

Anglo Canadian Oil Corp.

**Operations Update
Management's Discussion and Analysis
September 30, 2010**

Operations Update

In the 3rd Qtr, Anglo Canadian Oil Corp. ("Anglo" or the "Company") drilled 2 wells, one horizontal, Shane 7-11 and a vertical well, Sturgeon Lk. South 5-10. Both wells had cores cut. The horizontal well bore was in part acidized and in part hydraulically fractured but yielded non-commercial amounts of oil and has been suspended pending downhole pressure data. Operations on the 5-10 well are ongoing and hydraulic fracturing operations have commenced. Nordegg core analysis continues as well as aero-magnetic and gravity magnetic interpretation. 2d seismic is also being evaluated in an effort to high-grade drilling locations.

In the Kindersley area, the 16-22 well was foamed and brought back on production and is producing approximately 2m³/d oil. The 3-27 continues to produce approximately 1.5m³/d oil. Seismic has been purchased in the Kindersley area in order to determine potential drilling locations.

On July 15, 2010, Anglo closed the acquisition of 100% of the outstanding shares of Oil Reserve Corp. ("ORC"), a related party beneficially owned by two directors and an associated party of Anglo. All of ORC's properties are jointly held with, and operated by, Anglo. Consideration of 11,500,000 shares of Anglo with a fair value of \$0.21 per share as well as \$630,000 in cash was paid for the acquisition. The ORC deal closed upon TSX approval on July 15, 2010.

As previously announced, on November 17, 2010 Anglo closed a brokered private placement, issuing 19,047,696 units at a price of \$0.21 per unit and 19,459,000 common shares of the corporation issued on a flow-through basis at a price of \$0.25 per flow-through share for total gross proceeds of approximately \$8.9 million. 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 \$0.28 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 the 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 20 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 new release, failing which the warrants will automatically expire. There is a four-month hold period on the common shares, flow-through shares and warrants issued pursuant to the offering which will expire on March 18, 2011. The agents were paid a cash commission of 7% of the gross proceeds under the offering and were reimbursed for their expenses. The agents were also issued 3,182,974 non-transferable common share purchase warrants, each whole agent's warrant entitling 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

On November 25, 2010, the Company closed a non-brokered private placement, issuing 7,698,927 Units at a 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 \$2,250,000. 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 \$0.28 per Common Share at any time during the period of 18 months from the closing date. There is a four month hold period on the Common Shares, Flow-Through Shares and Warrants issued pursuant to the Offering, which expires on March 25, 2011. The Company paid a cash finder's fee to certain arm's length parties who assisted with the placement of the Units and Flow-Through Shares equal to 7% of the value of Securities placed by such parties and issued non-transferable Warrants to such parties entitling the holders to acquire up to 8% of that number of Securities sold by such parties.

As previously announced, Anglo has issued 8,333,334 units, at \$0.18 per unit, and 17,500,000 flow through common shares, at a price of \$0.20 per flow through share, for total gross proceeds of \$5,000,000, by way of a brokered private placement. Each unit consists of one common share and one half common share purchase warrant. Each full common share purchase warrant is exercisable to acquire one common share at \$0.25 per share until 12 months after the closing date, of May 11,

2010. Anglo has also issued 7,627,783 units, at \$0.18 per unit, and 5,635,000 flow through common shares, at a price of \$0.20 per flow through share, for total gross proceeds of \$2,500,000, by way of a non-brokered private placement. Each unit consists of one common share and one half common share purchase warrant. Each full common share purchase warrant is exercisable to acquire one common share at \$0.25 per share until 12 months after the closing date, of May 19, 2010.

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 26, 2010, and should be read in conjunction with the financial statements for the period ended September 30, 2010, and the audited financial statements for the year ended December 31, 2009.

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

The following MD&A contains forward-looking information and statements, refers to and discusses certain non-GAAP 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 “Company”) 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,	
	2010	2009	2010	2009
Petroleum and natural gas sales	\$ 61,332	\$ 103,098	\$ 162,814	\$ 176,397
Cash flow from operations	\$ 1,875,368	\$ (21,461)	\$ 1,415,001	\$ (315,894)
Net loss	\$ (220,424)	\$ (438,047)	\$ (2,255,498)	\$ (412,764)
Capital expenditures	\$ 3,765,339	\$ (5,555)	\$ 7,088,569	\$ 1,079,877

Revenue in the quarter ended September 30, 2010, declined by 41% in comparison to the prior period due to 40% lower production volumes. Cash flow from operations in the current quarter was higher than in the second quarter of 2009, largely due to remaining funds from the Q2 2010 financing, offset by lower revenue and higher operating costs and G&A, reflecting an increased level of activity. Anglo’s net loss for the third quarter decreased due to lower revenue, and higher Operating costs, G&A, and DD&A. The majority of capital expenditures in the quarter were the result of the drilling, equipment, and completion costs related to the summer drilling program in the Grand Prairie region.

Revenue

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Average production				
Oil (boe/d)	11	18	13	28
Benchmark Prices				
Hardisty Heavy (\$/boe)	\$ 63.43	\$ 64.86	\$ 45.27	56.84
Realized prices				
Oil (\$/boe)	\$ 62.80	\$ 63.35	\$ 66.95	51.98
Revenue				
Oil	\$ 61,332	\$ 103,098	\$ 162,814	176,397

Oil revenue in the quarter declined by 41% compared to the prior period due to lower production volumes, although realized prices decreased by 0.1%. Production values increased on an absolute basis due to the addition of production from ORC, however on a boe basis decreased as a result of naturally declining production and sand issues and subsequent shut-in of the 16-22 well.

The Company’s realized price in the three months ended September 30, 2010 is consistent with the comparative period.

Royalties

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Royalties	\$ 3,480	\$ 27,276	\$ 10,833	\$ 32,329
Royalty rate (% of revenue)	5.67%	16.8%	6.65%	18.8%

The Saskatchewan royalty structure is based upon commodity prices and well productivity, with higher prices and well productivity subject to higher royalty rates. Although realized oil prices during the quarter were relatively consistent with the 2009 comparative period, the decline in Anglo's production reduced the overall royalty expense by 87%, and the royalty rate also decreased despite an overriding royalty on Section 27 in Buffalo Coulee that was granted in July 2009 to the debenture holder in lieu of approval fees and interest.

Operating Expenses

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Operating expenses	\$ 50,376	\$ 41,870	\$ 102,490	\$ 146,623
Operating expenses per boe (\$/boe)	\$ 51.58	\$ 25.73	\$ 42.15	\$ 16.18

Total operating expenses increased in relation to the comparative three month period, due to the addition of ORC to Anglo's consolidated operations on July 15, 2010. On a per boe basis, operating costs were 100% higher than in the second quarter of 2009 due the decrease in production and taxes due and fixed costs, such as contract operators and lease rentals, remaining constant.

Operating Netbacks

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Realized price	\$ 62.80	\$ 63.35	\$ 66.95	\$ 51.98
Royalties	(3.56)	(8.22)	(4.45)	(7.82)
Operating expenses	(51.58)	(25.73)	(42.15)	(19.56)
Operating netback ⁽¹⁾	\$ 7.66	\$ 29.40	\$ 20.35	\$ 24.60

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

Operating netbacks were 74% lower in the third quarter of 2010 compared to 2009 despite increased realized prices and lower royalties, due to higher operating costs on a per boe basis.

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,	
	2010	2009	2010	2009
Operating netback	\$ 7.66	\$ 29.40	\$ 20.35	\$ 24.6
Interest income	15.35	0.05	12.71	0.10
General and administrative expenses	(181.29)	(42.64)	(199.78)	(33.89)
Interest expense	-	-	-	(2.39)
Depletion, depreciation and accretion	(60.81)	(31.74)	(44.82)	(29.27)
Loss on disposal of assets	-	(220.60)	-	(47.89)
Stock-based compensation	(6.60)	(3.65)	(741.24)	(2.51)
Future income tax recovery	-	-	25.28	-
Net loss	\$ -225.7	\$ (269.18)	\$ (927.50)	\$ (91.25)

Depletion, Depreciation and Accretion

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Depletion, depreciation and accretion	\$ 59,395	\$ 51,650	\$ 108,987	\$ 219,439
Depletion, depreciation and accretion per boe (\$/boe)	\$ 60.81	\$ 31.74	\$ 44.82	\$ 29.27

Total depletion expense in the three months ended September 30, 2010 was 15% higher than in the comparative three month period due to the addition of ORC producing assets. However, the overall depletion rate per boe rose 92% due to large Q3 capital expenditures related to proved assets, and negative technical reserve revisions booked at December 31, 2009.

Cash Flow from Operations

The following is a reconciliation of cash flow from operations to cash flow from operating activities:

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Cash flow from operations (non-GAAP)	\$ 1,875,368	\$ (21,461)	\$ 1,415,001	\$ (85,867)
Change in non-cash working capital	2,029,954	(94,450)	1,820,433	(82,941)
Cash provided by operating activities (GAAP)	\$ (154,586)	\$ (115,911)	\$ (405,432)	\$ (169,808)

Capital Expenditures

Nine months ended September 30,	2010		2009	
Drilling and completions	\$ 3,689,726	52%	\$ 9,683	21%
Equipment and facilities	57,312	1%	(26,147)	-55%
Geological and geophysical	180,921	3%	42,693	90%
Land	3,147,794	44%	20,920	44%
Total capital expenditures	\$ 7,075,753	100%	\$ 47,129	100%

In June 2010, the summer drilling program began, evaluating the potential oil resource on the lands purchased in Q1 2010. The program commenced after spring breakup and includes well logging and coring programs, completion of the 7-11 horizontal Shane well, and drilling of the 5-10 Sturgeon Lake well.

In March 2010, Anglo secured 68,832 net hectares (approximately 269 net sections) of land close to Grande Prairie, Alberta.

Additionally, geological evaluation of the Company's Saskatchewan properties continued and lease rentals were incurred.

General and Administrative Expenses

	Three months ended September 30,		Nine months ended June 30,	
	2010	2009	2010	2009
General and administrative expenses	\$ 177,076	\$ 69,393	\$ 485,831	\$ 254,046
Total general and administrative expenses per boe (\$/boe)	\$ 181.29	\$ 42.64	\$ 199.78	\$ 134.63

Total general and administrative expenses ("G&A") were higher than in the prior period. In 2009, the Company focused on reducing its G&A costs in all areas by releasing contract personnel and renegotiating contracts. In the nine months of 2010, Anglo increased contractor services and engineering and G&G spending to assist with the capital program commenced in Q2 2010. Increased spending and costs, coupled with the decline in current half production resulted in G&A per boe rising significantly.

Related Party Transactions

Management services provided to the Company by consulting and legal firms controlled by Directors and Officers of the Company totaled \$240,154 in the nine months ended September 30, 2010 (nine months ended September 30, 2009 – \$120,160). 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, 2010, includes \$24,782 (December 31, 2009 – \$30,250) due to Directors and Officers of the Company related to amounts owing for consulting and legal services.

Accounts receivable also includes \$nil (December 31, 2009 – \$208,120) and accounts payable and accrued liabilities includes \$nil (December 31, 2009 – \$175,446) due from/to a company with a common Director and Officer as a joint venture participant, which are due under normal credit terms.

Liquidity and Capital Resources

As at	September 30, 2010	December 31, 2009
Working capital	\$ 2,380,579	\$ 3,484,741
Share capital	\$ 14,318,550	\$ 7,006,129
Warrants	2,194,685	14,640
Contributed surplus	1,928,243	127,291
Deficit	(4,497,488)	(2,241,990)
Shareholders' equity	\$ 13,943,990	\$ 4,906,070

The Company raised \$4.0 million in the fourth quarter of 2009 with the issuance of common shares and the majority of these funds were invested in undeveloped land in the first quarter of 2010. In the second quarter of 2010, the Company raised \$7.5 million with the issuance of common shares. In Q3 2010, capital expenditures of \$3.8 million and cash consideration in the purchase of ORC of \$0.7 million reduced working capital. As a result, working capital was lower at September 30, 2010 in comparison to December 31, 2009.

As previously announced, on November 17, 2010 Anglo closed a brokered private placement, issuing 19,047,696 units at a price of \$0.21 per unit and 19,459,000 common shares of the corporation issued on a flow-through basis at a price of \$0.25 per flow-through share for total gross proceeds of approximately \$8.9 million. 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 \$0.28 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 the 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 20 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 new release, failing which the warrants will automatically expire. There is a four-month hold period on the common shares, flow-through shares and warrants issued pursuant to the offering which will expire on March 18, 2011. The agents were paid a cash commission of 7% of the gross proceeds under the offering and were reimbursed for their expenses. The agents were also issued 3,182,974 non-transferable common share purchase warrants, each whole agent's warrant entitling 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.

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The Company has issued 8,333,334 units, at \$0.18 per unit, and up to 17,500,000 flow through common shares, at a price of \$0.20 per flow through share, for total gross proceeds of \$5,000,000, by way of a brokered private placement. Each unit consists of one common share and one half common share purchase warrant. Each full common share purchase warrant is exercisable to acquire one common share at \$0.25 per share until 12 months after the closing date, of May 11, 2010. Anglo has

also issued 7,627,783 units, at \$0.18 per unit, and 5,635,000 flow through common shares, at a price of \$0.20 per flow through share, for total gross proceeds of \$2,500,000, by way of a non-brokered private placement. Each unit consists of one common share and one half common share purchase warrant. Each full common share purchase warrant is exercisable to acquire one common share at \$0.25 per share until 12 months after the closing date, of May 19, 2010

Although the Company's immediate funding requirements in 2010 appear to be met, the future of the Company is dependent upon achieving positive cash flow to be able to internally fund operations, general corporate expenses and future development activities and/or securing further financing. Failure to improve production rates, and ultimately increase revenue, will result in continued operating losses and may make it difficult to obtain new sources of equity. The continued strengthening of the economy throughout 2010 and 2011 will also impact the Company's profitability and access to capital.

At September 30, 2010 the Company had 127,922,039 common shares issued and outstanding, and 176,941,042 common shares issued and outstanding at November 25, 2010, the date of the MD&A.

Contractual Obligations

As at September 30, 2010, 100% of the required expenditures with respect to the flow through common shares issued in 2009 had been incurred.

Anglo is required to incur \$4,627,000 of qualifying expenditures prior to December 31, 2011, with respect to the flow through common shares issued in 2010. As at September 30, 2010, \$3,732,140 of the required expenditures had been incurred.

In August 2010, the Company committed to a 2 year lease for office premises at \$2,843.75 per month

Risk Management

The Company is exposed to financial risks arising from its financial assets and liabilities. The financial risks include market risk, credit risk and liquidity risk.

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. In the normal course of operations, the Company is exposed to market risks resulting from fluctuations in commodity prices, foreign currency exchange rates and interest rates.

(i) Commodity price risk

Commodity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in commodity prices. Commodity prices realized by the Company are impacted by several interdependent factors including global commodity reference prices denominated in US dollars, the exchange rate between the Canadian and US dollar and heavy/light oil differentials. Due to the interrelationship between these forces, the Company monitors only its final realized commodity prices and does not analyze the impact that any one of the aforementioned factors may have on its results. The Company did not have any financial instruments in place to manage commodity price fluctuations during the Three months ended September 30, 2010.

(ii) 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 Company is exposed to interest rate cash flow risk to the extent of interest rate fluctuations on its abandonment deposit, which currently earns 0.4 – 0.61% variable interest annually. The Company did not have any interest rate swaps or hedges in place during the Three months ended September 30, 2010, to reduce its

risk from interest rate fluctuations. The Company also collects interest on its GICs at a rate of 1.0% - 1.4%.

If the rate of interest earned on the Company's abandonment deposit in 2010 had decreased by 1%, with all other variables held constant, the net loss for the period would have been \$150 (2009 – \$92) higher based on balances outstanding at quarter end. An equal and opposite impact would have occurred to the Company's net loss if the prime rate had been 1% higher.

Credit risk

Credit risk is the risk that the counterparty to a financial asset will default, resulting in a financial loss to the Company. The Company is subject to credit risk on its cash, accounts receivable and the abandonment deposit. The Company mitigates its exposure to credit risk on cash and the abandonment deposit by holding its cash and abandonment deposit in a major Canadian financial institution.

A significant portion of the Company's accounts receivable are with entities in the petroleum and natural gas sector and are subject to normal industry credit risk. The primary source of credit risk for the Company arises from its accounts receivable from joint venture partners and petroleum and natural gas marketers. The Company generally grants unsecured credit, but routinely assesses the financial strength of its customers. As at September 30, 2010, the Company had \$444 of accounts receivable that were greater than 90 days old and considered past due, but not impaired. The majority of these amounts are due from large, well established joint venture partners.

Joint venture 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 Company attempts to mitigate this risk by obtaining partner approval of significant capital expenditures prior to performance of the project. The Company typically does not obtain collateral from joint venture partners; however, a cash call may be requested in advance of the start of a project. In some cases, the Company does have the ability to withhold production from joint venture partners in the event of non-payment.

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 Company sells the majority of its production to one petroleum and natural gas marketer and is therefore subject to concentration risk. As at September 30, 2010, \$14,494 (September 30, 2009 – \$81,790) was due from this marketer. The Company attempts to mitigate credit risk associated with these balances by establishing marketing relationships with large purchasers. No collection issues have been incurred to date with the Company's petroleum and natural gas marketer.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company manages its liquidity risk through cash and debt management and monitors the financial obligations created by its operating activities and capital expenditures. The Company's objective in managing liquidity risk is to ensure that it has sufficient resources available to meet its liabilities when due. The Company's ongoing liquidity is impacted by various external events and conditions, including commodity price fluctuations and the global economic downturn. See also discussion under Liquidity and Capital Resources.

New Accounting Standards

Goodwill and intangible assets

On January 1, 2009, the Company adopted CICA Handbook Section 3064 "Goodwill and Intangible Assets" which establishes guidance for the recognition, measurement, presentation and disclosure of goodwill and intangible assets, including guidance on pre-production and start-up costs, requiring that these costs be expensed as incurred. The current goodwill standards are carried forward unchanged from that included in the previous section 3062. The adoption of this standard did not impact the Company's financial results

International Financial Reporting Standards ("IFRS")

In January 2006, the CICA adopted a strategic plan for the direction of accounting standards in Canada. As part of the plan, accounting standards in Canada for public companies will converge with IFRS on January 1, 2011. From that date forward, Anglo will be required to report under IFRS as set out by the International Accounting Standards Board ("IASB"). Any adjustments resulting from a change in policy are applied retroactively with corresponding adjustments to opening retained earnings. Anglo is currently evaluating the impact of these new standards. The implementation of IFRS may result in a significant impact on the Company's accounting policies, measurement and disclosure.

Anglo's IFRS implementation project consists of three phases which will be completed by external consultants.

- Initial diagnostic phase – Identifying areas that may be impacted by the transition to IFRS. The potential impact on the Company's financial reporting and overall difficulty of the conversion effort for each area was evaluated.
- Impact analysis, evaluation and solution development phase – Selecting IFRS accounting policies, quantifying the impact on the opening IFRS balance sheet from the adoption of IFRS policies and the development of draft IFRS financial statements.
- Implementation and review phase – Training accounting personnel and updating Anglo's information systems and procedures to prepare IFRS financial statements.

Anglo has completed the initial diagnostic phase and the subsequent phases are underway.

Based on existing IFRS, the areas that have the potential for the most significant financial impact on the Company's financial statements are the methodology for asset impairment testing, the absence of a comparable standard to full-cost accounting and the accounting for decommissioning obligations. The exemptions to full restatement available under IFRS are also being considered.

IFRS requires the Company to conduct an asset impairment test. The test for impairment under IFRS requires the use of a discounted cash flow model to determine fair value, whereas Canadian GAAP uses an undiscounted cash-flow model to determine impairment and then a discounted cash-flow model to quantify the impairment. Market factors such as discount rates and commodity prices will affect the evaluation of impairment. Depending on these factors on the date of adoption, the Company may have an asset impairment loss. However, IFRS permits subsequent recovery of such write downs in future periods to the extent that fair value increases.

The absence of a full-cost standard equivalent in IFRS may lead to certain exploration and development costs currently capitalized under Canadian GAAP being reclassified to opening deficit on the balance sheet. For entities using the full-cost method, the IASB has issued an exemption from full retrospective application of IFRS for the measurement of oil and gas assets at the transition date. In relation to oil and gas assets, IFRS only provides guidance in the exploration and evaluation ("E&E") phase, up to the point when technical feasibility and commercial viability of extracting the resource can be demonstrated. Accounting for E&E activities under IFRS is congruent with Canadian GAAP, but expenditures beyond this phase must be considered within the IFRS capitalization criteria for Property, Plant and Equipment ("PP&E") and/or Intangible assets. Anglo is currently evaluating if the

Company's development expenditures meet the recognition criteria for PP&E and the potential impact on the measurement of PP&E.

Depletion of oil and gas assets under Canadian GAAP is calculated under the unit-of-production method using remaining proved reserves. Similar guidance does not exist under IFRS. Anglo is evaluating the Company's depletion policy to possibly include proved and probable reserves if this more accurately reflects the usage of resource assets. In addition, IFRS requires that significant parts of an asset are recognized and depreciated separately whereas this is not specifically required under Canadian GAAP. No material components requiring separate depreciation were initially identified and therefore no impact is anticipated for this in the Company's financial statements.

Canadian GAAP includes specific guidance with respect to asset retirement obligations whereas under International Accounting Standards ("IAS"), asset retirement obligations are included under IAS 37, "Provisions, Contingent Liabilities and Contingent Assets". The threshold for recognition of a provision under IFRS is lower than under Canadian GAAP. In addition, IFRS requires the use of the current market-based discount rate to be applied to the liability at each reporting date rather than the historical rate used when the liability was initially set-up. The impact of these differences has not yet been evaluated.

IFRS 1 provides the framework for the first time adoption of IFRS and specifies that an entity shall apply the principles under IFRS retrospectively. However, both optional and mandatory exceptions to retrospective application are provided under IFRS. Evaluation of the exemptions is currently underway.

Quarterly Information

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

	Q3 2010	Q2 2010	Q1 2010	Q4 2009	Q3 2009	Q2 2009	Q1 2009	Q4 2008
Revenue	\$ 61,332	\$ 44,470	\$ 57,012	\$ 96,997	\$103,098	\$162,515	\$124,472	\$ 35,809
Net (loss) income	\$(220,424)	\$(1,332,141)	\$(702,933)	\$(185,588)	\$(438,047)	\$(123,744)	\$(122,309)	\$(261,436)
per share – basic	\$(0.02)	\$(0.02)	\$(0.02)	\$(0.01)	\$(0.02)	\$(0.01)	\$(0.01)	\$(0.01)
per share – diluted	\$(0.02)	\$(0.02)	\$(0.02)	\$(0.01)	\$(0.02)	\$(0.01)	\$(0.01)	\$(0.01)

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 \$1,131,307.

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.

Revenue in the third quarter of 2009 decreased from the prior quarter due to selling 49% of its producing assets to ORC, effective June 1, 2009. The net loss for the Company included a loss of \$358,993 recorded as part of the ORC transaction.

Production remained consistent in the second quarter of 2009, with higher realized commodity prices

increasing revenue. The net loss for the Three months ended September 30, 2009, was consistent with the first quarter of 2009 as higher revenue was offset by an increase in royalties, general and administrative costs and interest expense.

Revenue in the three months ended March 31, 2009, rose as the Company's first heavy oil well completed in late 2008 at Buffalo Coulee averaged 35 boe/d of production during the quarter.

In the fourth quarter of 2008, revenue increased from heavy oil production at Buffalo Coulee. In the third quarter of 2008, revenue decreased as the Company's one producing well at the time was shut-in. Net loss increased due to lower revenue and increase in overall G&A costs.

Additional Information

Additional information relating to the Company, including the Company's 2009 Annual Information Form, is available on the System for Electronic Document Analysis and Retrieval ("SEDAR") at www.sedar.com or at the Company's web-site at www.anglocanadianoil.com.

Advisories

Forward Looking Statements

This document contains forward looking or outlook information which reflects management's expectations regarding the Company'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 2010, as well as the liquidity plans of the Company. 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 Equivalents

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-GAAP 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 accounting principles generally accepted in Canada ("GAAP") and consequently are referred to as non-GAAP measures. Non-GAAP 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 GAAP, as an indicator of the Company's performance or liquidity. Cash flow from operations is used by the Company to evaluate operating results and the Company's ability to generate cash to fund capital expenditures. The Company 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.

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James Ehret

President, Anglo Canadian Oil Corp.

Frank van der Vliet

Principal, F.V. Consulting Ltd.

Brent Walter

Lawyer, ProVenture Law LLP

Mason Douglas

President, Infrastructure Materials Corp.

Officers

Todd Montgomery

CEO

James Ehret

President

Jim Brander

Chief Financial Officer

Legal Counsel

ProVenture Law LLP

Auditors

Collins Barrow Calgary LLP

Consulting Engineers

AJM Petroleum Consultants

Chapman Petroleum Engineering Ltd.

Bankers

The Bank of Nova Scotia

Transfer Agent

Olympia Trust Company

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Calgary, AB T2P 0P6

Stock Exchange Listing

TSX Venture Exchange

Trading symbol: **ACG**

Anglo Canadian Oil Corp.

Financial Statements Three and nine months ended September 30, 2010 and 2009

The September 30, 2010, financial statements have not been reviewed by the Company's auditors.

**Anglo Canadian Oil Corp.
Balance Sheets**

As at	September 30, 2010	December 31, 2009
Assets		
Current assets		
Cash	\$ 4,877,058	\$ 1,514,967
Accounts receivable (note 11)	192,591	274,934
Subscription receivable	-	2,459,250
Prepaid expenses and deposits	45,141	18,763
	5,114,790	4,267,914
Property and equipment (note 5)	11,709,455	1,385,333
Abandonment deposit (note 6)	84,086	83,890
TOTAL ASSETS	\$ 16,908,331	\$ 5,737,137
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (note 11)	\$ 2,734,211	\$ 783,173
		783,173
Asset retirement obligations (note 6)	230,130	47,894
TOTAL LIABILITIES	2,964,340	831,067
Shareholders' equity		
Share capital (note 7 (b))	14,318,550	7,006,129
Warrants (note 7 (c))	2,194,685	14,640
Contributed surplus (note 7 (f))	1,928,243	127,291
Deficit	(4,497,488)	(2,241,990)
TOTAL SHAREHOLDERS EQUITY	13,943,990	4,906,070
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	\$ 16,908,331	\$ 5,737,137

Commitments (note 13)
Subsequent events (note 14)

See accompanying notes to the financial statements.

Approved by the Board,

"Signed"

"Signed"

James Ehret
Director

Brent Walter
Director

Anglo Canadian Oil Corp.
Statements of Loss, Comprehensive Loss and Deficit

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Revenue				
Petroleum and natural gas	\$ 61,332	\$ 103,098	\$ 162,814	\$ 389,642
Royalties	(3,480)	(13,378)	(10,833)	(58,646)
	57,852	89,720	151,981	330,996
Interest	14,993	82	30,908	736
	72,845	89,802	182,889	331,732
Expenses				
Operating	50,376	41,870	102,490	146,623
Depletion, depreciation and accretion	59,395	51,650	108,987	219,439
General and administrative	177,057	69,393	485,832	254,046
Disposal of assets	-	358,993	-	358,993
Stock-based compensation (note 7)	6,443	5,943	1,802,558	18,801
Interest	-	-	-	17,930
	293,270	527,849	2,499,867	1,015,832
Loss before income taxes	(220,425)	(438,047)	(2,316,978)	(684,100)
Income taxes				
Future income tax recovery	-	-	61,480	-
Net loss and comprehensive loss	(220,425)	(438,047)	(2,255,498)	(684,100)
Deficit, beginning of period	\$ (4,277,063)	\$ (1,618,355)	\$ (2,241,990)	\$ (1,372,302)
Deficit, end of period	\$ (4,497,488)	\$ (2,056,402)	\$ (4,497,488)	\$ (2,056,402)
Net loss per share				
Basic and diluted loss per share (note 10)	\$ (0.02)	\$ (0.01)	\$ (0.02)	\$ (0.01)

See accompanying notes to the financial statements.

Anglo Canadian Oil Corp. Statements of Cash Flows

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2010	2009	2010	2009
Operating activities				
Net loss	\$ (220,424)	\$ (438,047)	\$ (2,255,498)	\$ (684,100)
Depletion, depreciation and accretion	59,395	51,650	108,987	219,439
Stock-based compensation	6,443	5,943	1,802,558	18,801
Loss on sale of property	-	358,993	-	358,993
Future income tax recovery	-	-	(61,480)	-
	(154,586)	(21,461)	(405,432)	(86,867)
Changes in non-cash working capital (note 11)	2,029,954	(94,450)	1,820,433	(82,941)
	1,875,368	(115,911)	1,415,001	(169,808)
Financing activities				
(Repayment) issuance of debenture	-	-	-	(300,000)
Net proceeds on issuance of common share units	-	-	2,659,612	34,900
Net proceeds on issuance of common shares	229,966	-	235,092	-
Net proceeds on issuance of flow through share units	-	-	-	29,000
Net proceeds on issuance of flow through shares	-	61,040	4,245,928	179,713
Other Share Issue Costs	-	-	(3,293)	-
Changes in non-cash working capital (note 11)	552,753	(700,190)	301,526	14,817
	782,719	(639,150)	7,438,865	(41,570)
Investing activities				
Property and equipment	(3,765,339)	5,555	(7,088,569)	(77,879)
Cash consideration in the acquisition of ORC, net of cash acquired (note 4)	(679,900)	-	(679,900)	-
Disposition of oil and gas properties	-	644,723	-	644,723
Sale of equipment	-	-	-	30,750
Abandonment deposit	(104)	(37)	(196)	(403)
Changes in non-cash working capital (note 11)	(6,185)	400,588	2,276,890	26,257
	(4,451,528)	1,050,829	(5,491,775)	623,448
Change in cash	(1,793,442)	295,768	3,362,091	412,070
Cash, beginning of period	6,670,500	169,216	1,514,967	52,914
Cash, end of period	\$ 4,877,058	\$ 464,984	\$ 4,877,058	\$ 464,984

See accompanying notes to the financial statements.

Anglo Canadian Oil Corp.

Notes to the Financial Statements

September 30, 2010

1. Nature of Operations

Apex Capital Corp. ("Apex") was incorporated under the Business Corporations Act of Alberta on September 15, 2004. On August 29, 2007, Apex acquired all of the issued and outstanding common shares of Traxion Energy Inc., a company incorporated under the Business Corporations Act of Alberta on April 29, 2003. This resulted in a reverse takeover of Apex by Traxion Energy Inc. and on July 14, 2008, the consolidated entity amalgamated and changed its name to Traxion Energy Inc. On April 7, 2010, Traxion Energy Inc. changed its name to Anglo Canadian Oil Corp. (the "Company" or "Anglo").

The Company is a junior oil and gas company engaged in the exploration, development and exploitation of petroleum and natural gas properties in Western Canada.

2. Basis of Presentation

The financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles. Certain information and disclosures normally required to be included in notes to annual financial statements have been condensed or omitted. The interim financial statements have been prepared using the same accounting policies and should be read in conjunction with the audited financial statements and the notes thereto for the year ended December 31, 2009.

3. Future Accounting Pronouncements

International Financial Reporting Standards

In January 2006, the CICA adopted a strategic plan for the direction of accounting standards in Canada. As part of the plan, accounting standards in Canada for public companies will converge with IFRS on January 1, 2011, including the comparative 2010 period.

The transition from current Canadian GAAP to IFRS is a significant undertaking that will materially affect the Company's reported financial position and results of operations. The Company is currently in the process of assessing differences between Canadian GAAP and IFRS, determining accounting policy choices and identifying changes to processes and internal controls over financial reporting and corporate governance changes. The Company expects to have its changeover to IFRS implemented prior to the end of 2010.

Business combinations

In January 2009, the CICA issued Section 1582, "Business Combinations", which replaces former guidance on business combinations. The new section expands the definition of a business subject to an acquisition and establishes significant new guidance on the measurement of consideration given, and the recognition and measurement of assets acquired and liabilities assumed in a business combination. The new section requires that all business acquisitions be measured at the full fair value of the acquired entity at the acquisition date even if the business combination is achieved in stages, or if less than 100% of the equity interest in the acquiree is owned at the acquisition date. This standard is equivalent to the International Financial Reporting Standard 3, "Business Combinations (January 2008)" and is applied prospectively to business combinations with acquisition dates on or after January 1, 2011.

Consolidated financial statements and non-controlling interests

In January 2009, the CICA issued Handbook Section 1601, "Consolidated Financial Statements", and 1602, "Non-controlling Interests", which replaces existing guidance. Section 1601 establishes standards for the preparation of consolidated financial statements. Section 1602 provides guidance on accounting for a non-controlling interest in a subsidiary in consolidated financial statements

Anglo Canadian Oil Corp.
Notes to the Financial Statements
September 30, 2010

subsequent to a business combination. Section 1602 applies to the accounting for non-controlling interests and transactions with non-controlling interest holders in consolidated financial statements. The new sections require that, for each business combination, the acquirer measure any non-controlling interest in the acquiree's identifiable net assets and it also requires non-controlling interest to be presented as a separate component of shareholder's equity. Under this section, non-controlling interest in income is not deducted in arriving at consolidated net income or other comprehensive income. Rather, net income and each component of other comprehensive income are allocated to the controlling and non-controlling interests based on relative ownership interests. These sections are equivalent to the provisions of International Accounting Standard 27, "Consolidated and Separate Financial Statements (January 2008)". These sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011, and should be adopted concurrently with Section 1582. Earlier adoption is permitted. The adoption of this standard is not expected to have a significant impact on the financial statements.

4. Acquisition

On July 15, 2010, Anglo acquired all of the issued and outstanding common shares of Oil Reserve Corporation ("ORC") for cash consideration of \$630,000 and 11,500,000 common shares issued with an ascribed value of \$2,415,000 for total consideration of \$3,045,000 plus estimated associated transaction costs of \$50,000. The ascribed value of \$0.21 per common share was determined based on the Company's two day weighted average trading price on the TSX Venture exchange both before and after the announcement of the transaction on April 14, 2010. ORC was a related party controlled by two directors of Anglo. All of ORC's oil and gas properties are owned with, and operated by, Anglo. The acquisition was accounted for using the purchase method of accounting and was measured at the exchange amount, which was the amount of consideration established and agreed to by the related parties. The purchase price and its allocation to the fair value of assets and liabilities were as follows:

Cash	\$	100
Working Capital		(67,404)
Petroleum and natural gas properties		3,195,945
Future income tax liability		(378,170)
Future income tax asset not previously recognized		378,170
Asset Retirement Obligation		(33,641)
Total Consideration	\$	3,095,000

All of the above amounts are estimates, which were made by management based on information at the time these interim financial statements were prepared. Amendments may be made to these amounts as values subject to estimate are finalized.

The attributed value of the common shares have been excluded from the statement of cash flows as non-cash transactions. The accounts of the company include the results of ORC from July 15, 2010 onward.

Anglo Canadian Oil Corp.
Notes to the Financial Statements
September 30, 2010

5. Property and Equipment

As at September 30, 2010	Cost	Accumulated depletion and depreciation	Net
Petroleum and natural gas properties	\$ 12,472,574	\$ (776,165)	\$ 11,696,409
Furniture and fixtures	49,102	(36,056)	13,046
Property and equipment	\$ 12,521,676	\$ (812,221)	\$ 11,709,455

As at December 31, 2009	Cost	Accumulated depletion and depreciation	Net
Petroleum and natural gas properties	\$ 1,941,221	\$ (564,153)	\$ 1,377,068
Furniture and fixtures	36,943	(28,678)	8,265
Property and equipment	\$ 1,978,164	\$ (592,831)	\$ 1,385,333

During the nine months ended September 30, 2010, \$42,500 of general and administrative expenses (2009 – \$nil) was capitalized as the summer drilling program began in Q2 2010.

Future capital expenditures of \$900,000 (December 31, 2009 – \$459,000) relating to the development of proved reserves, as estimated by the Company's independent reserve engineers, have been included in costs subject to depletion. Costs associated with unproved properties excluded from costs subject to depletion for the nine months ended September 30, 2010, amounted to \$3,350,704.

On August 7, 2009, Anglo closed the sale of 49% of its petroleum and natural gas properties for proceeds of \$686,000, prior to purchase price adjustments of \$41,277. The sale resulted in an adjustment to the book value of properties and equipment of \$1,054,167. A loss of \$358,993 was recorded as the disposition resulted in a change of more than 20% to the Company's depletion and depreciation rate. The Company's asset retirement obligations were also reduced by \$50,451 as a result of the sale.

6. Asset Retirement Obligations

	Nine months ended September 30, 2010	Year ended December 31, 2009
Asset retirement obligations, beginning of period	\$ 47,894	\$ 87,818
Liabilities acquired in the acquisition of ORC (note 4)	33,641	
Liabilities incurred	143,163	6,890
Accretion expense	5,432	3,637
Liabilities discharged on disposal of properties	-	(50,451)
Asset retirement obligations, end of period	\$ 230,130	\$ 47,894

The total undiscounted amount of estimated cash flows required to settle the future asset retirement obligations was \$614,476, which has been discounted using a weighted average credit adjusted risk free rate of 8.81% (2009 – 9.5%). The majority of these obligations are not expected to be settled for several years.

Anglo Canadian Oil Corp.
Notes to the Financial Statements
September 30, 2010

As at September 30, 2010, \$84,086 (December 31, 2009 – \$83,890) was deposited in a guaranteed investment certificate to satisfy these obligations.

7. Share Capital

(a) Authorized

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares, issuable in series.

(b) Issued

	Nine months ended September, 2010		Year ended December 31, 2009	
	Number	Amount	Number	Amount
Common shares outstanding, beginning of period	76,109,922	\$7,006,129	20,494,256	\$2,851,223
Common shares issued for cash	15,961,117	1,083,171	53,859,000	4,039,784
Flow through common shares issued for cash	23,135,000	4,627,000	1,756,666	206,240
Exercise of options and warrants	1,216,000	511,738	-	-
Common shares issued as consideration for the purchase of ORC (Note 4)	11,500,000	2,415,000	-	-
Tax benefits renounced on flow through shares	-	(61,480)	-	-
Share issuance costs	-	(1,263,008)	-	(91,118)
Common shares outstanding, end of period	127,922,039	\$14,318,550	76,109,922	\$7,006,129

On May 17, 2010, the Corporation issued 7,627,783 units ("Units") at price of \$0.18 per Unit and 5,635,000 common shares ("Common Shares") of the Corporation issued on a flow through basis (the "Flow-Through Shares") at a price of \$0.20 per Flow-Through Share for aggregate gross proceeds of \$2,500,000. Each Unit consists of one Common Share and one half of one Common Share purchase warrant ("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. The Company 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 finder's fee to arm's length parties equal to 7% of the value of Securities placed by such parties and were issued 665,689 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, 4,479,584 common share purchase warrants were issued in relation to this transaction.

On May 11, 2010, the Corporation issued 8,333,334 units ("Units") at price of \$0.18 per Unit and 17,500,000 common shares ("Common Shares") of the Corporation on a flow-through basis (the "Flow-Through Shares") at a price of \$0.20 per Flow-Through Share for aggregate gross proceeds of \$5 million. Each Unit consists of one Common Share and one half of one Common Share purchase warrant ("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. The Company 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 7% of gross proceeds, and was reimbursed for expenses. The Agent was also issued 2,066,666 non-transferrable Common Share purchase warrants, each warrant entitling the Agent to purchase one Common Share at a price of \$0.20 during the 12 month period subsequent to the offering. In total, 6,233,334 common share purchase warrants were issued in relation to this transaction.

Anglo Canadian Oil Corp.
Notes to the Financial Statements
September 30, 2010

On December 14, 2009, the Company completed a private placement of 43,500,000 common shares at \$0.075 per share. Net proceeds of the issuance were \$3,175,933, comprised of gross proceeds of \$3,262,500, less legal costs and filing fees of \$43,285 and finder's fees of \$43,282 paid to an arm's length party which assisted in placing a portion of the shares. Proceeds of \$2,459,250, relating to the issuance of 32,790,000 common shares, were received in 2010.

On November 23, 2009, the Company completed a private placement of 10,000,000 common shares at \$0.075 per share, for net proceeds of \$750,000, to a company controlled by a Director.

On July 29, 2009, the Company completed a private placement of 516,666 flow through shares at \$0.12 per share. Net proceeds of the issuance were \$61,040, comprised of gross proceeds of \$62,000, less a finder's fee of \$960 paid to an arm's length party which assisted in placing a portion of the shares. The finder also received non-transferable warrants to acquire 8,000 common shares at a price of \$0.12 per share for a period of 12 months. The Company will be required to incur \$62,000 of qualifying expenditures prior to December 31, 2010, with respect to the flow through shares issued.

On May 21, 2009, 1,000,000 flow through common shares were issued at \$0.12 per share on a private placement basis, of which 500,000 were issued to a Director of the Company. Net proceeds of the issuance were \$118,673, comprised of gross proceeds of \$120,000 less expenses of \$1,327. The Company will be required to incur \$120,000 of qualifying expenditures prior to December 31, 2010, with respect to the flow through common shares issued.

On February 5, 2009, 359,000 common shares units were issued at \$0.10 per unit, comprised of one common share and one half common share purchase warrant, of which 334,000 units were issued to Directors of the Company. Net proceeds of the issuance were \$34,900, comprised of gross proceeds of \$35,900 less expenses of \$1,000. Additionally, 240,000 flow through common share units were issued, at \$0.125 per unit, comprised of one flow through share and one half common share purchase warrant, of which 200,000 units were issued to Directors of the Company and a spouse of a Director. Net proceeds of the issuance were \$29,000, comprised of gross proceeds of \$30,000 less expenses of \$1,000. Each full common share purchase warrant is exercisable to acquire one common share at \$0.17 per share until February 5, 2010. Management and Directors subscribed for \$50,900 of the units. The Company will be required to incur \$30,000 of qualifying expenditures prior to December 31, 2010, with respect to the flow through common shares issued.

All shares issued to related parties were recorded at the exchange amount agreed to by the parties on normal commercial terms.

Anglo Canadian Oil Corp.
Notes to the Financial Statements
September 30, 2010

(c) Warrants

The Company has the following common share purchase warrants outstanding:

	Nine months ended September 30, 2010		Year ended December 31, 2009	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding, beginning of period	307,500	\$0.17	-	\$ -
Granted	10,712,918	0.24	307,500	0.17
Exercised	(1,041,337)	(0.20)		
Expired	(299,500)	(0.17)		
Outstanding, end of period	9,679,581	\$0.24	307,500	\$0.17

As part of the May 17, 2010 private placement, the Company issued 3,813,895 common share purchase warrants. Each warrant is exercisable to acquire one common share at \$0.25 per share until May 10, 2011. The warrants were valued at \$0.206 each, or \$785,662 using the Black Scholes model, assuming an expected life of 365 days, 188% volatility, a risk-free interest rate of 1.8%, and a dividend yield rate of 0%.

In connection with the May 17, 2010 private placement, the Company issued 665,689 common share purchase warrants as a finder's fee. Each warrant is exercisable to acquire one common share at \$0.25 per share until May 10, 2011. The warrants were valued at \$0.217 each, or \$144,455 using the Black Scholes model, assuming an expected life of 365 days, 188% volatility, a risk-free rate of 1.8% and a dividend yield rate of 0%. This transaction was recorded as share issue costs, and this is a non-cash transaction.

As part of the May 11, 2010 private placement, the Company issued 4,166,667 common share purchase warrants. Each warrant is exercisable to acquire one common share at \$0.25 per share until May 16, 2011. The warrants were valued at \$0.241 each, or \$1,004,167 using the Black Scholes model, assuming an expected life of 365 days, 188% volatility, a risk-free interest rate of 1.8%, and a dividend yield rate of 0%.

In connection with the May 11, 2010 private placement, the Company issued 2,066,667 common share purchase warrants as a finder's fee. Each warrant is exercisable to acquire one common share at \$0.20 per share until May 16, 2011. The warrants were valued at \$0.252 each, or \$520,800 using the Black Scholes model, assuming an expected life of 365 days, 188% volatility, a risk-free rate of 1.8% and a dividend yield rate of 0%. This transaction was recorded as share issue costs, and this is a non-cash transaction.

In connection with the July 29, 2009, flow through common share private placement, the Company issued 8,000 common share purchase warrants as a finder's fee. Each warrant is exercisable to acquire one common share at \$0.12 per share until July 29, 2010. The warrants were valued at \$0.033 each or \$264 using the Black-Scholes model, assuming an expected life of 365 days, 234% volatility, a risk-free interest rate of 0.5% and a dividend yield rate of 0%.

As part of the February 5, 2009, private placement, the Company issued 299,500 common share purchase warrants. Each warrant is exercisable to acquire one common share at \$0.17 per share until February 5, 2010. The warrants were valued at \$0.048 each or \$14,376 using the Black-Scholes

Anglo Canadian Oil Corp.
Notes to the Financial Statements
September 30, 2010

model, assuming an expected life of 357 days, 218% volatility, a risk-free interest rate of 0.8% and a dividend yield rate of 0%. The warrants expired unexercised.

(d) Stock options

The Company has the following stock options outstanding:

As at	Nine months ended September 30, 2010		Year ended December 31, 2009	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning of period	800,000	\$0.20	975,000	\$0.20
Granted to officers and directors	10,600,000	0.17	-	-
Exercised	(174,667)	0.16		
Expired	(83,333)	0.10	(175,000)	0.20
Outstanding, end of period	11,142,000	\$0.18	800,000	\$0.20

In June 2010, 3,875,000 stock options, with an exercise price of \$0.30 per share, were issued to Directors, Officers, employees and consultants of the Company. All 3,875,000 of the options granted vest immediately, and expire on May 31, 2020.

In January 2010, 6,725,000 stock options, with an exercise price of \$0.10 per share, were issued to Directors, Officers, employees and consultants of the Company. Of the options granted, 6,000,000 options vest immediately and expire on December 31, 2015. The remaining options vest as to 1/3 immediately and 1/3 on each of the first and second anniversary dates from the date of grant and expire on December 31, 2015.

A summary of the Company's outstanding and exercisable stock options as at September 30, 2010, is as follows:

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	6,241,667	\$0.10
\$0.20	700,000	0.20	2.27	466,662	0.20
\$0.30	3,875,000	0.30	9.67	3,875,000	0.30
	11,142,000	\$0.11	6.01	10,649,995	\$0.11

Anglo Canadian Oil Corp.
Notes to the Financial Statements
September 30, 2010

(e) Stock-based compensation

The fair value of stock options granted is estimated using the Black-Scholes option pricing model. No options were granted in the prior period. The fair value of options granted during the current period was estimated using the Black-Scholes option pricing model based on the following weighted average assumptions:

Nine months ended September 30,	2010
Risk free interest rate	2.99%
Expected option life (years)	6.85
Expected volatility	180%
Weighted average fair value of options	\$0.174

(f) Contributed surplus

The following table presents the reconciliation of contributed surplus:

	Nine months ended September 30, 2010	Year ended December 31, 2009
Contributed surplus, beginning of period	\$ 127,291	\$ 102,980
Stock-based compensation expense	1,802,558	24,311
Options exercised	(15,982)	
Expired warrants	14,376	-
Contributed surplus, end of period	\$ 1,928,243	\$ 127,291

8. Capital Disclosures

The Company's goal is to maintain a strong capital base to maximize financial flexibility while optimizing the cost of capital, ensure the Company's ability to fulfill its financial obligations and sustain future development of the business. The Company's capital management objectives have remained unchanged over the periods presented.

The Company prepares a budget to assist in the management of its capital structure. The budget is updated to reflect results of operations and capital expenditures, changes to forecasted prices and costs, general industry conditions and other factors. The Company manages its capital structure and makes adjustments to it in response to changes in general industry conditions and its petroleum and natural gas assets. The Company may choose to issue equity or debt, revise its capital expenditure program and sell assets.

At September 30, 2010, 5,048,145 of the Company's issued and outstanding common shares were subject to escrow requirements, releasable as to 1,149,303 shares in 2010 and 1,299,614 shares in each of 2011, 2012, and 2013. The Company also had \$83,981 on deposit to meet future asset retirement obligations (note 6). There were no other restrictions on the Company's capital.

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The Company's capital structure is:

As at	September 30, 2010	December 31, 2009
Current assets	\$ 5,114,790	\$ 4,267,914
Current liabilities	2,734,211	(783,173)
Working capital	2,380,579	3,484,741
Share capital and warrants	16,513,235	7,020,769
Total capital	\$ 18,893,814	\$ 10,505,510

Working capital at September 30, 2010, decreased from December 31, 2009. Significant transactions included capital spending of \$3.9 million, raising net proceeds of \$6.9 million through issuing shares in the second quarter of 2010, and investing in \$3.1 million in undeveloped land in the first quarter of 2010. Share capital decreased with the renunciation of the tax benefits flow through shares issued in 2009, and increased with the issue of shares in Q2 2010.

9. Related Party Transactions

Management services provided to the Company by consulting and legal firms controlled by Directors and Officers of the Company totaled \$240,154 in the nine months ended September 30, 2010 (nine months ended September 30, 2009 – \$120,160). 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, 2010, includes \$24,782 (December 31, 2009 – \$30,250) due to Directors and Officers of the Company related to amounts owing for consulting and legal services.

Accounts receivable also includes \$nil (December 31, 2009 – \$208,120) and accounts payable and accrued liabilities includes \$nil (December 31, 2009 – \$175,446) due from/to a company with a common Director and Officer as a joint venture participant, which are due under normal credit terms.

On July 15, 2010 the Company acquired all of the issued and outstanding common shares of ORC, a company related by virtue of common Directors. See note 4 for further discussion.

10. Per Share Amounts

The weighted average number of common shares outstanding used to calculate basic and diluted per share for the three and nine months ended September 30, 2010, was 124,860,101 and 104,829,441 (three and nine months ended September 30, 2009 – 22,450,948 and 21,595,427 respectively).

All of the Company'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.

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11. Statements of Cash Flows

Changes in non-cash working capital items are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2010	2009	2010	2009
Accounts receivable	(172,168)	(110,492)	2,474,189	(53,991)
Prepaid expenses and deposits	(263,791)	(1,325)	(26,378)	(13,587)
Accounts payable and accrued liabilities	2,484,900	(282,235)	(1,951,038)	25,711
	\$ 2,576,522	\$ (394,052)	\$ 4,398,849	\$ (41,867)
Net change in non-cash working capital				
Relating to:				
Operating activities	\$ 2,029,954	\$ (94,450)	\$ 1,820,433	\$ (82,941)
Financing activities	552,753	(700,190)	301,536	14,817
Investing activities	(6,185)	400,588	2,276,890	26,257
	\$ 2,576,522	\$ (394,052)	\$ 4,398,849	\$ (41,867)

Amounts actually paid during the nine months ended September 30, 2010, relating to interest were \$nil (nine months ended September 30, 2009 - \$17,975).

12. Financial Instruments

(a) Fair value of financial instruments

The Company's financial instruments are comprised of cash, accounts receivable, subscriptions receivable, abandonment deposit and accounts payable and accrued liabilities. As they are short term in nature or bear interest at floating market rates, the carrying value of the Company's financial instruments are a reasonable approximation of their fair value.

The Company's cash and abandonment deposits are transacted in active markets and have been classified using Level 1 inputs.

(b) Risk management

The Company is exposed to financial risks arising from its financial assets and liabilities. The financial risks include market risk, credit risk and liquidity risk.

(i) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. In the normal course of operations, the

Company is exposed to market risks resulting from fluctuations in commodity prices, foreign currency exchange rates and interest rates.

Commodity price risk

Commodity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in commodity prices. Commodity prices realized by the Company are impacted by several interdependent factors including global commodity reference prices denominated in US dollars, the exchange rate between the Canadian and US dollar and heavy/light oil differentials. Due to the interrelationship

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between these forces, the Company monitors only its final realized commodity prices and does not analyze the impact that any one of the aforementioned factors may have on its results. The Company did not have any financial instruments in place to manage commodity price fluctuations during the three months ended September 30, 2010

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 Company is exposed to interest rate cash flow risk to the extent of interest rate fluctuations on its abandonment deposit, which currently earns 0.40 – 0.61% interest annually. The Company did not have any interest rate swaps or hedges in place during the three and six months ended September 30, 2010, to reduce its risk from interest rate fluctuations.

If the rate of interest earned on the Company's abandonment deposit in 2010 had decreased by 1%, with all other variables held constant, the net loss for the period would have been \$150 (2009 – \$92) higher based on balances outstanding at quarter end. An equal and opposite impact would have occurred to the Company's net loss if the prime rate had been 1% higher.

(ii) Credit risk

Credit risk is the risk that the counterparty to a financial asset will default, resulting in a financial loss to the Company. The Company is subject to credit risk on its cash and cash equivalents, accounts receivable and the abandonment deposit. The Company mitigates its exposure to credit risk on cash and cash equivalents and the abandonment deposit by holding its cash and abandonment deposit in a major Canadian financial institution.

A significant portion of the Company's accounts receivable are with entities in the petroleum and natural gas sector and are subject to normal industry credit risk. The primary source of credit risk for the Company arises from its accounts receivable from joint venture partners and petroleum and natural gas marketers. The Company generally grants unsecured credit, but routinely assesses the financial strength of its customers. As at September 30, 2010, the Company had \$444 in accounts receivable that were greater than 90 days old and considered past due but not considered impaired.

Joint venture 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 Company attempts to mitigate this risk by obtaining partner approval of significant capital expenditures prior to performance of the project. The Company typically does not obtain collateral from joint venture partners; however, a cash call may be requested in advance of the start of a project. In some cases, the Company does have the ability to withhold production from joint venture partners in the event of non-payment.

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 Company sells the majority of its production to one petroleum and natural gas marketer and is therefore subject to concentration risk. As at September 30, 2010, \$14,494 (September 30, 2009 – \$81,790) was due from this marketer. The Company attempts to mitigate credit risk associated with these balances by establishing marketing relationships with large purchasers. No collection issues have been incurred to date with the

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Company's petroleum and natural gas marketer.

(iii) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they are due. The Company manages its liquidity risk through cash and debt management and monitors the financial obligations created by its operating activities and capital expenditures. The Company's objective in managing liquidity risk is to ensure that it has sufficient resources available to meet its liabilities when due. The Company's ongoing liquidity is impacted by various external events and conditions, including commodity price fluctuations and the global economic downturn. See also note 9.

13. Commitments

As at September 30, 2010, 100% of the required expenditures with respect to the flow through common shares issued in 2009 had been incurred.

Anglo is required to incur \$4,627,000 of qualifying expenditures prior to December 31, 2011, with respect to the flow through common shares issued in 2010. See note 8 (b). As at September 30, 2010, \$3,732,140 of the required expenditures had been incurred.

In August 2010, the Company committed to a 2 year lease for office premises at \$2,843.75 per month

14. Subsequent Events

On November 17, 2010, the Company closed a brokered private placement, issuing 19,047,696 units at a price of \$0.21 per unit and 19,459,000 common shares of the corporation issued on a flow-through basis at a price of \$0.25 per flow-through share for total gross proceeds of approximately \$8.9 million. 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 \$0.28 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 the 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 20 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 new release, failing which the warrants will automatically expire. There is a four-month hold period on the common shares, flow-through shares and warrants issued pursuant to the offering which will expire on March 18, 2011. The agents were paid a cash commission of 7% of the gross proceeds under the offering and were reimbursed for their expenses. The agents were also issued 3,182,974 non-transferable common share purchase warrants, each whole agent's warrant entitling 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.

On November 25, 2010, the Company closed a non-brokered private placement, issuing 7,698,927 Units at a 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 \$2,250,000. 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 \$0.28 per Common Share at any time during the period of 18 months from the closing date. There is a four month hold period on the Common Shares, Flow-Through Shares and Warrants issued pursuant to the Offering, which expires on March 25, 2011. The Company paid a cash finder's fee to certain arm's length parties who assisted with the placement of the Units and Flow-Through Shares equal to 7% of the value of Securities placed by such parties and issued non-transferable Warrants to such parties entitling the holders to acquire up to 8% of that number of Securities sold by such parties.