



**MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE SIX MONTH
PERIOD ENDED MAY 31, 2008**

Form 51-102F1

July 28, 2008

This Management's Discussion and Analysis ("MD&A") of financial conditions and operating results is prepared as of July 28, 2008 and should be read in conjunction with the unaudited interim financial statements for the six months ended May 31, 2008 together with the notes thereto and the audited financial statements and MD&A for the year ended November 30, 2007.

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 the MD&A, July 28, 2008. Financial data has been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

This Management's Discussion and Analysis 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.

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.

The financial data presented herein has been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The Company has also used certain measures of financial reporting that are commonly used as benchmarks within the oil and natural gas production industry in the Management's Discussion and Analysis. The measures discussed are widely accepted measures of performance and value within the industry, and are used by investors and analysts to compare and evaluate oil and natural gas exploration and producing entities. Most notably, these measures include operating netback and funds flow from operations. Operating netback is a benchmark used in the crude oil and natural gas industry to measure the contribution of oil and natural gas sales subsequent to the deduction of royalties, operating and transportation costs. Funds flow from operations is before changes in non-cash working capital and is used to analyze operations, performance and liquidity. These measures are not defined under GAAP and should not be considered in isolation or as an alternative to conventional GAAP measures. These measures and their underlying calculations are not necessarily comparable to a similarly titled measure of another entity. When these measures are used, they are defined as "non GAAP" and should be given careful consideration by the reader.

Corporate Performance

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".

The Company realized a profit of \$549,103 (\$0.04 per share) for the three months ended May 31, 2008 compared to a profit of \$117,220 (\$0.01 per share) for the same period in 2007 and a profit of \$843,387 (\$0.06 per share) for the six month year-to-date period ended May 31, 2008 compared to a profit of \$66,633 (\$0.00 per share) for the same period in 2007. The increase in profit for the current quarter and year-to-date compared to the profit and period in the same quarter in 2007 is primarily due to higher oil prices.

Oil and gas revenues less royalties, increased to \$1,090,068 for the three months ended May 31, 2008 versus \$834,378 in 2007. For the year-to-date, the revenues less royalties increased to \$1,916,663 compared to \$1,468,941 in 2007, mainly due to the high oil prices in the first two quarters of 2008.

General and administrative costs decreased to \$153,835 for the three months ended May 31, 2008 from \$198,777 over the same period in 2007. For the year-to-date, these costs decreased from \$358,012 in 2007 to \$326,853 in 2008. The decrease in these costs is a result of lower audit fees, and reserve evaluation expense and a bad debt repayment in 2008.

Operating costs including transportation, for the three months ended May 31, 2008 decreased to \$166,019 compared to \$195,154 for the same period in 2007. For the year-to-date, these costs decreased to \$301,147 in 2008 compared to \$430,056 in 2007 due to reduced maintenance work during the period.

Production averaged 146 BOE per day (142 BOE/d sales) for the three months ended May 31, 2008 compared to 165 BOE per day (167 BOE/d sales) for the same period in 2007 and 141 BOE per day (142 BOE/d sales) for the six month year-to-date period ended May 31, 2008 compared to 154 BOE per day (154 BOE/d sales) for the same period in 2007.

Property, plant and equipment decreased to \$10,387,382 at May 31, 2008 from \$10,478,761 at November 30, 2007 while its shareholders' equity increased to \$6,834,605 at May 31, 2008 from \$5,991,218 at November 30, 2007.

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

Results of Operations

Summary of Results for Quarter and Year-to-date

	Three months ended May 31		Six months ended May 31	
	2008 - \$	2007 - \$	2008 - \$	2007 - \$
Revenues (net)	1,108,264	849,688	1,953,292	1,498,935
Net income	549,103	117,220	843,387	66,633
Per share basis	0.04	0.01	0.06	0.00
Diluted per share basis	0.04	0.01	0.06	0.00

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

Net revenues increased in the second quarter of 2008 as oil prices increased 69% over the same period last year. This offset the lower daily production volumes for 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 2007-2008	Six months ended May 31		YTD Q2 2007-2008
	2008	2007	%	2008	2007	%
	M\$	M\$	Change	M\$	M\$	Change
Gross oil and natural gas liquid sales	1,014.2	754.7	34%	1,813.4	1,288.2	41%
Gross natural gas sales	239.5	202.4	18%	390.7	396.8	(2)%
Royalties	163.6	122.8	33%	287.5	216.1	33%
Oil & Gas Sales, Net of Royalties	1,090.1	834.4	31%	1,916.6	1,468.9	30%

"M\$" means thousands of dollars

Oil and gas sales, net of royalties, increased 31% in Q2 2008 to \$1,090,068. This increase is primarily due to the 69% increase in oil prices during the period. Production volumes on a BOE basis decreased from 165 BOE per day (BOE/d) in Q2 2007 to 146 BOE/d in Q2 2008. The production decreases reflect the natural decline after the positive results from repairs and maintenance during the first two quarters of 2007. Higher gas prices in Q2 2007 also contributed to the increased revenues.

	Three months ended May 31		Q2 2007-2008	Six months ended May 31		YTD Q2 2007-2008
	2008	2007	% Change	2008	2007	% Change
Oil and natural gas liquids volumes - Mbbl	9.4	11.8	-20%	18.7	20.7	(10)%
Oil and natural gas liquids price - \$/bbl	107.82	63.85	69%	96.91	62.12	56%
Gross oil and natural gas liquids sales - M\$	1,014.2	754.7	34%	1,813.4	1,288.2	41%
Natural gas volumes - MMcf	21.8	21.5	1%	39.6	43.4	(9)%
Natural gas price - \$/Mcf	10.97	9.43	16%	9.88	9.14	8%
Gross natural gas sales - M\$	239.5	202.4	18%	390.7	396.8	(2)%

bbl = one barrel (of oil)
M = one thousand

cf = cubic feet (of natural gas)
MM = one million

Oil and natural gas volumes on a BOE/d basis decreased 12% in Q2 2008 from Q2 2007. Gross oil and natural gas sales revenues increased 31% in Q2 2008 from Q2 2007. The 69% increase in oil prices more than offset the decrease in production volumes.

Production History Summary

Volume	Three months ended May 31				Six months ended May 31			
	2008		2007		2008		2007	
	Q2	/UNIT	Q2	/UNIT	YTD Q2	/UNIT	YTD Q2	/UNIT
Oil Production - Mbbl & bbl/d	9.4	102.2	11.8	128.5	18.7	102.3	20.7	113.9
Gas Production - MMcf & Mcf/d	21.8	237.4	21.5	233.2	39.6	434.8	43.4	238.5
MBOE (6:1) & BOE/d	13.0	141.8	15.4	167.4	25.3	138.3	28.0	153.7
Revenues	M\$	\$/UNIT	M\$	\$/UNIT	M\$	\$/UNIT	M\$	\$/UNIT
Oil Production	1,014.2	107.82	754.7	63.85	1,813.4	96.91	1,288.2	62.12
Less: Royalties	134.4	14.29	98.3	8.32	239.9	12.82	168.2	8.11
Net Oil Revenue	879.8	93.54	656.4	55.53	1,573.5	84.09	1,120.0	54.01
Gas Production	239.5	10.97	202.4	9.43	390.7	9.88	396.8	9.14
Less: Royalties	29.2	1.34	24.5	1.14	47.6	1.20	47.9	1.10
Net Gas Revenue	210.3	9.63	177.9	8.29	343.2	8.67	348.9	8.04
Gross Oil & Gas Revenue	1,253.7	96.10	957.1	62.16	2,204.1	87.10	1,685.0	60.24
Net Revenue after Royalties	1,090.1	83.56	834.3	54.19	1,916.7	75.74	1,468.9	52.51
Expenses								
Operating (excl. trans.)	141.6	10.86	168.5	10.94	254.3	10.05	382.3	13.66
Transportation	24.37	1.87	26.7	1.73	46.84	1.85	47.8	1.71
Total Operating Expenses	166.0	12.73	195.2	12.67	301.1	11.90	430.1	15.37
Net Field Level Income	924.1	70.83	639.1	41.52	1,615.6	63.84	1,038.8	37.14
Revenue \$/BOE		96.10		62.16		87.10		60.24
Royalties \$/BOE		12.54		7.97		11.36		7.73
Operating Expenses \$/BOE		12.73		12.67		11.90		15.37
Netback \$/BOE		70.83		41.52		63.84		37.14

Royalties

	Three months ended May 31						Six months ended May 31					
	2008		2007		Q2 2007-2008 % Change		2008		2007		Q2 2007-2008 % Change	
	M\$	\$/BOE	M\$	\$/BOE	Costs	\$/BOE	M\$	\$/BOE	M\$	\$/BOE	Costs	\$/BOE
Oil	134.4	10.30	98.3	6.38	37%	61%	239.9	9.48	168.2	6.01	43%	58%
Gas	29.2	2.24	24.5	1.59	19%	41%	47.6	1.88	47.9	1.71	(1)%	10%
Total	163.6	12.54	122.8	7.97	33%	57%	287.5	11.36	216.1	7.72	33%	47%

Production Expenses

EXPENSES	Three months ended May 31						Six months ended May 31					
	2008		2007		Q2 2007-2008 % Change		2008		2007		Q2 2006-2007 % Change	
	M\$	\$/BOE	M\$	\$/BOE	Costs	\$/BOE	M\$	\$/BOE	M\$	\$/BOE	Costs	\$/BOE
Operating	141.6	10.86	168.5	10.9	(16)%	(1)%	254.3	10.05	382.3	13.7	(33)%	(26)%
Transportation	24.4	1.87	26.7	1.7	(9)%	8%	46.8	1.85	47.8	1.7	(2)%	8%
Total	166.0	12.73	195.2	12.7	(15)%	0%	301.1	11.90	430.1	15.4	(30)%	(23)%

Total operating expenses decreased by 15% during the second quarter of 2008 to \$166,019 compared to \$195,154 in 2007. This decrease was mainly a result of lower required levels of repair and maintenance work on the company's well and facility locations.

General and Administrative (G&A) Expenses

Net general and administrative expenses decreased 23% to \$153,835 compared to \$198,777 in the second quarter of 2007. The majority of the decrease in G & A costs is due to lower audit fees, and reserve evaluation expense, increased capitalized administration, and a bad debt repayment in 2008. The Company has capitalized a total of \$45,692 of general and administrative expenses related to geology and the development of oil and gas properties in the first six months of 2008 versus \$43,860 in the first six months of 2007.

	Three months ended May 31		Six months ended May 31		Q2 2007-2008
	2008 - \$	2007 - \$	2008 - \$	2007 - \$	% Change
Gross General & Administrative Expenses	178,757	220,707	372,545	401,872	(19)%
Recoveries	0	0	0	0	0%
Capitalized Amounts	24,922	21,930	45,692	43,860	14%
Net General & Administrative Expenses	153,835	198,777	326,853	358,012	(23)%

	Three months ended May 31		Six months ended May 31		Q2 2007-2008
	2008 \$/BOE	2007 \$/BOE	2008 \$/BOE	2007 \$/BOE	% Change
Gross General & Administrative Expenses	13.70	14.33	14.72	14.37	(4)%
Recoveries	0.00	0	0.00	0	0%
Capitalized Amounts	1.91	1.42	1.81	1.57	35%
Net General & Administrative Expenses	11.79	12.91	12.92	12.80	(9)%

Depletion, Amortization and Accretion Expenses

	Three months ended May 31				Six months ended May 31				Q2 2007-2008	
	2008		2007		2008		2007		% Change	
	M\$	\$/BOE	M\$	\$/BOE	M\$	\$/BOE	M\$	\$/BOE	M\$	\$/BOE
Depletion and amortization	174	13.30	241	15.68	335	13.22	448	16.00	(28)%	(15)%
Accretion - ARO	12	0.93	15	0.97	24	0.96	30	1.07	(20)%	(4)%
Total	186	14.23	256	16.65	359	14.18	478	17.07	(27)%	(15)%

Depletion, amortization and accretion decreased 27% to \$185,694 in the second quarter of 2008. On a BOE basis, depletion, amortization and accretion decreased 15% from \$16.65 in Q2 2007 to \$14.23 in Q2 2008.

Asset retirement obligation (ARO)

The undiscounted amount of expected cash flows required to settle the asset retirement obligations is estimated at \$1,920,279 (2007 - \$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 continuity of the Company's liability for the period ended May 31, 2008.

	2008
	(\$)
Asset retirement obligation, beginning of the period	574,469
Asset retirement costs incurred	(5,851)
Accretion expense	24,234
Asset retirement obligation, end of the period	<u>592,852</u>

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 29% of the costs will be incurred and the remainder from 2013 to 2056. 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.

In respect of future abandonment commitments, the Company is required by statute to establish a bond in favour of the Ontario Ministry of Natural Resources. As at May 31, 2008, sufficient funds were on deposit with a Trustee, relating to a Trust Agreement with the Ontario Ministry of Natural Resources as beneficiary.

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 \$149,432 in Q2 2008 compared to \$131,769 in Q2 2007.

Capital expenditures increased in the second quarter of 2008 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

Fiscal Year	2008		2007				2006	
Quarter	Q2 - \$	Q1 - \$	Q4 - \$	Q3 - \$	Q2 - \$	Q1 - \$	Q4 - \$	Q3 - \$
Revenues (net)	1,108,264	845,028	804,402	840,998	849,688	649,247	700,053	805,837
Net income (loss) in total	549,103	294,284	127,495	175,614	117,220	(50,587)	(167,469)	83,516
Per share basis	0.04	0.02	0.01	0.01	0.01	0.00	(0.01)	0.01
Diluted per share basis	0.04	0.02	0.01	0.01	0.01	0.00	(0.01)	0.01

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

The variations over the last eight quarters are not unusual and reflect the variations normally encountered in the production and sale of oil and natural gas by companies the size of Torque.

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

	2008	
	Shares (#)	Amount (\$)
Common shares outstanding	13,837,698	12,143,910

Stock Options

The Company has a stock option plan (the "Plan") for its directors, officers, employees and consultants to purchase common shares. Under the terms of the Plan, the Board of Directors may authorize the granting of options to purchase common shares. The option price per common share granted under the plan may not be less than the closing market price on the date the option is granted less allowable discounts as permitted under the policies of the TSX Venture Exchange.

The maximum term of any option is five years from the date the option is granted. Options may be immediately exercisable upon grant.

The status of the Company's common share purchase option plan is as follows:

	Effective Date	Common Shares	Option Price	Weighted Average Exercise Price	Expiry Date
Options outstanding, November 30, 2005		271,875		\$0.80	10-Jan-07
Options granted during the year	27-Jan-06	1,100,000	\$0.10	\$0.10	26-Jan-11
Options forfeited during the year	10-Sep-06	(60,000)	\$0.10	\$0.10	26-Jan-11
Options forfeited during the year	10-Sep-06	(6,250)	\$0.80	\$0.80	10-Jan-07
Options forfeited during the year	19-Sep-06	(265,625)	\$0.80	\$0.80	10-Jan-07
Options granted during the year	20-Oct-06	140,000	\$0.13	\$0.13	19-Oct-11
Options outstanding, November 30, 2006		1,180,000		\$0.10	
Options outstanding, November 30, 2007		1,180,000		\$0.10	

In 2007, there were no new stock purchase options granted, exercised or forfeited.

As at May 31, 2008, all options to purchase 1,180,000 shares were 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, 2008.

Liquidity and Capital Resources

In the second quarter of 2008, 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 (\$)
2008	45,717
2009	45,946
2010	45,946
2011	12,371
2012	0

On May 20, 2008, the Company established a revised credit facility of \$6,100,000. The credit facility provides Torque with a revolving demand loan bearing interest payable monthly at the bank's prime lending rate plus 1.00%. Presently, the bank's prime lending rate is 4.75%, representing a decrease of 1.00% during the quarter. 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 and is subject to periodic review. The next scheduled review being on or before March 31, 2009.

At May 31, 2008, approximately \$3,240,000 of funds had been drawn against the credit facility of \$6,100,000, leaving an available credit of \$2,860,000.

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.

Related Party Transactions

During the six months ended May 31, 2008, \$15,000 (2007 - \$15,000) was paid for office facilities and administrative services to Ionic Management Corp., a company related by virtue of a common director (Brian E. Bayley, the Company's President and a director), pursuant to an Administration Agreement dated as of June 1, 2000, as amended November 1, 2003.

During the six months ended May 31, 2008, \$ nil (2007 - \$54,600) was paid to John K. Thomson, the General Manager of the Company, for management fees. At May 31, 2008, \$2,909 was included in accounts receivable. These transactions are in the normal course of business and have been recognized at the agreed to exchange amounts.

Business Risks

The Company is engaged in the exploration, development and production of crude oil and natural gas. The oil and natural gas industry is highly competitive; therefore, the Company is exposed to a number of risks. Please refer to page 21 of the annual MD&A under the heading Business Risks for a complete assessment of such risks.

Outlook

The Company is pursuing a number of exploration and development opportunities in Ontario and Alberta.

Exploration and Development

Ontario

In the Dunwich project area, the Company has completed the shooting of an additional 8 kilometres of two-dimensional seismic and this data has been processed and interpreted. An exploratory drilling location has been defined and the expected spud date is September 1, 2008. Torque has a 33.33% working interest in the location however, Torque has issued an Operations Notice to its partner to drill the well and if the partner elects not to participate, the well will be drilled 100% by Torque and the partner will be subject to a 500% production penalty based on net revenues from the well if successful.

In the Dunwich Southwold prospect area, the Company has acquired 3,002 acres of petroleum and natural gas rights at 100% working interest. The prospect was originally identified using high resolution magnetics and currently the Company is conducting a SGH (soil gas hydrocarbon) sampling survey on the prospect. Results are expected to be completed and interpreted by September 1, 2008.

The Company has also identified seven additional prospects in southwestern Ontario using high resolution magnetics and will be conducting SGH (soil gas hydrocarbon) sampling survey over each prospect throughout the months of August and September 2008. Pending the results of the SGH sampling survey, the Company will be prepared to shoot 55 kilometres of two-dimensional seismic over those prospects which provide the greatest opportunity for hydrocarbon recoveries, the two-dimensional seismic is expected to be shot in September and October 2008.

Operations

The Company will continue its replacement of older equipment in the Petrolia East Field (100% working interest) by replacing the bottom hole pumps in the Ram #38 and CanEnerco #3 wells. At the Corey East Field (94.46% working interest) the Company will be replacing the bottom hole pump on the Ram #61 well.

At the Dover East Pool (50% working interest) the PPC/Ram #31 well will be converted to a waterflood injection well. Operations commenced on July 21, 2008 and are expected to be completed by August 1, 2008. The conversion has the potential to increase production from the Rowe/Ram #8A oil well offsetting the PPC/Ram #31 well. Additionally, the fluids injected will be from the Dover East Pool and eliminate the need to continue the trucking and disposal of such fluids from the Dover East Battery.

Alberta

In the Mikwan area of Alberta, the Company participated in the tie-in of three wells to the Encana Lousana compressor site. All three wells went on production July 18, 2008 with initial production rates of 100 mcf per well per day, total net production of 75 mcf per day to Torque. The wells were drilled under the terms of the Farmout Agreement, Torque paid 35% of the costs to earn a 25% working interest in the first well drilled in 2003 and the well subsequently was completed in July 2007 as a potential coal bed methane gas well. In February of 2008, Torque elected to participate in the drilling of the two additional wells on the same section at 25% working interest (after earned interest).

Off-Balance Sheet Arrangements

The Company 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.

New Accounting Standards

Effective December 1, 2006, the Company adopted Sections 1530 "Comprehensive Income", 3251 "Equity", 3855 "Financial Instruments - Recognition and Measurement" and 3865 "Hedges" issued by the Canadian Institute of Chartered Accountants. Therefore, the Company has recognized all of its financial assets and liabilities in the consolidated balance sheet according to those classifications.

These recommendations had no significant effect on the Company's consolidated financial statements.

The CICA has issued the following new Handbook Sections that became effective for the Company on December 01, 2007:

CICA Handbook Section 3862, "Financial Instruments - Disclosures"
CICA Handbook Section 3863, "Financial Instruments - Presentation"
CICA Handbook Section 1535, "Capital Disclosures"

CICA Handbook Section 3862 modifies the disclosure requirements for CICA Handbook Section 3861, "Financial Instruments - Disclosure and Presentation", including required disclosure for the assessment of the significance of financial instruments for an entity's financial position and performance and of the extent of risks arising from financial instruments to which the Company is exposed and how the Company manages those risks. CICA Handbook Section 3863 carries forward the presentation requirements of CICA Handbook Section 3861.

CICA Handbook Section 1535 establishes standards for disclosing information about an entity's capital and how it is managed. The entity's disclosure should include information about its objectives, policies and processes for managing capital and disclose whether or not it has complied with any capital requirements to which it is subject and the consequences of non-compliance.

These recommendations had no significant effect on the Company's consolidated financial statements.

Additional Information

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