effect	9(b)	-	(350,200)	-	-	-	-	(350,200)
Warrants exercised	9(c)	1,670,133	725,316	(1,670,133)	(386,289)	-	-	339,027
Warrants issued as finder's fee	9(c)	-	(298,061)	1,870,786	298,061	-	-	-
Warrants issued for cash	9(c)	-	-	6,520,000	796,887	-	-	796,887
Warrants expired	9(c)	-	-	(8,009,448)	(761,274)	761,274	-	-
Stock-based compensation	10(b)	-	-	-	-	565,592	-	565,592
Net loss		-	-	-	-	-	(2,369,614)	(2,369,614)
Balance at September 30, 2011		201,996,000	\$ 29,883,427	25,917,468	\$ 3,582,401	\$ 3,430,487	\$ (11,058,586)	\$ 25,837,729
Balance at January 1, 2010		76,109,922	\$ 6,971,977	307,500	\$ 14,640	\$ 127,291	\$ (2,251,739)	\$ 4,862,169
Issue of common shares	9(b)	15,961,117	2,130,291	-	-	-	-	2,130,291
Issue of flow-through common shares	9(b)	23,135,000	3,855,833	-	-	-	-	3,855,833
Issue of common shares ORC acquisition		11,500,000	5,175,000	-	-	-	-	5,175,000
Share issue cost, net of tax effect	9(b)	-	(285,540)	-	-	-	-	(285,540)
Options exercised	10(a)	174,666	43,450	-	-	(15,983)	-	27,467
Warrants exercised	9(c)	1,041,334	468,289	(1,041,333)	(260,664)	-	-	207,625
Warrants issued as finder's fee	9(c)	-	(665,254)	2,732,355	665,254	-	-	-
Warrants issued for cash	9(c)	-	-	7,980,559	742,711	-	-	742,711
Warrants expired	9(c)	-	-	(299,500)	(14,376)	14,376	-	-
Stock-based compensation	10(b)	-	-	-	-	1,865,604	-	1,865,604
Net loss		-	-	-	-	-	(2,328,856)	(2,328,856)
Balance at September 30, 2010		127,922,039	\$ 17,694,046	9,679,581	\$ 1,147,565	\$ 1,991,288	\$ (4,580,595)	\$ 16,252,304

See accompanying notes to the condensed financial statements.

Anglo Canadian Oil Corp.

Condensed Statement of Cash Flows

(amounts in Canadian dollars)

(unaudited)

	Notes	Three months ended September 30,		Nine months ended September 30,	
		2011	2010 (Note 17)	2011	2010 (Note 17)
Cash and cash equivalents provided by (used in):					
Cash flows from operating activities					
Loss for the period		\$ (551,235)	\$ (270,243)	\$ (2,369,614)	\$ (2,328,856)
Adjustments for:					
Depletion and depreciation	7	240,037	22,415	822,949	45,271
Stock-based compensation	10(b)	179,888	69,489	565,592	1,865,604
Finance expense (accretion)	12	2,517	2,035	6,945	3,034
Deferred income tax expense (recovery)		(131,729)	12,617	(166,140)	(11,050)
Decommissioning expenditures		(12,694)	-	(19,646)	-
Changes in non-cash working capital	5	(638,311)	2,029,954	(785,930)	1,820,433
Net cash used in operating activities		(911,527)	1,866,267	(1,945,844)	1,394,436
Cash flows from investing activities					
Additions to exploration and evaluation assets	6	(2,107,712)	(3,731,692)	(4,981,283)	(7,025,462)
Additions to property and equipment	7	(671,684)	(33,647)	(1,569,976)	(51,642)
Cash consideration acquisition of ORC		-	(629,900)	-	(629,900)
Increase in abandonment deposit		-	(104)	(428)	(196)
Changes in non-cash working capital	5	1,267,128	(47,085)	572,809	2,235,990
Net cash used in investing activities		(1,512,268)	(4,442,428)	(5,978,878)	(5,471,210)
Cash flows from financing activities					
Proceeds on issuance of common shares and warrants	9(b)	-	229,966	6,599,027	7,140,632
Share issuance costs	9(b)	-	-	(473,200)	(3,293)
Changes in non-cash working capital	5	(4,759)	552,753	(12,666)	301,526
Net cash used in financing activities		(4,759)	782,719	6,113,161	7,438,865
Change in cash and cash equivalents		(2,428,554)	(1,793,442)	(1,811,561)	3,362,091
Cash and cash equivalents, beginning of period		12,727,342	6,670,500	12,110,349	1,514,967
Cash and cash equivalents, end of period		10,298,788	4,877,058	10,298,788	4,877,058
Cash and cash equivalents consists of:					
Bank balances, end of period		\$ 288,640	\$ 855,655	\$ 288,640	\$ 855,655
Term deposits, end of period		10,010,148	4,021,403	10,010,148	4,021,403
Cash and cash equivalents, end of period		\$ 10,298,788	\$ 4,877,058	\$ 10,298,788	\$ 4,877,058

See accompanying notes to the condensed financial statements.

Anglo Canadian Oil Corp.

Notes to the Condensed Financial Statements

For the three and nine months ended September 30, 2011

(amounts in Canadian dollars)

(unaudited)

1. General business description

Anglo Canadian Oil Corp. ("Anglo" or the "Corporation") is engaged in the exploration, development, and production of oil and natural gas. Anglo is a publicly traded company, incorporated and domiciled in Canada. The Corporation's address is Suite 1050, 633 - 6 Avenue SW, Calgary, Alberta, Canada, T2P 2Y5.

2. Basis of preparation and Statement of Compliance

Effective January 1, 2011 the Corporation adopted International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). Previously, Anglo prepared its financial statements in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

These condensed financial statements are prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* ("IAS 34") and do not include all of the information required for full annual financial statements. These are the Corporation's third IFRS condensed financial statements for part of the period covered by the first IFRS annual financial statements. IFRS 1 *First-time Adoption of International Financial Reporting Standards* ("IFRS 1") has been applied. Note 17 discloses the impact of the transition to IFRS on Anglo's reported financial position, financial performance and cash flows. These financial statements should be read in conjunction with the Corporation's condensed financial statements for the period ended March 31, 2011 and the Corporation's December 31, 2010 annual financial statements, both available at www.sedar.com.

The policies applied in these condensed financial statements are based on IFRS issued and outstanding as of November 23, 2011, the date Anglo's Board of Directors approved and authorized the issuance of these statements. Any subsequent changes to IFRS that are used to report on the annual consolidated financial statements for the year ending December 31, 2011 could result in restatement of these condensed consolidated financial statements, including the transition adjustments recognized on changeover to IFRS.

3. Significant accounting policies

The accounting policies Anglo follows are described in Note 3 of the Unaudited Condensed Financial Statements for the three months ended March 31, 2011. These are the accounting policies the Corporation expects to adopt in its annual financial statements for the year ended December 31, 2011, with the exception of certain disclosures that are normally required to be included in annual financial statements which have been condensed or omitted for interim reporting.

Future Accounting Changes

The International Accounting Standards Board ("IASB") and IFRS Interpretations Committee ("IFRIC") have issued the following amendments which have not been applied in these condensed financial statements as their effective dates fall in subsequent periods. The Corporation is currently evaluating the impact that these standards will have on its results of operations and financial position.

Anglo Canadian Oil Corp.

Notes to the Condensed Financial Statements

For the three and nine months ended September 30, 2011

(amounts in Canadian dollars)

(unaudited)

IFRS 9 *Financial Instruments*

The IASB intends to replace IAS 39, *Financial instruments: recognition and measurement* ("IAS 39") with IFRS 9 *Financial Instruments* ("IFRS 9"). IFRS 9 addresses classification and measurement of financial assets and liabilities and is effective for annual periods beginning on or after January 1, 2013. There will be no significant impact to the Corporation upon implementation of the published standard.

IFRS 11 *Joint Arrangements*

The IASB intends to issue IFRS 11 *Joint Arrangements* ("IFRS 11") which presents a new model for determining whether an entity should account for joint arrangements using proportionate consolidation or the equity method and is effective for annual periods beginning on or after January 1, 2013. Management is currently assessing the impact of this standard.

IFRS 13 *Fair Value Measurement*

The IASB intends to issue IFRS 13 *Fair Value Measurement* ("IFRS 13") which provides comprehensive guidance for instances where IFRS requires fair value to be used and is effective for annual periods beginning on or after January 1, 2013. Management is currently assessing the impact of this standard.

IAS 1 *Presentation of Financial Statements*

The IASB intends to issue amendments to IAS 1 *Presentation of Financial Statements* ("IAS 1") which splits items of other comprehensive income ("OCI") between those that are reclassified to income and those that are not. The standard is effective for periods beginning on or after July 1, 2012. Management is currently assessing the impact of this standard.

4. Financial instruments and risk management

(a) Credit risk

Credit risk is the risk of financial loss to the Corporation if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Substantially all of the Corporation's accounts receivable are due from purchasers of Anglo's oil and natural gas production, joint operation partners and government agencies and are subject to normal industry credit risk.

Significant changes in industry conditions and risks that negatively impact partners' ability to generate cash flow will increase the risk of not collecting receivables. Management of Anglo believes the risk is mitigated by the size and reputation of the companies to which they extend credit. The Corporation's management believes all receivables will be collected.

Anglo Canadian Oil Corp.

Notes to the Condensed Financial Statements

For the three and nine months ended September 30, 2011

(amounts in Canadian dollars)

(unaudited)

As at September 30, 2011 and December 31, 2010, the Corporation's accounts receivable were comprised of the following.

	September 30, 2011	December 31, 2010
Oil and natural gas sales	\$ 51,846	\$ 34,731
Joint operation partners and other	645,373	459
GST	163,108	141,119
	\$ 860,327	\$ 176,309

As is common in the petroleum and natural gas industry in Western Canada, receivables relating to the sale of petroleum and natural gas are received on or about the 25th day of the following month. The Corporation sells the majority of its production to one petroleum and natural gas marketer and is therefore subject to concentration risk. As at September 30, 2011, \$51,846 (December 31, 2010 - \$34,731) was due from this marketer. Due to the small size of the Corporation, Management believes it is efficient to market all of its petroleum and natural gas to one marketer. Management will monitor the credit rating of its marketer to ensure no collection issues arise. No collection issues have been incurred to date with the Corporation's petroleum and natural gas marketer.

Joint operation receivables are typically collected within one to three months of the joint venture bills being issued to partners. However, the receivables are typically from participants in the petroleum and natural gas sector and collection of the outstanding balances is dependent on industry factors such as commodity price fluctuations, escalating costs, the risk of unsuccessful drilling and occasional disagreement between parties. The Corporation attempts to mitigate this risk by obtaining partner approval of significant capital expenditures prior to performance of the project. The Corporation typically does not obtain collateral from joint operation partners; however, a cash call may be requested in advance of the start of a project. In some cases, the Corporation does have the ability to withhold production from joint operation partners in the event of non-payment. Included in Joint operation partners and others at September 30, 2011 is an amount of \$440,466 which was held in trust with a related party for seismic work which was subsequently cancelled. This amount was returned to the Corporation after quarter end.

The Corporation manages the credit exposure related to cash and cash equivalents by selecting financial institutions with high credit ratings and monitors all short term deposits to ensure an adequate rate of return. Given these credit ratings, management does not expect any counterparty to fail to meet its obligations.

Anglo Canadian Oil Corp.

Notes to the Condensed Financial Statements

For the three and nine months ended September 30, 2011

(amounts in Canadian dollars)

(unaudited)

(b) Liquidity risk

Liquidity risk is the risk that the Corporation will not be able to meet its financial obligations as they are due. The Corporation's approach to managing liquidity is to ensure it will have sufficient liquidity to meet its liabilities when due. The Corporation's ongoing liquidity is impacted by various external events and conditions, including commodity price fluctuations and the global economic downturn. The Corporation's financial liabilities consist of accounts payable and accrued liabilities. Accounts payable include invoices payable to trade suppliers for professional fees, office expenses and capital expenditures. Balances are paid within one year. Accounts payable also include royalties and field operating activities related to the production of the Corporation's petroleum and natural gas interests. By nature, the oil and gas industry is very capital intensive. As a result, the Corporation prepares annual capital expenditure budgets and utilizes authorizations for expenditures ("AFE") to manage capital expenditures. Refer to note 4(d) for further disclosure on the management of capital.

The Corporation expects to repay its financial liabilities in the normal course of operations and to fund future operational and capital requirements through operating cash flow, as well as future equity and/or debt financings.

The Corporation's accounts payable and accrued liabilities as at September 30, 2011 and December 31, 2010 are comprised of the following:

	September 30, 2011	December 31, 2010
Trade accounts payable	\$ 1,065,160	\$ 1,900,772
Accruals	1,390,500	78,000
Other	-	150
	\$ 2,455,660	\$ 1,978,922

(c) Market risk

Market risk is the risk that changes in market prices, such as commodity prices, interest rates and foreign exchange rates will affect the Corporation's net earnings or the value of financial instruments and are largely outside the control of the Corporation. The objective of the Corporation is to manage and mitigate market risk exposures within acceptable limits, while maximizing returns. Market risks are as follows:

Foreign currency risk

Prices for oil are determined in global markets and generally denominated in United States dollars. An increase in the value of the Canadian dollar relative to the U.S. dollar will decrease the revenues received from the sale of oil and gas commodities. The impact of such exchange rate fluctuations cannot be accurately quantified. As at September 30, 2011, the Corporation had no forward exchange rate contracts in place nor any working capital items denominated in foreign currencies.

Anglo Canadian Oil Corp.

Notes to the Condensed Financial Statements

For the three and nine months ended September 30, 2011

(amounts in Canadian dollars)

(unaudited)

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in market interest rates. The Corporation is exposed to interest rate cash flow risk to the extent of interest rate fluctuations on its short-term deposits and abandonment deposit, which currently earn interest ranging from 0.75% to 1.4% annually. The Corporation had no interest rate swaps or hedges in place during 2011 or 2010.

If the rate of interest earned on the Corporation's short-term deposits and abandonment deposit in 2011 had decreased by 1%, with all other variables held constant, the net loss for the period would have been \$983 higher based on balances outstanding at September 30, 2011. An equal and opposite impact would have occurred to the Corporation's net loss if the prime rate had been 1% higher.

Commodity price risk

The nature of the Corporation's operations results in exposure to fluctuations in commodity prices. Commodity prices for oil and natural gas are impacted by global economic events that dictate the levels of supply and demand. Anglo's management continuously monitors commodity prices and may consider instruments to manage exposure to these risks when it deems it appropriate.

The Corporation's production is usually sold using "spot" or near term contracts, with prices fixed at the time of transfer of custody or on the basis of a monthly average market price. The Corporation, however, may give consideration in certain circumstances to the appropriateness of entering into long term, fixed price marketing contracts. The Corporation's current policy is not to enter into commodity price contracts, and it does not have any derivative contracts in place as at September 30, 2011.

(d) Capital management

The Corporation's capital management policy is to maintain a strong capital base that optimizes the Corporation's ability to grow, maintain investor and creditor confidence and to provide a platform to create value for its shareholders. The Corporation maintains a flexible capital structure to maximize its ability to pursue oil and gas exploration opportunities and the requirement to sustain future development of the business. The Corporation monitors the level of risk associated for each capital project to balance the proportion of debt and equity in its capital structure. The Corporation's officers are responsible for managing the Corporation's capital and do so through quarterly meetings and regular reviews of financial information including budgets and forecasts. The Corporation's directors are responsible for overseeing this process. The Corporation considers its capital structure to include working capital.

The Corporation monitors capital based on its current working capital. Management reviews the capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

Anglo Canadian Oil Corp.

Notes to the Condensed Financial Statements

For the three and nine months ended September 30, 2011

(amounts in Canadian dollars)

(unaudited)

In order to maintain or adjust the capital structure, the Corporation may issue shares, seek debt financing and adjust its capital spending to manage its current and projected capital structure. The Corporation's ability to raise additional debt or equity financing is impacted by external conditions, including future commodity prices, particularly natural gas and the global economic downturn. The Corporation continually monitors business conditions including: changes in economic conditions, the risk of its drilling programs, forecasted commodity prices, and potential corporate or asset acquisitions.

The Corporation's capital structure is:

As at	September 30, 2011	December 31, 2010
Current assets	\$ 11,207,293	\$ 12,316,329
Current liabilities (excluding flow-through share premium)	(2,455,660)	(1,978,922)
Working capital	\$ 8,751,633	\$ 10,337,407

Working capital was lower at September 30, 2011 than at December 31, 2010, primarily due to expenditures for the exploration program undertaken during the year offset by the private placement in March. Accounts payable and accrued liabilities as at September 30, 2011 were higher than at December 31, 2010 due to the drilling program which commenced in the third quarter of 2011.

There were no changes in the Corporation's approach to capital management during the period ended September 30, 2011. The Corporation has not paid or declared any dividends since the date of incorporation and, at this time, does not contemplate doing so in the foreseeable future.

5. Supplemental cash flow information

Changes in non-cash working capital are comprised of:

	Three months ended September 30		Nine months ended September 30	
	2011	2010	2011	2010
Source/(use) of cash:				
Accounts receivable	\$ (754,915)	\$ (172,169)	\$ (684,018)	\$ 2,474,189
Prepaid expenses and deposits	(73)	263,791	(18,507)	(26,378)
Accounts payable and accrued liabilities	1,379,046	2,444,000	476,738	1,910,138
	\$ 624,058	\$ 2,535,522	\$ (225,787)	\$ 4,357,949
Related to operating activities	\$ (638,311)	\$ 2,029,954	\$ (785,930)	\$ 1,820,433
Related to investing activities	1,267,128	(47,085)	572,809	2,235,990
Related to financing activities	(4,759)	552,753	(12,666)	301,526
Changes in non-cash working capital	\$ 624,058	\$ 2,535,522	\$ (225,787)	\$ 4,357,949

Anglo Canadian Oil Corp.

Notes to the Condensed Financial Statements

For the three and nine months ended September 30, 2011

(amounts in Canadian dollars)

(unaudited)

6. Exploration and evaluation assets

Balance at January 1, 2010	\$ -
Additions	9,010,791
Transfers to exploration and evaluation expenditures	(3,268,905)
Transfers to property and equipment (note 7)	(2,212,001)
Balance at December 31, 2010	3,529,885
Additions	4,981,283
Transfers to property and equipment (note 7)	(408,507)
Balance at September 30, 2011	\$ 8,102,661

Exploration and evaluation assets consist of the Corporation's exploration projects which are pending the determination of proved or probable reserves. Additions represent the Corporation's share of costs incurred on exploration and evaluation assets during the period. Transfers to property and equipment represent successful drilling and related land costs to which technical feasibility and commercial viability are determined to exist. Transfers to exploration and evaluation expenditures represent unsuccessful drilling costs and are expensed in the income statement.

Exploration and evaluation assets are not amortized. Exploration and evaluation assets are aggregated into groups of cash-generating units for the purpose of assessing for impairment. Any impairment of exploration and evaluation assets, and any eventual reversal thereof, is recognized as an expense in the income statement. No impairment was recognized during the periods ended September 30, 2011 and December 31, 2010.

The Corporation assesses the recoverability of exploration and evaluation assets, before and at the moment of reclassification to property and equipment, using cash-generating units. The cash-generating unit includes both the exploration and evaluation cash-generating unit and the property and equipment cash-generating units related to petroleum and natural gas interests for that area that the exploration and evaluation assets are being transferred into.

Anglo Canadian Oil Corp.

Notes to the Condensed Financial Statements

For the three and nine months ended September 30, 2011

(amounts in Canadian dollars)

(unaudited)

7. Property and equipment

	Oil and natural gas interests	Corporate and other	Total
Cost			
Balance at January 1, 2010	\$ 1,941,221	\$ 36,943	\$ 1,978,164
Acquisition of property and equipment	7,431,432	-	7,431,432
Additions	215,483	23,166	238,649
Transfer from exploration and evaluation assets (note 6)	2,212,001	-	2,212,001
Impairment	(1,811,526)	-	(1,811,526)
Decommissioning provision	102,136	-	102,136
Balance, at December 31, 2010	10,090,747	60,109	10,150,856
Additions	1,559,053	10,923	1,569,976
Transfer from exploration and evaluation assets (note 6)	408,507	-	408,507
Impairment	(678,795)	-	(678,795)
Decommissioning provision	28,680	-	28,680
Balance at September 30, 2011	\$ 11,408,192	\$ 71,032	\$ 11,479,224
Accumulated depletion and depreciation			
Balance at January 1, 2010	\$ (564,153)	\$ (28,678)	\$ (592,831)
Depletion and depreciation for the period	(108,265)	(10,485)	(118,750)
Balance at December 31, 2010	(672,418)	(39,163)	(711,581)
Depletion and depreciation for the period	(129,793)	(14,361)	(144,154)
Balance at September 30, 2011	\$ (802,211)	\$ (53,524)	\$ (855,735)
Net book value:			
At January 1, 2010	\$ 1,377,068	\$ 8,265	\$ 1,385,333
At December 31, 2010	\$ 9,418,329	\$ 20,946	\$ 9,439,275
At September 30, 2011	\$ 10,605,981	\$ 17,508	\$ 10,623,489

Anglo Canadian Oil Corp.

Notes to the Condensed Financial Statements

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During the nine months ended September 30, 2011, due to unsuccessful drilling results on one of Anglo's CGUs, the Corporation tested each of its CGUs for impairment.

The recoverable amount of each CGU was estimated based on the higher of the value in use and the fair value less cost to sell. The estimate of fair value less cost to sell was determined using proved plus probable forecasted cash flows, discounted at 10%, with escalating prices and future development costs, as obtained from the Corporation's reserve report at December 31, 2010, adjusted for internal estimates and results since that date. The prices used to estimate the fair value less cost to sell are those used by independent industry reserve engineers.

Based on the assessment for the period ended September 30, 2011 the recoverable amount of the Central Alberta CGU, assessed as the fair value less cost to sell, was determined to be lower than the respective carrying amount and an impairment loss of \$678,795 was recognized as additional depletion and depreciation expense in the condensed statement of loss for the nine months ended September 30, 2011.

The Corporation recognized an aggregate of \$1,811,526 in impairment losses on property and equipment in the year ended December 31, 2010 resulting from an excess of the carrying value of the Corporation's Central Alberta CGU over their fair value less cost to sell. Such excess was principally due to unsuccessful drilling results, higher costs and reserve revisions throughout the year.

8. Decommissioning provisions

The Corporation's decommissioning provisions result from its ownership interest in oil and natural gas assets including well sites and gathering systems that will need to be decommissioned at the end of their useful lives. The total decommissioning provision is estimated based on the Corporation's net ownership interest in all wells and facilities, estimated costs to reclaim and abandon these wells and facilities and the estimated timing of the costs to be incurred in future years. The total estimated, inflated undiscounted risked cash flows required to settle the provisions, before considering salvage, is approximately \$444,766 at September 30, 2011 (December 31, 2010 - \$381,894), which has been discounted using a risk-free rate of approximately 4% at September 30, 2011 (December 31, 2010 - 4%). These obligations are to be settled based on the economic lives of the underlying assets, which currently extend up to 20 years into the future and will be funded from general corporate resources at the time of abandonment.

The following table summarizes changes in the decommissioning provisions for the nine months ended September 30, 2011 and the year ended December 31, 2010:

	September 30, 2011	December 31, 2010
Decommissioning provisions, beginning of period	\$ 254,088	\$ 68,128
Liabilities acquired in property acquisition	-	78,622
Liabilities incurred	28,680	102,136
Liabilities settled	(19,646)	-
Accretion (unwinding of discount)	6,945	5,202
Decommissioning provisions, end of period	\$ 270,067	\$ 254,088

Anglo Canadian Oil Corp.

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(amounts in Canadian dollars)

(unaudited)

9. Share capital

(a) Authorized

Unlimited number of voting common shares

(b) Issued

For the periods ended	September 30, 2011		December 31, 2010	
	Number	Stated Value	Number	Stated Value
Common shares outstanding, beginning of period	176,941,039	\$24,843,259	76,109,922	\$ 6,971,977
Common shares issued for cash	13,040,000	2,463,113	43,898,217	6,607,075
Flow-through common shares issued for cash	10,344,828	2,500,000	44,216,900	8,247,896
Common shares issued as consideration in the acquisition of ORC (Note 4)	-	-	11,500,000	5,175,000
Exercise of options and warrants	1,670,133	725,316	1,216,000	276,647
Share issuance costs	-	(771,261)	-	(2,966,158)
Tax effect on share issue costs	-	123,000	-	530,822
Common shares outstanding, end of period	201,996,000	\$29,883,427	176,941,039	\$24,843,259

On March 24, 2011, the Corporation issued 13,040,000 units at price of \$0.25 per unit and 10,344,828 common shares of the Corporation on a flow-through basis at a price of \$0.29 per flow-through share, for aggregate gross proceeds of \$6,260,000. Each unit consisted of one common share and one half of one common share purchase warrant and each whole warrant entitles the holder thereof to purchase one common share at a price of \$0.33 per common share at any time during the period of 18 months from the closing date. Of the total proceeds received for the units, \$2,463,113 was allocated to the common shares and \$796,887 to the warrants based on the relative fair values of the shares and the warrants at the date of issue (see note 9(c)). The flow-share premium was estimated to be \$500,000 and recorded as a liability on the balance sheet. The Company will be required to incur \$3,000,000 of qualifying expenditures prior to December 31, 2012, with respect to the flow-through common shares. The Corporation paid a cash commission to certain arm's length parties who assisted with the placement of the units and flow-through shares of \$438,200 and issued 1,870,786 common share purchase warrants to such parties entitling the holders to acquire one common share at a price of \$0.35 per common share at any time during the period of 18 months from the closing date. In total, 8,390,786 warrants were issued in relation to this transaction. Share issuance costs of \$35,000 were also incurred related to legal fees and other expenses in relation to this transaction.

Anglo Canadian Oil Corp.

Notes to the Condensed Financial Statements

For the three and nine months ended September 30, 2011

(amounts in Canadian dollars)

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(c) Warrants

Issued:

	September 30, 2011		December 31, 2010	
	Number of warrants	Stated Value	Number of warrants	Stated Value
Outstanding, beginning of period	27,206,263	\$ 3,635,016	307,500	\$ 14,640
Issued for cash	6,520,000	796,887	21,949,110	2,367,809
Issued as commissions on private placements	1,870,786	298,061	6,290,486	1,527,607
Expired	(8,009,448)	(761,274)	(299,500)	(14,376)
Exercised	(1,670,133)	(386,289)	(1,041,333)	(260,664)
Outstanding, end of period	25,917,468	\$ 3,582,401	27,206,263	\$ 3,635,016

The Corporation has the following common share purchase warrants outstanding:

	September 30, 2011		December 31, 2010	
	Number	Exercise Price	Number	Exercise Price
Outstanding, beginning of period	27,206,263	\$ 0.27	307,500	\$ 0.17
Expired	(8,009,448)	0.25	(299,500)	0.17
Granted	8,390,786	0.33	28,239,596	0.26
Exercised	(1,670,133)	0.20	(1,041,333)	0.20
Outstanding, end of period	25,917,468	\$ 0.30	27,206,263	\$ 0.27

As part of the March 24, 2011 brokered private placement, the Company issued 6,520,000 common share purchase warrants. Each warrant is exercisable to acquire one common share at \$0.33 per share until September 24, 2012. The warrants were valued at \$0.12 per warrant, or \$796,887, using the Black Scholes model, assuming an expected life of 18 months, 165% volatility, a risk-free interest rate of 1.65%, and a dividend yield rate of 0%.

As part of the March 24, 2011 brokered private placement, the Company issued 1,870,786 common share purchase warrants to agents. Each warrant is exercisable to acquire one common share at \$0.35 per share until September 24, 2012. The warrants were valued at \$0.16 per warrant, or \$298,061 using the Black Scholes model, assuming an expected life of 18 months, 165% volatility, a risk-free interest rate of 1.65%, and a dividend yield rate of 0%. This transaction was recorded as share issue costs, and is a non-cash transaction.

Anglo Canadian Oil Corp.

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The following table summarizes the expiry terms of the Corporation's outstanding common share purchase warrants as at September 30, 2011:

Date of grant	Outstanding Warrants	Weighted Average Remaining Contractual life (years)
November 17, 2010	13,302,061	0.63
November 25, 2010	4,224,621	0.65
March 24, 2011	8,390,786	0.98

(d) Contributed surplus

The following table presents the reconciliation of contributed surplus:

	September 30, 2011	December 31, 2010
Contributed surplus, beginning of period	\$ 2,103,621	\$ 127,291
Warrants expired	761,274	14,376
Options exercised	-	(15,983)
Stock-based compensation	565,592	1,977,937
Contributed surplus, end of period	\$ 3,430,487	\$ 2,103,621

10. Stock-based compensation

(a) Stock option plan

Under the Corporation's stock option plan, the Corporation may grant options to its directors, officers, and employees. The maximum number of shares which may be reserved for issuance to existing and future directors, officers and employees under the plan is 10% of the issued and outstanding common shares. The exercise period shall not exceed ten years from the date the option is granted. Option vesting periods range from immediate upon date of grant, to one third on each of the first, second and third anniversary dates of the granting of the options.

The following options have been granted under the stock option plan:

As at,	September 30, 2011		December 31, 2010	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	15,892,000	\$ 0.21	800,000	\$ 0.20
Granted	-	-	15,350,000	0.21
Exercised	-	-	(174,667)	0.16
Expired	-	-	(83,333)	0.10
Outstanding, end of period	15,892,000	\$ 0.21	15,892,000	\$ 0.21

Anglo Canadian Oil Corp.

Notes to the Condensed Financial Statements

For the three and nine months ended September 30, 2011

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(unaudited)

The following table summarizes the Corporation's outstanding stock options as at September 30, 2011:

Exercise price	Outstanding options			Exercisable options	
	Number of options	Weighted average exercise price	Weighted average years to expiry	Number of options	Weighted average exercise price
\$0.10	6,567,000	\$ 0.10	4.25	6,367,000	\$ 0.10
\$0.20 - \$0.30	9,025,000	0.28	8.36	4,575,000	0.28
\$0.45	300,000	0.45	3.79	300,000	0.45
	15,892,000	\$ 0.21	6.57	11,242,000	\$ 0.18

(b) Stock-based compensation expense

Compensation costs of \$565,592 for the nine months ended September 30, 2011 (2010 - \$1,865,604) have been expensed and have resulted in a corresponding increase in contributed surplus.

There were no stock options granted during the nine months ended September 30, 2011.

11. Oil and natural gas revenue

	Three months ended September 30, 2011		September 30, 2010		Nine months ended September 30, 2011		September 30, 2010	
	Oil and natural gas revenue	\$	135,191	\$	61,332	\$	284,986	\$
Less: royalties		(16,452)		(3,480)		(25,465)		(10,833)
Total oil and natural gas revenue	\$	118,739	\$	57,852	\$	259,521	\$	151,981

12. Finance income and expense

	Three months ended September 30, 2011		September 30, 2010		Nine months ended September 30, 2011		September 30, 2010	
	Finance income							
Interest income	\$	31,055	\$	14,993	\$	98,282	\$	30,908
Finance expenses								
Accretion of decommissioning provisions		(2,517)		(2,035)		(6,945)		(3,034)
Net finance (expense)/income recognized in the statement of loss	\$	28,538	\$	12,958	\$	91,337	\$	27,874

Anglo Canadian Oil Corp.

Notes to the Condensed Financial Statements

For the three and nine months ended September 30, 2011

(amounts in Canadian dollars)

(unaudited)

13. Loss per share

The following table summarizes the common shares used in calculating net earnings per share:

Weighted Average Common Shares Outstanding	September 30, 2011	September 30, 2010
Basic and Diluted - 3 months ended	201,996,000	124,892,781
Basic and Diluted - 9 months ended	194,138,201	99,429,722

All of the Corporation's outstanding stock options and common share purchase warrants were anti-dilutive and therefore excluded from the calculation of the weighted average number of diluted common shares outstanding. As a result, the diluted per share amounts are the same as the basic per share amounts.

14. Related party transactions

Management services were provided to the Corporation by consulting and legal firms controlled by directors and officers of the Corporation.

Management services provided to the Corporation by consulting and legal firms controlled by Directors and Officers of the Corporation totalled \$254,260 in the nine months ended September 30, 2011 (nine months ended September 30, 2010 – \$120,160). Also, services provided by the Corporation to a company owned and controlled by an officer and director of the Corporation in the nine months ended September 30, 2011 totalled \$28,286 (nine months ended September 30, 2010 - \$nil). The related party transactions were in the normal course of operations and were measured at the exchange amount, which was comparable to similar transactions conducted between arm's length parties based on standard commercial terms.

Accounts payable at September 30, 2011, includes \$13,567 (December 31, 2010 – \$79,530) due to Directors and Officers of the Corporation related to amounts owing for consulting and legal services.

Accounts receivable at September 30, 2011 includes \$440,466 (December 31, 2010 - \$nil) held in trust with a company with a common director and officer, which was returned subsequent to quarter end.

15. Commitments

The Corporation is required to incur \$9,897,475 of qualifying expenditures prior to December 31, 2011, with respect to the flow-through common shares issued in 2010. As at September 30, 2011, approximately \$9,113,875 of the required expenditures had been incurred.

The Corporation is required to incur \$3,000,000 of qualifying expenditures prior to December 31, 2012 with respect to the flow-through common shares issued in 2011 (note 9(b)). As at September 30, 2011, none of the required expenditures had been incurred.

In September 2010, the Corporation entered into an office lease agreement with a two year term. The agreement requires the Corporation to pay \$34,125 annually, before operating costs, through monthly lease payments. The lease expires on August 31, 2012.

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Notes to the Condensed Financial Statements

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16. Cross-Conveyed Pooling and Farmout Agreement

In July, 2011 Anglo announced that it had secured a farm-out agreement with a third party, whereby the third party will commit to drilling a well into the Mannville zone at 100% paying interest to earn a 75% working interest on the first three section block. The third party has a rolling option under the same terms on a second and third block containing approximately three sections each.

17. Transition to IFRS

The material adjustments made to the financial statements upon conversion from Canadian GAAP to IFRS are summarized below. Reconciliations at January 1, 2010 and December 31, 2010 and for the year ended are included in note 16 of the unaudited condensed financial statements for the three months ended March 31, 2011.

Anglo Canadian Oil Corp.

Notes to the Condensed Financial Statements

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Reconciliation of balance sheet as at September 30, 2010 from Canadian GAAP to IFRS:

	Notes	Canadian GAAP	Effect of transition to IFRS	IFRS
ASSETS				
Current assets				
Cash and cash equivalents		\$ 4,877,058	\$ -	\$ 4,877,058
Accounts receivable		192,591	-	192,591
Deposits and prepaid expenses		45,141	-	45,141
Total current assets		5,114,790	-	5,114,790
Exploration and evaluation assets	(i)	-	7,025,462	7,025,462
Property and equipment	(i), (iii) and (iv)	11,709,455	(2,670,916)	9,038,539
Abandonment deposit		84,086	-	84,086
Total assets		\$ 16,908,331	\$ 4,354,546	\$ 21,262,877
LIABILITIES AND EQUITY				
Current liabilities				
Accounts payable and accrued liabilities		\$ 2,734,211	\$ -	\$ 2,734,211
Flow-through share premium	(v)	-	124,355	124,355
Total current liabilities		2,734,211	124,355	2,858,566
Decommissioning provisions	(iii)	230,130	91,833	321,963
Deferred tax liabilities	(viii)	-	1,830,044	1,830,044
Total liabilities		2,964,341	2,046,232	5,010,573
Shareholders' equity				
Share capital	(v) and (viii)	15,365,670	2,328,376	16,815,634
Warrants		1,147,565	-	1,147,565
Contributed surplus		1,991,288	-	1,991,288
Retained earnings		(4,560,533)	(20,062)	(4,580,595)
Total shareholders' equity		13,943,990	2,308,314	16,252,304
Total liabilities and shareholder's equity		\$ 16,908,331	\$ 4,354,546	\$ 21,262,877

Anglo Canadian Oil Corp.

Notes to the Condensed Financial Statements

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(amounts in Canadian dollars)

(unaudited)

Reconciliation of statement of loss and comprehensive loss for the three month period ended September 30, 2010:

	Notes	Canadian GAAP	Effect of transition to IFRS	IFRS
Revenue				
Oil and natural gas revenue	(ii)	\$ 61,332	\$ (3,480)	\$ 57,852
Royalties	(ii)	(3,480)	3,480	-
Other income	(ix)	14,993	(14,993)	-
		<u>72,845</u>	<u>(14,993)</u>	<u>57,852</u>
Expenses				
Exploration and evaluation expenditures		-	-	-
Production and operating expenses		50,376	-	50,376
Depletion and depreciation	(iii) and (iv)	59,395	(36,980)	22,415
Stock-based compensation		69,489	-	69,489
General and administrative expenses	(x)	177,056	9,100	186,156
		<u>356,316</u>	<u>(27,880)</u>	<u>328,436</u>
Net operating loss		(283,471)	12,887	(270,584)
Net finance income	(iii) and (ix)	-	12,958	12,958
Loss before income tax		(283,471)	25,845	(257,626)
Deferred income tax expense	(viii)	-	12,617	12,617
Loss and comprehensive loss for the period		<u>\$ (283,471)</u>	<u>\$ 13,228</u>	<u>\$ (270,243)</u>
Loss per share				
Basic and Diluted		\$ (0.00)	\$	(0.00)

Anglo Canadian Oil Corp.

Notes to the Condensed Financial Statements

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(amounts in Canadian dollars)

(unaudited)

Reconciliation of statement of loss and comprehensive loss for the nine month period ended September 30, 2010:

	Notes	Canadian GAAP	Effect of transition to IFRS	IFRS
Revenue				
Oil and natural gas revenue	(ii)	\$ 162,814	\$ (10,833)	\$ 151,981
Royalties	(ii)	(10,833)	10,833	-
Other income	(ix)	30,908	(30,908)	-
		182,889	(30,908)	151,981
Expenses				
Exploration and evaluation expenditures	(i)	-	11,464	11,464
Production and operating expenses		102,490	-	102,490
Depletion and depreciation	(iii) and (iv)	108,987	(63,716)	45,271
Stock-based compensation		1,865,604	-	1,865,604
General and administrative expenses	(x)	485,832	9,100	494,932
		2,562,913	(43,152)	2,519,761
Net operating loss		(2,380,024)	12,244	(2,367,780)
Net finance income	(iii) and (ix)	-	27,874	27,874
Loss before income tax		(2,380,024)	40,118	(2,339,906)
Deferred income tax recovery	(viii)	(61,480)	50,430	(11,050)
Loss and comprehensive loss for the period		\$ (2,318,544)	\$ (10,312)	\$ (2,328,856)
Loss per share				
Basic and Diluted		\$ (0.02)		\$ (0.02)

Anglo Canadian Oil Corp.

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(unaudited)

Reconciliation of shareholders' equity as at September 30, 2010 from Canadian GAAP to IFRS:

	Notes	September 30, 2010
Total shareholders' equity under Canadian GAAP		\$ 13,943,990
Adjustments to shareholders' equity		
Depletion effect on property and equipment adjustments	(iv)	60,037
Increase due to increase in decommissioning provisions		(20,234)
Accretion effect on decommissioning provisions adjustments	(iii)	644
Flow-through share premium recognized	(v)	(124,355)
Pre-license seismic and unsuccessful drilling costs	(i)	(11,464)
Adjustments related to ORC acquisition	(xi)	2,750,900
Tax effect recognized on share issuance costs	(viii)	312,214
Deferred income tax adjustments	(viii)	(659,430)
Total adjustments to shareholders' equity		\$ 2,308,314
Total shareholders' equity under IFRS		\$ 16,252,304

Anglo Canadian Oil Corp.

Notes to the Condensed Financial Statements

For the three and nine months ended September 30, 2011

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(unaudited)

Reconciliation of statement of cash flows for the three month period ended September 30, 2010:

	Notes	Canadian GAAP	Effect of transition to IFRS	IFRS
Cash provided by (used in):				
Operating activities				
Loss for the period		\$ (283,471)	13,228	\$ (270,243)
Adjustments for:				
Depletion and depreciation	(iv) (iii) and	59,395	(36,980)	22,415
Finance expense (accretion)	(ix)	-	2,035	2,035
Stock based compensation		69,489	-	69,489
Deferred income tax recovery	(viii)	-	12,617	12,617
Changes in non-cash working capital		2,029,954	-	2,029,954
		1,875,367	(9,100)	1,866,267
Investing activities				
Exploration and evaluation expenditures	(i)	-	(3,731,692)	(3,731,692)
Property and equipment expenditures	(i)	(3,765,339)	3,731,692	(33,647)
Cash consideration acquisition of ORC	(x)	(639,000)	9,100	(629,900)
Change in abandonment deposit		(104)	-	(104)
Changes in non-cash working capital		(47,085)	-	(47,085)
		(4,451,528)	9,100	(4,442,428)
Financing activities				
Proceeds on issuance of common shares and warrants		229,966	-	229,966
Share issuance costs		-	-	-
Changes in non-cash working capital		552,753	-	552,753
		782,719	-	782,719
Change in cash and cash equivalents		(1,793,442)	-	(1,793,442)
Cash and cash equivalents, beginning of period		6,670,500	-	6,670,500
Cash and cash equivalents, end of period		\$ 4,877,058	\$ -	\$ 4,877,058

Anglo Canadian Oil Corp.

Notes to the Condensed Financial Statements

For the three and nine months ended September 30, 2011

(amounts in Canadian dollars)

(unaudited)

Reconciliation of statement of cash flows for the nine month period ended September 30, 2010:

	Notes	Canadian GAAP	Effect of transition to IFRS	IFRS
Cash provided by (used in):				
Operating activities				
Loss for the period		\$ (2,318,544)	(10,312)	\$ (2,328,856)
Adjustments for:				
Depletion and depreciation	(iv)	108,987	(63,716)	45,271
Finance expense (accretion)	(iii) and (ix)	-	3,034	3,034
Stock based compensation		1,865,604	-	1,865,604
Deferred income tax recovery	(viii)	(61,480)	50,430	(11,050)
Changes in non-cash working capital		1,820,433	-	1,820,433
		1,415,000	(20,564)	1,394,436
Investing activities				
Investing activities				
Exploration and evaluation expenditures	(i)	-	(7,025,462)	(7,025,462)
Property and equipment expenditures	(i)	(7,088,568)	7,036,926	(51,642)
Cash consideration acquisition of ORC	(x)	(639,000)	9,100	(629,900)
Change in abandonment deposit		(196)	-	(196)
Changes in non-cash working capital		2,235,990	-	2,235,990
		(5,491,774)	20,564	(5,471,210)
Financing activities				
Financing activities				
Proceeds on issuance of common shares and warrants		7,140,632	-	7,140,632
Share issuance costs		(3,293)	-	(3,293)
Changes in non-cash working capital		301,526	-	301,526
		7,438,865	-	7,438,865
Change in cash and cash equivalents		3,362,091	-	3,362,091
Cash and cash equivalents, beginning of period		1,514,967	-	1,514,967
Cash and cash equivalents, end of period		\$ 4,877,058	\$ -	\$ 4,877,058

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Notes to the Condensed Financial Statements

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(amounts in Canadian dollars)

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The following narratives explain the significant differences between the previous Canadian GAAP and the current IFRS accounting policies applied by the Corporation. Only the differences having an impact on the Corporation are described below. The following is not a complete summary of all of the differences between Canadian GAAP and IFRS. Unless a quantitative impact was noted below, the impact from the change was not material to the Corporation.

(i) Exploration and evaluation assets

Under IFRS, exploration and evaluation costs are recognized as exploration and evaluation assets. The Corporation followed full cost accounting under Canadian GAAP and classified all exploration and evaluation costs as oil and gas property and equipment. The effect of this change results in a reclassification of exploration and evaluation costs from oil and gas property and equipment to exploration and evaluation assets. As well, pre-license seismic and other costs incurred are expensed directly to results of operations. Under Canadian GAAP, such pre-license and seismic costs were capitalized as part of oil gas property and equipment.

Exploration and evaluation assets increased by \$7,025,462 at September 30, 2010. Pre-license and seismic costs were expensed in the amount of \$11,464 for the nine months ended September 30, 2010 (\$Nil - three months ended September 30, 2010).

(ii) Royalties

Under Canadian GAAP, royalties to governments and other mineral interest owners were presented as an offset against oil and natural gas revenue. Under IFRS, royalties are presented net of oil and natural gas revenue, representing the Corporation's net share. Royalties of \$3,480 for the three months ended September 30, 2010 and \$10,833 for the nine months ended September 30, 2010 are netted against revenue under IFRS.

(iii) Decommissioning provisions

Under Canadian GAAP, asset retirement obligations were measured at fair value, incorporating market assumptions and discount rates based on the Corporation's credit-adjusted risk-free rate. Adjustments were made to asset retirement obligations for changes in the timing or amount of the cash flows and the unwinding of the discount. However, changes in discount rates alone did not result in a re-measurement of the provision.

Under IFRS, future cash outflows are estimated as they arise and are discounted at the current appropriate discount rate. Both the cash flows to settle the obligation and the discount rate are considered at each reporting period and adjusted to the appropriate estimate at that point in time. Under IFRS the estimated cash flow to abandon and remediate the wells and facilities is risk adjusted therefore the provision is discounted at a risk-free rate. In addition, under Canadian GAAP, accretion of the discount was included in depletion and depreciation. Under IFRS, it is included in finance expenses.

Upon application of IFRS, decommissioning obligations increased by \$28,069 and accretion expense decreased by \$375 (before tax) during the three months ended September 30, 2010. Decommissioning obligations increased by \$91,833 and accretion expense decreased by \$644 (before tax) during the nine months ended September 30, 2010.

(iv) Depletion policy

Upon transition to IFRS, the Corporation adopted a policy of depleting oil and natural gas interests on a unit of production basis over proved plus probable reserves. The depletion policy

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under Canadian GAAP was based on units of production over proved reserves. In addition depletion was done on the Canadian cost centre under Canadian GAAP. IFRS requires depletion and depreciation to be calculated based on individual components (i.e. fields or combinations thereof). The use of total proved plus probable reserve base for calculating depletion resulted in a decrease to depletion expense of \$60,037 for the nine months ended September 30, 2010, and a decrease to depletion expense of \$34,570 for the three months ended September 30, 2010.

(v) Flow-through shares

Flow-through shares are a unique Canadian tax incentive which are the subject of specific guidance under Canadian GAAP. There is no equivalent IFRS guidance. Therefore, the Corporation has adopted a policy whereby the premium paid for flow-through shares in excess of the estimated market value of the Corporation's shares without the flow-through features, at the time of issue, is credited to other liabilities ("flow-through share premium") and is included in income at the time the qualifying expenditures are made. Under Canadian GAAP, the gross proceeds received on flow-through share issuances are initially recorded as share capital. When the expenditures are incurred and the tax deductions are renounced to subscribers, the Corporation has adopted an IFRS policy that the deferred tax liability is recorded through a charge to income tax expense less the reversal of the flow-through share premium previously reported. Under Canadian GAAP, the carrying value of the shares issued was reduced, and the future income tax liability of the Corporation was increased, by the estimated value of the renounced income tax deductions when the related flow through expenditures were renounced to the subscribers and the prescribed forms were filed with the Canada Revenue Agency.

The above differences resulted in a decrease to share capital of \$771,167 and the recognition of the flow-through share premium of \$771,167 at September 30, 2010 related to the flow-through share issuances in May 2010.

As at September 30, 2010, the Corporation recorded an reduction of the flow-through share premium of \$679,479 with a corresponding deferred income tax recovery of \$679,479 as a result of eligible flow-through capital expenditures related to flow-through share issuances. The Corporation also reversed the future tax recognition of \$61,480, as recorded under Canadian GAAP, by increasing share capital and a corresponding decrease to deferred tax recovery.

(vi) Statement of cash flows

Under IFRS, only expenditures that result in the recognition of an asset can be classified as cash flow from investing activities.

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The Corporation's policy under Canadian GAAP was to capitalize transaction costs related to business combinations. These costs were included with cash flows related to investing activities in the statement of cash flows under Canadian GAAP. Under IFRS, such transaction costs are expensed as incurred. Presentation in the statement of cash flows under IFRS is to include such costs with cash flows related to operating activities. This resulted in a decrease to cash flows related to operating activities of \$11,464 for the nine months ended September 30, 2010 with a commensurate increase to cash flows related to investing activities.

(vii) Farm-in arrangements and dispositions in property and equipment

Farm-in arrangements where the Corporation cedes a portion of its working interest to a partner are generally considered disposals of property and equipment under IFRS. Canadian full cost accounting guidelines required that no gain or loss be recorded on these or other dispositions where the change in depletion was less than 20%. The significance of these gains or losses will be dependent on the details of specific transactions and cannot be reasonably quantified.

(viii) Income taxes

Any changes to income tax reporting are predominantly caused by changes in the carrying value of assets, not due to the change in income tax accounting methodology, with the exception of flow-through shares. IFRS requires that all deferred taxes be disclosed as non-current assets or liabilities and designated as deferred taxes.

There was no adjustment to deferred tax liabilities on transition or throughout the first two quarters of 2010 as all of the adjustments to decommissioning liabilities and property and equipment resulted in an increase of temporary differences related to unrecognized deferred tax assets. A valuation allowance was applied to these temporary differences and flow-through expenditures resulting in no deferred tax effect on transition.

The effect on deferred income tax liabilities of the implementation of IFRS is as follows:

	September 30, 2010
Increase in tax liabilities recognized on acquisition of ORC	\$ 1,482,829
Increase in tax liabilities due to changes in carrying value of assets	36,673
Decrease in tax liabilities due to increase in decommissioning provision	(23,877)
Increase in tax liabilities due to flow-through share expenditures	1,045,947
Decrease in tax liabilities due to recognition of share issuance costs	(312,214)
Change in valuation allowance	(399,314)
Increase in deferred tax liabilities	1,830,044
Canadian GAAP future tax liabilities	-
IFRS deferred tax liabilities	\$ 1,830,044

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The effect on deferred income tax expense (recovery) of the implementation of IFRS is as follows:

	Nine months ended September 30, 2010
Increase (decrease) in tax liabilities due to changes to carrying value of net assets	\$ 24,114
Increase (decrease) in tax liabilities due to increase in decommissioning adjustment	(11,318)
Increase in tax liabilities due to flow-through share expenditures	1,045,947
Reversal of flow-through share renouncement	61,480
Change in valuation allowance	(399,314)
Flow-through premium reversal	(670,479)
Decrease in deferred tax recovery	50,430
Canadian GAAP future tax recovery	(61,480)
IFRS deferred tax recovery	\$ (11,050)

(ix) Finance costs/income

Under IFRS a separate line item is required in the statement of loss and comprehensive loss for finance costs/income. The items under GAAP that were reclassified to finance costs were interest income and the accretion on the decommissioning provisions.

(x) Business combination

Under Canadian GAAP, transaction costs related to business combinations are capitalized as part of the purchase equation. Under IFRS 3, transaction costs on business combinations are expensed as incurred. Also, under Canadian GAAP, shares issued as consideration in a business combination are valued based on the weighted average trading price surrounding the date of announcement of the transaction. Under IFRS 3, such shares are valued as at the acquisition date. In addition, decommissioning liabilities acquired increased as outlined in note 17 (iii). These differences resulted in the following changes to the Corporation's business combination during the period ended September, 2010.

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Oil Reserve Corp.

On July 15, 2010, Anglo acquired all of the issued and outstanding common shares of Oil Reserve Corp. ("ORC") for cash consideration of \$630,000 and 11,500,000 common shares issued with an ascribed value of \$5,175,000 for total consideration of \$5,805,000. The ascribed value of \$0.45 per common share was determined based on the Corporation's closing trading price on the TSX Venture exchange before on July 15, 2010. ORC was a related party controlled by two directors of Anglo and was a joint operation partner in all of Anglo's oil and gas properties. The acquisition was accounted for using the acquisition method of accounting whereby the assets acquired and the liabilities assumed are recorded at fair values. The allocation of the purchase price to the fair value of assets and liabilities acquired was as follows:

	Canadian GAAP	Adjustments	IFRS
Cash	\$ 100	\$ -	\$ 100
Other working capital deficiency	(65,081)	-	(65,081)
Property and equipment	3,169,634	4,261,798	7,431,432
Deferred income tax liability	-	(1,482,829)	(1,482,829)
Decommissioning liabilities	(50,553)	(28,069)	(78,622)
Total consideration	\$ 3,054,100	\$ 2,750,900	\$ 5,805,000

As a result of the acquisition, the Corporation determined that it was probable to recognize deferred income tax assets on certain tax pools of the Corporation to offset the deferred income tax liability associated with the acquisition. As a result, approximately \$350,000 has been recorded as a deferred income tax recovery and approximately \$157,000 has been recorded to share capital during the period ended September 30, 2010.

The non-cash portion of the acquisition paid by common shares of the Corporation has been excluded from the statement of cash flows. The accounts of the Corporation include the results of ORC from July 15, 2010 onward.

Transaction costs of \$9,100 were primarily comprised of legal fees and are recorded on the condensed interim statement of loss and comprehensive loss as general and administrative expenses.

The fair value of accounts receivable acquired are \$988 which represents the contractual amounts receivable and are considered to be collectible.

ORC's revenue and net loss since the closing date, July 15, 2010, and pro forma consolidated revenue and net loss giving effect to the acquisition of ORC as if it had occurred on January 1, 2010, are not practicable to determine. The operations of ORC are not managed as a separate business unit or division of Anglo and general business overhead and other costs of Anglo are not allocated or identified on a specific entity basis. Any such allocation would be arbitrary and would require significant assumptions and estimates about what management's intent would have been during those period.