



CORPORATE UPDATE

January 27, 2011

ANGLO CANADIAN OIL CORP. (V-ACG) \$0.250

RATING: BUY
(unchanged)

TARGET: N/A
(unchanged)

Slow and Steady is the Prudent Approach to the Nordegg

► **EVENT: Nordegg production is now underway on the Sturgeon Lake S. 5-10 well -- production results expected within three weeks.** Additionally, analysis and interpretation of 146 km of recently shot 2D seismic is expected to result in the selection of the next round of Nordegg tests. That said, given permitting requirements it now appears unlikely Anglo will be in a position to drill any of its Nordegg locations prior to spring break-up. In response to this the company has accelerated evaluation of its 26 sections of land in the Kindersley/Dodsland area of southwest Saskatchewan. To be clear, Anglo's Bakken land offers exposure to cold production heavy oil – generally 16-17° API. The company is contemplating two vertical and one horizontal Bakken wells. Drilled and equipped wells on this play are estimated to cost \$500k for a vertical and \$800K for the horizontal. IP's on successful heavy oil Bakken wells are generally 30-70 b/d on the verticals and 70-110 b/d with horizontal.

► **IMPACT: Although management is acutely aware that the recent slide in Anglo's share price is attributable to a lack of recent Nordegg drilling activity/catalysts, they remain pragmatic in their approach to unlocking this play.** Specifically they are undertaking comprehensive evaluation work to lower the risk of future locations in a cost effective manner. With the cost of horizontal wells running \$2-3MM apiece we consider this a very prudent approach. The company has more than four years left on its land and owing to the manner in which they were leased they could hold up to 32 sections with a single commercial well. Drilling the Bakken may not directly address investors thirst for activity on the Nordegg but could prove to be a very cost effective way of backstopping the current share price. The company already has close to \$20MM of P+P reserves assigned to the heavy oil Bakken properties and with success on this program the company could be well on its way to doubling this.

► **VALUATION/RECOMMENDATION: We continue to view Anglo as offering investors the potential for a 10x return if the Nordegg can be commercialized.** In fact, given the extent of land held this could come with demonstration of a commercial horizontal well. Even with the Bakken drilling, the company has the financial means to undertake two to three Nordegg horizontal wells. While recommended only to investors with a high risk tolerance, we are encouraged by this pragmatic approach and we reiterate our **BUY** rating (**SPECULATIVE** risk rating). We do not have a price target at this time.

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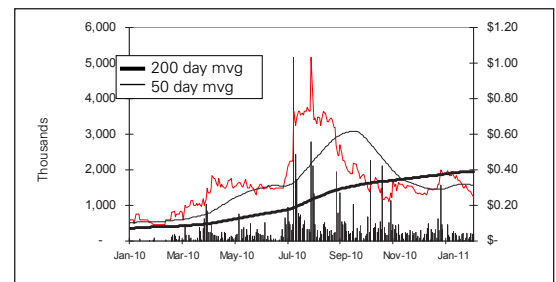
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Company Statistics

Risk	SPECULATIVE
Basic Shares O/S	175.8 mm
FD Shares O/S	220.0 mm
Warrants O/S	28 mm
Stock Options O/S	16 mm
Market Capitalization	\$44 MM
52-week Range	\$1.07 / \$0.09
30 Day Ave Trading Volume	262,000
Enterprise Value	\$31 MM

Nordegg Opportunity and Key Facts

Anglo Canadian Land (Sections)	269 (100% WI)
Third Party (AJM) PIIP (Billion bbls)	6.5
Area	Grand Prairie, AB
Depth (meters)	1,160 - 2,400
Net Pay (meters)	21 - 27
Reservoir Porosity (%)	5 - 18
Water Saturation (Fraction)	0.15 - 0.30
Permeability (mD)	0.1 - 10
API (Oil)	17 ->27
Lithology	vf sandstone/ siltstone, shale, carbonate, coquina



PI Financial Corp. has received compensation for acting as a fiscal agent for ACG in the previous 12 months. See the disclosure section for additional details.

Corporate Information

Anglo Canadian Corp. (V-ACG) is a Canadian oil company pursuing the the "Nordegg Member" source rock in Alberta and Bakken heavy oil in southwest Saskatchewan

A Disclosure fact sheet is available on Pages 2-3 of this report.

Disclosure Fact Sheet

Ratings

BUY : recommendation: stock is expected to appreciate from its current price level at least 10-20% in the next 12 months.

NEUTRAL : recommendation: stock is expected to trade in a narrow range from its current price level in the next 12 months.

SELL : recommendation: stock is expected to decline from its current price level at least 10-20% in the next 12 months.

U/R : Under Review

N/R : No Rating

Analyst recommendations and targets are based on the stock's expected return over a 12-month period or may be based on the company achieving specific fundamental results. Under certain circumstances, and at the discretion of the analyst, a recommendation may be applied for a shorter time period. The basis for the variability in the expected percentage change for a recommendation, relates to the differences in the risk ratings applied to individual stocks. For instance stocks that are rated Speculative must be expected to appreciate at the high end of the range of 10-20% over a 12-month period.

Price Volatility / Risk

SPECULATIVE : The Company has no established operating revenue, and/or balance sheet or cash flow concerns exist. Typically low public float or lack of liquidity exists. Rated for risk tolerant investors only.

ABOVE AVERAGE : Revenue and earnings predictability may not be established. Balance sheet or cash flow concerns may exist. Stock may exhibit low liquidity.

AVERAGE : Average revenue and earnings predictability has been established; no significant cash flow/balance sheet concerns are foreseeable over the next 12 months. Reasonable liquidity exists. Price Volatility/Risk analysis while broad based includes the risks associated with a company's balance sheet, variability of revenue or earnings, industry or sector risks, and liquidity risk.

Analyst Certification

I, Alistair Toward, hereby certify that all of the views expressed in this report accurately reflect my personal views about the subject securities or issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly related to the specific recommendations or views expressed in this report. I am the research analyst primarily responsible for preparing this report.

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4) PI Financial Corp. and/or its affiliates expect to receive or intend to seek compensation for investment banking services from all companies under research coverage within the next 3 months.	4) No
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6) The following director(s), officer(s) or employee(s) of PI Financial Corp. is a director of the subject company in which PI provides research coverage.	6) No
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9) Company has partially funded previous analyst visits to its projects.	9) No
10) Additional disclosure:	10) No

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The attached summarizes PI's analysts review of the material operations of the attached company(s).

Analyst	Company	Type of Review	Operations / Project	Date
Alistair Toward	Anglo Canadian Oil Corp.	Management Meetings	Calgary AB	09/10

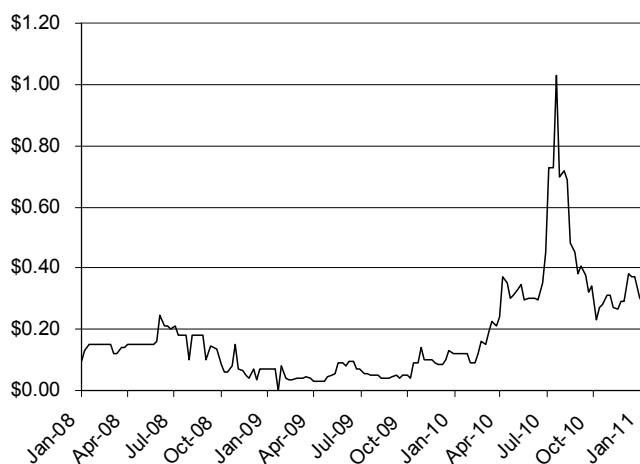
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Recommendations	Number of Recommendations	Percentage
BUY	37	92.50%
NEUTRAL	2	5.00%
SELL	1	2.50%
U/R	0	0.00%
N/R	0	0.00%
TOTAL	40	

Stock Rating and Target Changes

For reports that cover more than six subject companies, the reader is referred to our corporate web site for information regarding stock ratings and target changes. www.pifinancialcorp.com (Research: Research and Conflict Disclosure)



Anglo Canadian Oil Corp. (Initiated Coverage: Oct 8/10)

Date	Rating Change	Target Change	Share Price
Oct 8/10	Buy	N/A	\$0.275

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