MANAGEMENT'S DISCUSSION AND ANALYSIS
SIX MONTH PERIOD ENDED
MAY 31, 2007

FORM 51-102F1 JULY 27, 2007

Torque is a Canadian energy company engaged in the business of exploration, development and production of crude oil and natural gas in southwestern Ontario and Alberta. Its common shares are traded on the TSX Venture Exchange (TSX-V) under the symbol "TQE".

This Management Discussion and Analysis ("MD&A") of financial conditions and operating results should be read in conjunction with Torque's unaudited interim financial statements for the six months ended May 31, 2007 together with the notes thereto and the audited financial statements and MD&A for the year ended November 30, 2006. This MD&A has not been reviewed by Torque's external auditors.

All data is presented in Canadian dollars. Barrels of oil equivalent ("BOE") have been calculated using an industry accepted conversion rate of six thousand cubic feet of natural gas to one barrel of oil. Analysis includes events that have occurred up to the date of this MD&A, July 27, 2007. Financial data has been prepared in accordance with Canadian generally accepted accounting principles (GAAP).

Non-GAAP Measures

Included in the MD&A are references to the term "field level cash flow". This term is not defined by Generally Accepted Accounting Principles ("GAAP") in Canada and consequently is referred to as a non-GAAP measure.

Field level cash flow refers to oil and gas sales revenue less royalties, and less operating expenses. It does not include other income or any of the other company expenses that are used to calculate net income. Reported amounts may not be comparable to similarly titled measures reported by other companies.

This MD&A may contain forward-looking statements including expectations of future capital programs and commodity prices. These statements are based on current expectations that involve a number of risks and uncertainties, which could cause actual results to differ from those anticipated. These risks include, but are not limited to, operational risk in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; and commodity price and exchange rate fluctuation and uncertainties.

Corporate Performance

Torque realized a profit of $117,220 ($0.01 per share) for the three months ended May 31, 2007 compared to a profit of $37,232 ($0.00 per share) for the same period in 2006 and a profit of $66,633 ($0.00 per share) for the six month year-to-date period ended May 31, 2007 compared to a profit of $28,625 ($0.00 per share) for the same period in 2006. The increase in profit for the current quarter and year-to-date compared to the profit and period in the same quarter in 2006 is primarily due to higher production sales.

Oil and gas revenues less royalties, increased to $834,378 for the three months ended May 31, 2007 versus $737,109 in 2006. For the year-to-date, the revenues less royalties decreased to $1,468,941 compared to $1,480,500 in 2006, mainly due to the high gas prices in the first quarter of 2006.

General and administrative costs increased to $198,777 for the three months ended May 31, 2007 from $193,121 over the same period in 2006. For the year-to-date, these costs increased from $320,012 in 2006 to $358,012 in 2007. The increase in these costs is a result of increased audit fees.

Operating costs including transportation, for the three months ended May 31, 2007 increased to $195,154 compared to $161,111 for the same period in 2006. For the year-to-date, these costs increased to $430,056 in 2007 compared to $331,450 in 2006 due to additional work at the non-operated Dover Pool. Torque produced an average of 165 BOE per day for the three months ended May 31, 2007 compared to 151 BOE per day for the same period in 2006 and 154 BOE per day for the six month year-to-date period ended May 31, 2007 compared to 150 BOE per day for the same period in 2006.

Torque's property, plant and equipment decreased to $10,652,680 at May 31, 2007 from $10,877,515 at November 30, 2006 while its shareholders' equity increased to $5,688,109 at May 31, 2007 from $5,621,476 at November 30, 2006.

These variations are not unexpected and reflect the variations normally encountered in the production and sale of oil and natural gas by companies of the size of Torque.

There are no known trends, demands, commitments, events or uncertainties that are reasonably likely to have an effect on Torque's business as otherwise disclosed.

Results of Operations

Summary of Results for Quarter and Year-to-date

	Three months ended May 31		Six months ended May 31	
	2007	2006	2007	2006
Revenues (net)	$849,688	$751,659	$1,498,935	$1,511,713
Net income	$117,220	$37,232	$66,633	$28,625
Per share basis	$0.01	$0.00	$0.00	$0.00
Diluted per share basis	$0.01	$0.00	$0.00	$0.00

In the two first quarters shown above, there were no discontinued operations or extraordinary items.

Net revenues increased in the second quarter as gas prices increased; and production volumes were up on a daily basis due to the positive results of repairs and maintenance at various locations during the period. There were no extraordinary items or unusual adjustments during the period nor are there any commitments, events, risks or uncertainties that the Company reasonably believes will materially affect its future performance as otherwise disclosed.

Oil and Natural Gas Sales

	Three months ended May 31		Q2 2006-2007	Six months ended May 31		YTD Q2 2006-2007
	2007 M$	2006 M$	% Change	2007 M$	2006 M$	% Change
Gross oil and natural gas liquid sales	754.7	670.1	13%	1,288.2	1,267.6	2%
Gross natural gas sales	202.4	177.1	14%	396.8	432.9	(8)%
Royalties	122.8	110.1	12%	216.1	220.0	(2)%
Oil & Gas Sales, Net of Royalties	834.4	737.1	13%	1,468.9	1,480.5	(1)%

"M$" means thousands of dollars

Oil and gas sales, net of royalties, increased 13% in Q2 2007 to $834,378. Production volumes on a BOE basis increased from 151 BOE per day (BOE/d) in Q2 2006 to 165 BOE/d in Q2 2007. The production increases experienced by Torque were due to positive results from repairs and maintenance during the first two quarters. Higher gas prices in Q2 2007 also contributed to the increased revenues.

	Three months ended May 31		Q2 2006-2007	Six months ended May 31		YTD Q2 2006-2007
	2007	2006	% Change	2007	2006	% Change
Oil and natural gas liquids volumes – Mbbl	11.8	10.4	13%	20.7	20.6	0%
Oil and natural gas liquids price - $/bbl	63.85	64.14	0%	62.12	61.43	1%
Gross oil and natural gas liquids sales – M$	754.7	670.1	13%	1,288.2	1,267.6	2%
Natural gas volumes – MMcf	21.5	20.6	4%	43.4	40.6	7%
Natural gas price - $/Mcf	9.43	8.58	10%	9.14	10.66	(14)%
Gross natural gas sales – M$	202.4	177.1	14%	396.8	432.9	(8)%

bbl = one barrel (of oil)   cf = cubic feet (of natural gas)
M = one thousand   MM = one million

Oil and natural gas volumes on a BOE/d basis increased 11% in Q2 2007 from Q2 2006. Gross oil and natural gas sales revenues increased 13% in Q2 2007 from Q2006. These higher revenues were enhanced by a 10% increase in gas price together with the increase in production volumes.

Production History Summary

	Three months ended May 31				Six months ended May 31			
	2007		2006		2007		2006	
	Q2	$/UNIT	Q2	$/UNIT	YTD Q2	$/UNIT	YTD Q2	$/UNIT
VOLUME								
Oil Production - Mbbl	11.8		10.4		20.7		20.6	
Gas Production - MMcf	21.5		20.6		43.4		40.6	
MBOE	15.4		13.9		28.0		27.4	
REVENUES	M$	$	M$	$	M$	$	M$	$
Oil Production	754.7	63.85	670.1	64.14	1,288.2	62.12	1,267.6	61.43
Oil Royalties	(98.3)	(8.32)	(88.7)	(8.49)	(168.2)	(8.11)	(167.5)	(8.12)
Net Oil Revenue	656.4	55.53	581.4	55.65	1,120.0	54.01	1,100.1	53.31
Gas Production	202.4	9.43	177.1	8.58	396.8	9.14	432.9	10.66
Gas Royalties	(24.5)	(1.14)	(21.4)	(1.04)	(47.9)	(1.10)	(52.5)	(1.29)
Net Gas Revenue	177.9	8.29	155.7	7.54	348.9	8.04	380.4	9.37
Gross Oil & Gas Revenue	**957.1**	**62.16**	**847.2**	**61.00**	**1,685.0**	**60.24**	**1,700.5**	**62.05**
Net Revenue after Royalties	**834.3**	**54.19**	**737.1**	**53.08**	**1,468.9**	**52.51**	**1,480.5**	**54.02**
EXPENSES								
Operating	168.5	10.94	137.4	9.89	382.3	13.66	284.1	10.37
Transportation	26.7	1.73	23.7	1.71	47.8	1.71	47.3	1.73
Total Operating Expense	195.2	12.67	161.1	11.60	430.1	15.37	331.4	12.09
NET FIELD LEVEL INCOME	**639.1**	**41.52**	**576.0**	**41.48**	**1,038.8**	**37.14**	**1,149.1**	**41.93**

Royalties

	Three months ended May 31						Six months ended May 31					
	2007		2006		Q2 2006 - 2007 % Change		2007		2006		Q2 2006 - 2007 % Change	
	M$	$/BOE	M$	$/BOE	Costs	$/BOE	M$	$/BOE	M$	$/BOE	Costs	$/BOE
Oil	98.3	8.32	88.7	8.49	11%	(2)%	168.2	8.11	167.5	8.12	0%	0%
Gas	24.5	1.14	21.4	1.04	14%	10%	47.9	1.10	52.5	1.29	(9)%	(15)%
Total	122.8	9.46	110.1	9.53	12%	(1)%	216.1	9.21	220.0	9.41	(2)%	(2)%

Production Expenses

EXPENSES	Three months ended May 31						Six months ended May 31					
	2007		2006		Q2 2006 - 2007 % Change		2007		2006		Q2 2006 - 2007 % Change	
	M$	$/BOE	M$	$/BOE	Costs	$/BOE	M$	$/BOE	M$	$/BOE	Costs	$/BOE
Operating	168.5	10.9	137.4	9.9	23%	11%	382.3	13.7	284.1	10.4	35%	31%
Transportation	26.7	1.7	23.7	1.7	13%	2%	47.8	1.7	47.3	1.7	1%	1%
Total	195.2	12.7	161.1	11.6	21%	9%	430.1	15.4	331.4	12.1	30%	27%

Operating expenses increased by 21% during the second quarter of 2007 to $195,154 compared to $161,111 in 2006. This increase was a result of site maintenance and upgrades on well and facility locations.

General and Administrative (G&A) Expenses

Net general and administrative expenses increased 3% to $198,777 compared to $193,121 in the second quarter of 2006. The majority of the increase in G & A costs is due to an increase in audit fees. The Company has capitalized a total of $43,860 of general and administrative expenses related to geology and the development of oil and gas properties in the first six months of 2007 versus $0.00 in the first six months of 2006.

	Three months ended May 31		Six months ended May 31		Q2 2006-2007
	2007	2006	2007	2006	% Change
Gross General & Administrative Expenses	$220,707	$193,121	$401,872	$320,012	14%
Recoveries	0	0	0	0	0%
Capitalized Amounts	21,930	0	43,860	0	100%
Net General & Administrative Expenses	$198,777	$193,121	$358,012	$320,012	3%

(/BOE)	Three months ended May 31		Six months ended May 31		Q2 2006-2007
	2007	2006	2007	2006	% Change
Gross General & Administrative Expenses	$14.33	$13.91	$14,37	$11.68	3%
Recoveries	0	0	0	0	0
Capitalized Amounts	1.42	0	1.57	0	100%
Net General & Administrative Expenses	$12.91	$13.91	$12.80	$11.68	(7)%

Depletion, Amortization and Accretion Expenses

	Three months ended May 31				Six months ended May 31				Q2 2006-2007	
	2007		2006		2007		2006		% Change	
	$000's	$/BOE	$000's	$/BOE	$000's	$/BOE	$000's	$/BOE	$000's	$/BOE
Depletion and amortization	241	15.68	225	16.23	448	16.00	447	16.32	7%	(3)%
Accretion – ARO	15	0.97	16	1.17	30	1.07	33	1.19	(6)%	(17)%
Total	256	16.65	241	17.40	478	17.07	480	17.51	6%	(4)%

Depletion, amortization and accretion increased to $256,349 in the second quarter of 2007. On a BOE basis, depletion, depreciation and accretion decreased 4.0% from $17.40 in Q2 2006 to $16.65 in Q2 2007.

Asset retirement obligation (ARO)

The fair values of asset retirement obligations are recorded as liabilities on a discounted basis when they are incurred, which is typically when the related assets are acquired or installed. Amounts recorded for the related assets are increased by the amount of these obligations. Over time the liabilities will be accreted for the change in their present value and the initial capitalized costs will be depleted and amortized over the useful lives of the related assets.

The undiscounted amount of expected cash flows required to settle the asset retirement obligation is estimated at $1,671,268 (2006 - $1,675,190). The liability for the expected cash flows, as reflected in the consolidated financial statements, has been discounted at 9% and includes a 2.0% inflation factor.

The schedule below is a reconciliation of Torque's liability for the period ended May 31, 2007:

Asset retirement obligation, beginning of period	$665,852
Asset retirement cost incurred	(3,922)
Accretion expense	29,964
Asset retirement obligation, end of period	$691,894

Costs attributable to these commitments and contingencies are expected to be incurred over an extended period of time and are to be funded mainly from the Company's cash provided by operating activities. Over the next 5 years, approximately 40% of the costs will be incurred and the remainder from 2013 to 2055. Although the ultimate impact of these matters on operations cannot be determined at this time, it could be material for any one quarter or year.

Income Taxes

The Company has not recognized tax expense for the period due to the expected benefit related to claiming certain oil and natural gas tax pools.

Capital Expenditures

Net capital expenditures totalled $131,769 in Q2 2007 compared to $71,333 which was net of $9,000 in disposal proceeds in Q2 2006.

Torque's capital expenditures increased in the second quarter of 2007 as the Company continued an exploration program primarily related to the acquisition of petroleum and natural gas rights, geological and geophysical costs.

Summary of Quarterly Results

	2007		2006	
	Q2	Q1	Q4	Q3
Revenues (net)	$849,688	$649,247	$700,053	$805,837
Net income (loss)	$117,220	($50,587)	($167,469)	$83,516
Per share basis	$0.01	$0.00	($0.01)	$0.01
Diluted per share basis	$0.01	$0.00	$0.00	$0.01
	2006		2005	
	Q2	Q1	Q4	Q3
Revenues (net)	$751,659	$760,054	$901,840	$853,113
Net income (loss) in total	$37,232	$(8,607)	$174,805	$163,406
Per share basis	$0.00	$0.00	$0.02	$0.01
Diluted per share basis	($0.00)	$0.00	$0.00	$0.00

There were no discontinued operations or extraordinary items during the periods shown.

Share Capital

(a) Authorized
Unlimited Common voting shares without par value
100,000,000 Class 'A' preference shares, par value $10
100,000,000 Class 'B' preference shares, par value $50

(b) Issued and outstanding

Common shares	Number of Shares	Amount
Balance, beginning and end of period	13,837,698	$12,143,910
Balance as of the date of this MD&A	13,837,698	$12,143,910

On January 24, 2007 escrowed shares were released and no further shares are subject to the escrow agreement.

Stock Options

The continuity of the Company's common share options is as follows:

	Effective date	Common Shares	Option Price	Weighted Average Exercise Price	Expiry date
Options outstanding beginning of year		271,875	$0.80	$0.80	10-Jan-2007
New stock options granted	27-Jan-06	1,100,000	$0.10	$0.10	26-Jan-2011
Forfeiture of options granted 27-Jan-06	10-Sep-06	(60,000)	$(0.10)	$(0.10)	26-Jan-2011
Forfeiture of options granted 10-Jan-02	10-Sep-06	(6,250)	$(0.80)	$(0.80)	10-Jan-2007
Forfeiture of options granted 10-Jan-02	19-Sep-06	(265,625)	$(0.80)	$(0.80)	10-Jan-2007
New stock options granted	20-Oct-06	140,000	$0.13	$0.13	19-Oct-2011
Options outstanding end of year		1,180,000	$0.10	$0.10	

As at May 31, 2007, all options to purchase 1,180,000 shares have been issued and are fully vested and exercisable at a weighted average price of $0.10 per share. There have been no options granted in the six months ending May 31, 2007.

Liquidity and Capital Resources

In the second quarter of 2007, Torque funded its capital expenditure program from cash flow from operations and existing credit facility. It expects to be able to continue to do so during the short term.

Torque is committed to leased office premises and office equipment with future lease payments, plus common costs, as follows:

Year	Amount
2007	$44,829
2008	44,829
2009	44,829
2010	44,829
2011	12,142

The current loan facility provides Torque with a revolving reducing demand loan bearing interest payable monthly at the bank's prime lending rate plus 1.00%. Presently, the bank's prime lending rate is 6.00%. The loan is collateralized by a General Assignment of Book Debts together with a fixed and floating $20,000,000 debenture over all Torque's assets.

At May 31, 2007, $4,350,000 of funds had been drawn against the credit facility of $6,100,000 and the available credit was $1,750,000.

The bank has not waived its right to demand repayment of the outstanding principal balance and consequently the entire balance has been shown as a current liability.

On April 18, 2007, the Company established a revised credit facility in the amount of $6,100,000 with its bank, to be used for general corporate purposes including capital expenditures.

The revised credit facility provides Torque with a revolving demand loan bearing interest payable monthly at prime plus 1.00% (a reduction of 0.5% from the initial facility). At the date of the approval, the bank's prime rate was 6.0%. The revised loan is secured by a General Assignment of Book Debts together with a fixed and floating $20,000,000 debenture over all Torque's assets.

Related Party Transactions

During the six months ended May 31, 2007, $15,000 (2006 - $15,000) was paid for office facilities and administrative services to a company related by virtue of a common director.

During the six months ended May 31, 2007, $54,600 (2006 - $54,600) was paid to an officer of the Company for management fees. Approximately $43,860 is included in property and equipment expenses. At May 31, 2007, $15,510 was included in accounts receivable and prepaid expenses related to these transactions. The transactions are in the normal course of business and have been recognized at the agreed to exchange amounts.

Outlook

The Company is pursuing a number of exploration and development opportunities in Ontario. Discussions are underway to consider the possibility of future business ventures and acquisitions.

The Company is participating in two project areas within southwestern Ontario. In the Dunwich project area, the Company has completed the shooting of 10.5 kilometres of two-dimensional seismic and this data has been processed and interpreted. An exploratory drilling location has been identified and drilling commenced on July 12, 2007. The well is expected to reach total depth on September 24, 2007.

In the Maidstone area, the Company acquired an 800 acre block of petroleum and natural gas rights and acquired 11 kilometres of trade seismic as it continues to develop this prospect. The Company is currently seeking partners to participate in the drilling of this prospect.

Additionally, new prospect areas within Elgin County, Ontario are currently being developed. The Company has acquired a total of 3,429 acres of petroleum and natural gas rights at 100% working interest over these prospect areas and will continue to develop these projects over the next quarter period.

The Company elected to participate in the completion of an existing well in the Mikwan area of Alberta and the Company is paying 35% of the costs to earn a 25% working interest. The well has been completed for gas production and is waiting on notification from the operator of the well for the timing of equipping and tie-in. The actual volume of daily production has not been determined at this time however the volume will not significantly affect the Company's current daily production volumes.

All activities will be funded with existing cash flow and the Company continues to develop exploratory plays and prospects in Ontario.

Off-Balance Sheet Arrangements

Torque does not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of its operations or financial condition including, without limitation, such considerations as liquidity and capital resources.

Proposed Transactions

There are no asset or business acquisitions or dispositions currently proposed by Torque which will or are expected to have a material effect on its financial condition, results of operations or cash flows.

Controls and Procedures

The President and General Manager (as the Company's *de facto* chief financial officer) evaluated the effectiveness of the Company's disclosure controls and procedures and internal controls over financial reporting as of the period ended May 31, 2007. They concluded that, as at May 31, 2007, weaknesses existed in the design of internal control over financial reporting due to, firstly, the limited number of staff located in London, Ontario and the Chief Executive Officer being located in Vancouver, British Columbia, secondly, the lack of professionally qualified in-house accounting staff and thirdly, the lack of adequate segregation of duties between:

(a) the recording, review and reconciliation of purchases;
(b) the recording of cash receipts and the reconciliation of bank accounts.

The President and General Manager have concluded and the board has agreed that, taking into account the present stage of the Company's development and the best interests of its shareholders, the Company does not have sufficient size and scale to warrant the hiring of additional staff to correct the lack of adequate segregation of duties at this time. To mitigate the weakness associated with lack of professionally qualified in-house accounting staff, the Company has engaged an arms length consultant to assist in the preparation of financial statements.

During the three months ended May 31, 2007, there were no changes to internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

Additional Information

Additional information relating to Torque is on SEDAR at www.sedar.com and www.torqueenergy.com.