TORRENT ENERGY CORP
Form 10-Q
February 19, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

[X] QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended December 31, 2007

OR

[ ] TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE EXCHANGE ACT
For the transition period from ____________to ____________

Commission file number 000-19949

TORRENT ENERGY CORPORATION
(Exact name of registrant as specified in its charter)

Colorado	**84-1153522**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Suite 640, 1 SW Columbia Street, Portland, Oregon 97258
(Address of principal executive offices)

503.224.0072
(Issuer s telephone number)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes **[X]** No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b 2 of the Exchange Act. (Check one):

Large accelerated filer [ ] Accelerated filer [ ] Non-accelerated filer **[X]**

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] No **[X]**

State the number of shares outstanding of each of the issuer s classes of common equity, as of the latest practicable date:

41,732,547 shares of common stock issued and outstanding as of February 15, 2008.

Transitional Small Business Disclosure Format (Check one): Yes [ ] No **[X]**

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

We have prepared the consolidated financial statements included herein without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted pursuant to such Securities and Exchange Commission rules and regulations. In our opinion, the accompanying statements contain all adjustments necessary to present fairly the financial position of Torrent Energy Corporation (the Company or Torrent) as of December 31, 2007, and its results of operations for the three and nine month periods ended December 31, 2007 and 2006 and its cash flows for the nine month periods ended December 31, 2007 and 2006. The results for these interim periods are not necessarily indicative of the results for the entire year. The accompanying financial statements should be read in conjunction with the financial statements and the notes thereto filed as a part of our annual report on Form 10-K.

TORRENT ENERGY CORPORATION
(formerly Scarab Systems, Inc.)
(An exploration stage enterprise)
Consolidated Balance Sheets

ASSETS	(Unaudited) December 31, 2007	March 31, 2007
Current Assets		
Cash and cash equivalents	$ 171,128	$ 5,941,577
Joint venture receivables	25,483	147,928
Inventory	552,970	906,208
Prepaid expenses and deposits	169,595	511,135
Total Current Assets	919,176	7,506,848
Oil and gas properties, unproven (Note 4)	34,861,287	31,234,262
Other assets, net of depreciation of $92,198 (March 31, 2007 - $43,762)	175,403	215,999
Total Assets	$ 35,955,866	$ 38,957,109
LIABILITIES AND STOCKHOLDERS EQUITY		
Current Liabilities		
Accounts payable	$ 608,413	$ 1,379,204
Accounts payable related parties (Note 3)	670	8,545
Convertible Series E preferred stock subject to mandatory redemption, 20,950 shares outstanding (March 31, 2007 2,350) (Note 5)	20,950,000	2,350,000
Preferred stock dividends payable	1,422,621	660,069
Current portion of long-term note	21,875	37,500
Total Current Liabilities	23,003,579	4,435,318
Long-term Liabilities		
Long-term liabilities	69,512	9,375
Total Liabilities	23,073,091	4,444,693
Commitments and Contingencies		
STOCKHOLDERS EQUITY		
Share Capital		
Convertible Series E preferred stock, $0.01 par value, 25,000 shares authorized, nil issued and outstanding (March 31, 2007 22,650)	-	226
Common stock, $0.001 par value, 100,000,000 shares authorized, 41,732,547 shares issued and outstanding (March 31, 2007 33,424,941)	41,733	33,425

Additional paid in capital		37,625,709		51,124,541
Deficit accumulated during the exploration stage		(24,784,667)		(16,645,776)
Total stockholders equity		12,882,775		34,512,416
Total liabilities and stockholders equity	$	35,955,866	$	38,957,109

The accompanying notes are an integral part of these consolidated financial statements.

TORRENT ENERGY CORPORATION
(formerly Scarab Systems, Inc.)
(An exploration stage enterprise)

Consolidated Statements of Stockholders Equity (Deficit)
For the period from October 8, 2001 (inception) to December 31, 2007
(UNAUDITED)

	Common Stock Shares	Common Stock Amount	Additional paid-in capital	Share subscriptions received/ (receivable)	Deficit accumulated during exploration stage	Total Stockholders equity (deficit)
Stock issued for cash at $0.001 per share in October 2001	5,425,000	$ 5,425	$ -	$ -	$ -	$ 5,425
Stock issued for intangible asset acquisition at $0.001 per share in October 2001	200,000	200	-	-	-	200
Issued 1,440,000 common stock at $0.001 per share in October 2001	1,440,000	1,440	-	(1,440)	-	-
Stock issued at $0.50 per share in November 2001	675,000	675	336,825	(337,500)	-	-
Stock issued for cash at $0.50 per share in January 2002	390,000	390	194,610	-	-	195,000
Net(loss)for the period	-	-	-	-	(112,434)	(112,434)
Balance, March 31, 2002	8,130,000	8,130	531,435	(338,940)	(112,434)	88,191
Stock issued for cash at $0.25 to $0.50 per share in April 2002	130,000	130	39,870	-	-	40,000
Recapitalization to effect the acquisition of iRV, Inc.	1,446,299	1,446	(1,446)	-	-	-
Acquisition of MarketEdge Direct	-	-	-	337,500	-	337,500
Proceeds of share subscription	-	-	-	1,440	-	1,440
Return of stocks in connection with disposal of MarketEdge Direct	(540,000)	(540)	(358,042)	-	-	(358,582)
Proceeds of 96,000 share subscription at $0.40 to $0.50 per share	-	-	-	40,500	-	40,500
241,020 shares allotted for services rendered at	-	-	33,306	-	-	33,306

$0.10 to $0.40 per share						
Net (loss) for the year	-	-	-	-	(396,277)	(396,277)
Balance, March 31, 2003	9,166,299	9,166	245,123	40,500	(508,711)	(213,922)
Stocks issued for services rendered and recorded in fiscal year 2004	241,020	241	(241)	-	-	-
Stocks issued at $0.40 to $0.50 per share	96,000	96	40,404	(40,500)	-	-
Stocks issued for conversion of debt at $0.10 per share in February 2004	510,000	510	50,490	-	-	51,000
Stocks issued for cash at $0.10 per share in February and March 2004	1,200,000	1,200	118,800	-	-	120,000
Stocks issued for exercise of stock options at $0.10 per share in February and March 2004	960,000	960	95,040	-	-	96,000
Issuance of stock options as compensation	-	-	195,740	-	-	195,740
Forgiveness of debt related party	-	-	110,527	-	-	110,527
Net (loss) for the year	-	-	-	-	(374,606)	(374,606)
Balance, March 31, 2004	12,173,319	$ 12,173	$ 855,883	$ -	$ (883,317)	$ (15,261)

The accompanying notes are an integral part of these consolidated financial statements.

4

TORRENT ENERGY CORPORATION
(formerly Scarab Systems, Inc.)
(An exploration stage enterprise)

Consolidated Statements of Stockholders Equity (Deficit)
For the period from October 8, 2001 (inception) to December 31, 2007
(UNAUDITED)

	Series B Preferred Stock Shares	Series B Preferred Stock Amount	Common Stock Shares	Common Stock Amount	Additional paid-in capital	Deficit accumulated during exploration stage	Total Stockholders equity (deficit)
Stocks issued for exercise of stock options at $0.10 per share in May, June and July 2004	-	$ -	640,000	$ 640	$ 63,360	$ -	$ 64,000
Stocks and warrants issued under a private placement at $0.35 per share in May 2004	-	-	1,442,930	1,443	503,582	-	505,025
Stocks issued for investor relations services at $0.54 per share in June 2004	-	-	300,000	300	161,700	-	162,000
Stocks issued for acquisition of oil and gas properties at $0.38 per share in June 2004 and January 2005	-	-	1,200,000	1,200	454,800	-	456,000
Stocks and warrants issued under a private placement at $0.40 per share in July 2004	-	-	500,000	500	199,500	-	200,000
Stocks issued under a private placement at $1.00 per share in 2005, net of share issue costs of $100,000	-	-	2,500,000	2,500	2,397,500	-	2,400,000
Stocks issued for exercise of warrants at $0.50 and $0.55 per share	-	-	1,614,359	1,614	825,565	-	827,179
Convertible Series B preferred stock	2,200	22	-	-	1,934,978	-	1,935,000

issued under a private placement at $1,000 per Series B share in August 2004, net of issuance costs							
Stocks issued for conversion of Series B preferred stock at prices ranging from $0.76 to $0.89 per share	(500)	(5)	614,358	615	(610)	-	-
Beneficial conversion feature on convertible Series B preferred stock	-	-	-	-	315,245	-	315,245
Accretion of Series B preferred stock beneficial conversion feature	-	-	-	-	-	(210,163)	(210,163)
Series B preferred stock dividend	-	-	-	-	-	(72,672)	(72,672)
Issuance of stock options as compensation	-	-	-	-	701,740	-	701,740
Net (loss) for the year	-	-	-	-	-	(2,418,625)	(2,418,625)
Balance, March 31, 2005	1,700	$ 17	20,984,966	$ 20,985	$ 8,413,243	$ (3,584,777)	$ 4,849,468

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(UNAUDITED)

	Series B Preferred Stock		Series C Preferred Stock		Common Stock		Additional paid-in capital	Deficit accumulated during exploration stage	Total Stockholders equity (deficit)
	Shares	Amount	Shares	Amount	Shares	Amount			
Stock issued for conversion of Series B preferred stock at prices ranging from $0.77 to $1.20 per share	(1,700)	$ (17)	-	$ -	1,795,254	$ 1,795	$ (1,778)	$ -	$ -
Accretion of Series B preferred stock beneficial conversion feature	-	-	-	-	-	-	-	(105,081)	(105,081)
Common stock issued for cashless exercise of stock options	-	-	-	-	89,502	89	(89)	-	-
Cancellation of stock options as compensation	-	-	-	-	-	-	(99,641)	-	(99,641)
Common stock issued for exercise of warrants ranging from $0.50 to $0.55 per share	-	-	-	-	328,571	329	168,956	-	169,285
Common stock issued at $2 per share under a private placement in	-	-	-	-	1,650,000	1,650	3,273,350	-	3,275,000

July 2005, net of issuance cost									
Series C preferred stock issued under a private placement at $1,000 per Series C share in July 2005, net of issuance costs	-	-	12,500	125	-	-	11,551,875	-	11,552,000
Beneficial conversion feature on convertible Series C preferred stock	-	-	-	-	-	-	845,763	-	845,763
Accretion of Series C preferred stock beneficial conversion feature	-	-	-	-	-	-	-	(845,763)	(845,763)
Series C stock dividend			-	-	-	-	-	(308,442)	(308,442)
Common stock issued for conversion of Series C preferred stock ranging from $1.64 to $2.27 per share	-	-	(4,125)	(41)	2,083,614	2,084	(2,043)	-	-
Common stock issued for acquisition of oil and gas properties at $0.38 per share in February 2006	-	-	-	-	600,000	600	227,400	-	228,000
Stock based compensation for the period	-	-	-	-	-	-	2,075,422	-	2,075,422
	-	-	-	-	-	-	-	(4,036,286)	(4,036,286)

Net (loss) for the period															
Balance, March 31, 2006	-	$	-	8,375	$	84	27,531,907	$	27,532	$	26,452,458	$	(8,880,349)	$	17,599,725

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6

TORRENT ENERGY CORPORATION
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Consolidated Statements of Stockholders Equity (Deficit)
For the period from October 8, 2001 (inception) to December 31, 2007
(UNAUDITED)

	Series C Preferred Stock		Series E Preferred Stock		Common Stock		Additional Paid-In Capital	Deficit accumulated during exploration stage	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount	Shares	Amount			
Beneficial conversion feature on convertible Series C preferred stock	-	$ -	-	$ -	-	$ -	$ 710,110	$ -	$ 710,110
Accretion of Series C beneficial conversion feature	-	-	-	-	-	-	-	(710,110)	(710,110)
Series C stock dividend	-	-	-	-	-	-	-	(35,270)	(35,270)
Common Stock Issued for conversion of Series C preferred stock ranging from $1.64 to $2.27 per share	(8,375)	(84)	-	-	5,339,320	5,339	(5,255)	-	-
Common Stock Issued in lieu of cash dividend on Series C preferred stock at a price of $1.50 per share	-	-	-	-	228,714	229	343,483	-	343,712
Series E preferred stock issued under Private Placement at	-	-	25,000	250	-	-	23,114,750	-	23,115,000

$1,000 per Series E share net of issuance costs (Note 5)									
Convertible Series E preferred stock reclassed to liability per SFAS No. 150 (Note 5)	-	-	(2,350)	(24)	-	-	(2,349,976)	-	(2,350,000)
Series E stock dividend	-	-	-	-	-	-	-	(660,069)	(660,069)
Stock based compensation for the period	-	-	-	-	-	-	2,465,796		2,465,796
Common stock issued for services	-	-	-	-	125,000	125	227,375	-	227,500
Exercise of stock options					200,000	200	165,800		166,000
Net (Loss) for the Period	-	-	-	-	-	-	-	(6,359,978)	(6,359,978)
Balance, March 31, 2007	-	$ -	22,650	$ 226	33,424,941	$ 33,425	$ 51,124,541	$ (16,645,776)	$ 34,512,416

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TORRENT ENERGY CORPORATION
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Consolidated Statements of Stockholders Equity (Deficit)
For the period from October 8, 2001 (inception) to December 31, 2007
(UNAUDITED)

	Series E Preferred Stock		Common Stock		Additional Paid-In Capital	Deficit accumulated during exploration stage	Total Stockholders' Equity (Deficit)
	Shares	Amount	Shares	Amount			
Common stock issued for settlement of Preferred Stock liability at $0.50 per share (Note 5)	-	$ -	3,100,000	$ 3,100	$ 4,124,900	$ -	$ 4,128,000
Common stock issued in lieu of cash dividends on Series E preferred stock at a price of $0.50 per share (Note 5)	-	-	37,012	37	49,498	-	49,535
Series E stock reclassified to liability per SFAS No. 150 (Note 5)	(800)	(8)	-	-	(799,992)	-	(800,000)
Series E stock dividend	-	-	-	-	-	(272,596)	(272,596)
Stock based compensation for the period	-	-	-	-	239,597		239,597
Net (Loss) for the period	-	-	-	-	-	(3,733,955)	(3,733,955)
Balance, June 30, 2007	21,850	$ 218	36,561,953	$ 36,562	$ 54,738,544	$ (20,652,327)	$ 34,122,997
Common stock issued for settlement of Preferred Stock liability at $0.50 per share (Note 5)	-	-	3,200,000	3,200	3,068,800	-	3,072,000
Common stock issued in lieu of cash dividends on Series E preferred stock at a price of $0.50 per share (Note 5)	-	-	66,848	67	63,497	-	63,564
Series E stock reclassified to liability per SFAS No. 150 (Note 5)	(900)	(9)	-	-	(899,991)	-	(900,000)
Series E stock dividend	-	-	-	-	-	(256,205)	(256,205)
Stock based compensation for the period	-	-	-	-	215,752	-	215,752
Net (Loss) for the period	-	-	-	-	-	(2,639,787)	(2,639,787)
Balance, September 30, 2007	20,950	$ 209	39,828,801	$ 39,829	$ 57,186,602	$ (23,548,319)	$ 33,678,321
Common stock issued for settlement of Preferred	-	-	1,800,000	1,800	1,240,200	-	1,242,000

Stock liability at $0.50 per share (Note 5)							
Common stock issued in lieu of cash dividends on Series E preferred stock at a price of $0.50 per share (Note 5)	-	-	58,746	59	40,476	-	40,535
Series E stock reclassified to current liabilities	(20,950)	(209)	-	-	(20,949,791)	-	(20,950,000)
Series E stock dividend	-	-	-	-	-	(262,887)	(262,887)
Stock options exercised	-	-	45,000	45	22,455	-	22,500
Stock based compensation for the period	-	-	-	-	85,767	-	85,767
Net (Loss) for the period	-	-	-	-	-	(973,461)	(973,461)
Balance, December 31, 2007	-	$ -	41,732,547	$ 41,733	$ 12,882,775	$ (24,784,667)	$ 12,882,775

The accompanying notes are an integral part of these consolidated financial statements.

TORRENT ENERGY CORPORATION
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(An exploration stage enterprise)

Consolidated Statements of Operations
(UNAUDITED)

	Cumulative October 8,2001 (inception) to December 31, 2007	Three Months Ended December 31, 2007	Three Months Ended December 31, 2006	Nine Months Ended December 31, 2007	Nine Months Ended December 31, 2006
Expenses					
Consulting (Note 3)	$ 2,605,962	$ 1,225	$ 123,170	$ 228,760	$ 882,361
Payroll expense	1,922,804	146,116	274,428	861,977	645,623
Stock based compensation	5,979,813	85,767	690,009	541,116	2,053,337
Investor relations	1,890,586	50,215	113,303	271,597	496,564
Directors fees	170,000	-	30,000	60,000	47,500
Depreciation	96,234	15,984	14,194	46,699	25,855
Insurance	421,095	51,084	39,091	141,271	85,198
Legal and accounting	1,180,250	29,378	78,558	139,713	304,947
Lease rental expense	193,713	-	400	-	101,624
Office and Miscellaneous	489,482	6,291	61,396	69,799	126,790
Rent	372,330	38,251	52,312	117,682	92,982
Shareholder relations	219,782	761	13,093	5,301	67,279
Telephone	178,401	17,718	27,203	52,619	51,276
Travel	913,135	18,203	90,475	138,747	265,550
Inventory shrinkage / write-down	283,829	160,216	-	231,356	-
Purchase investigation costs	103,310	-	-	-	-
Interest expense	59,668	1,140	-	52,168	-
Accretion expense	4,096	1,365	-	4,096	-
Interest expense on long term debt	16,569	-	-	-	-
Operating (loss)	(17,101,059)	(623,714)	(1,607,632)	(2,962,901)	(5,246,886)
Other income (expense)					
Interest income	531,906	3,415	110,213	80,027	239,264
Gain on sale of equipment	261	-	-	-	-
Gain on settlement of debt	37,045	-	-	-	-
Loss on conversion of preferred stock	(4,464,329)	(353,162)	-	(4,464,329)	-
Write-off of goodwill	(70,314)	-	-	-	-

Loss from continued operations	(21,066,490)	(973,461)	(1,497,419)	(7,347,203)	(5,007,622)
Net income from discontinued operations	21,082	-	-	-	-
Net loss and comprehensive loss for the period	(21,045,408)	(973,461)	(1,497,419)	(7,347,203)	(5,007,622)
Series B preferred stock dividend	(72,672)	-	-	-	-
Series C preferred stock dividend	(343,712)	-	-	-	(35,270)
Series E preferred stock dividend (Note 5)	(1,451,758)	(262,887)	(220,547)	(791,689)	(393,562)
Dividend accretion of Series B preferred stock beneficial conversion feature	(315,244)	-	-	-	-
Dividend accretion of Series C preferred stock beneficial conversion feature	(1,555,873)	-	-	-	(710,110)
Net loss for the period applicable to common stockholders	$ (24,784,667)	$ (1,236,348)	$ (1,717,966)	$ (8,138,892)	$ (6,146,564)
Basic and diluted (loss) per share		$ (0.03)	$ (0.05)	$ (0.21)	$ (0.19)
Weighted average number of common shares outstanding		41,465,306	33,154,289	39,633,242	32,479,178

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TORRENT ENERGY CORPORATION
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(An exploration stage enterprise)

Consolidated Statements of Cash Flows
(UNAUDITED)

	Cumulative October 8, 2001 (inception) to December 31, 2007	Nine Months Ended December 31, 2007	Nine Months Ended December 31, 2006
Cash flows provided by (used in) operating activities			
Net (loss) for the period	$ (21,045,408)	$ (7,347,203)	$ (5,007,622)
Adjustments to reconcile net loss to	-	-	
net cash used in operating activities:			
- depreciation and amortization	96,234	46,699	25,855
-accretion of well-site restoration	4,096	4,096	-
- stock-based compensation	5,979,813	541,116	2,053,337
-loss on conversion of preferred stock	4,464,329	4,464,329	-
- interest expense on Series E Stock subject to mandatory redemption	52,168	52,168	-
- inventory shrinkage / write-downs	283,829	231,356	-
- foreign exchange	1,398	-	-
- write-off of goodwill	70,314	-	-
- debt forgiven	37,045	-	-
-gain on sale of equipment	(261)	-	-
- net income from the discontinued operations	(21,082)	-	-
- common shares issued for service rendered	195,306	-	-
- reversal of option expense charged for services	(99,641)	-	-
Changes in non-cash working capital items:			
Joint venture receivables	(25,484)	122,444	(183,722)
Inventory	(836,799)	121,882	(735,343)
Prepaid expenses	(169,595)	281,358	880
Accounts payable	(3,074,811)	(1,364,221)	(1,955,561)
Net cash used in operating activities	(14,088,549)	(2,845,976)	(5,802,176)
Cash flows provided by (used in) investing activities			
Oil and gas properties	(30,134,380)	(2,915,870)	(7,605,198)
Loan	(62,684)	-	-
Proceeds from sale of equipment	7,415	-	-
Acquisition of other assets	(203,791)	(6,103)	(164,177)

Net cash used in investing activities	$	(30,393,440)	$	(2,921,973)	$	(7,769,375)

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TORRENT ENERGY CORPORATION
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Consolidated Statements of Cash Flows (continued)
(UNAUDITED)

	Cumulative October 8, 2001 (inception) to December 31, 2007	Nine Months Ended December 31, 2007	Nine Months Ended December 31, 2006
Cash flows provided by (used in) financing activities			
Proceeds from issuance of common stock	$ 7,988,414	$ -	$ -
Net proceeds from issuance of Series B preferred stock	1,935,000	-	-
Net proceeds from issuance of Series C preferred stock	11,552,000	-	-
Net proceeds from issuance of Series E Preferred stock	23,115,000	-	16,177,500
Payment of Series B preferred stock dividend	(72,672)	-	-
Proceeds from promissory notes	30,000		
Repayment of promissory notes	(83,125)	(25,000)	(15,625)
Proceeds from shareholder loan	80,000	-	-
Repayment of shareholder loan	(80,000)	-	-
Proceeds from exercise of stock options	188,500	22,500	-
Net cash provided by (used in) financing activities	44,653,117	(2,500)	16,161,875
Increase (decrease) in cash and cash equivalents	171,128	(5,770,449)	2,590,324
Cash and cash equivalents, beginning of period	-	5,941,577	2,658,719
Cash and cash equivalents, end of period	$ 171,128	$ 171,128	$ 5,249,043
Supplemental cash flow information:			
Interest paid	$ 13,013	$ -	$ -
Non-cash transactions:			
Common stock issued pursuant to conversion of promissory note	$ 55,000	$ -	$ -
Common stock issued for investor relations services	$ 162,000	$ -	$ -
Common stock issued for prepaid			

technical services	$	227,500	$	-	$	227,500
Forgiveness of accrued consulting fees payable to directors and officers	$	110,527	$	-	$	-
Common stock issued for oil and gas properties	$	684,000	$	-	$	-
Property acquired through issuance of note	$	75,000	$	-	$	75,000
Payment of Series C dividends with issuance of common stock	$	343,712	$	-	$	343,712
Payment of Series E dividends with issuance of common stock	$	153,634	$	153,634	$	-
Common stock issued for settlement of Preferred Stock liability	$	8,442,000	$	8,442,000	$	-

The accompanying notes are an integral part of these consolidated financial statements

TORRENT ENERGY CORPORATION
(formerly SCARAB SYSTEMS INC.)
(An exploration stage enterprise)

Notes to Consolidated Financial Statements
December 31, 2007 and 2006
(UNAUDITED)
Note 1. Incorporation and Continuance of Operations

Torrent Energy Corporation (the Company or Torrent) is an exploration stage company engaged in the natural gas exploration and development of oil and gas properties, primarily in Oregon and Washington State. The Company has generated no revenue to date, has incurred ongoing operating losses, requires additional funds to meet its obligations and to maintain its operations and has been unable to meet certain mandatory redemptions under its convertible preferred stock arrangements. These circumstances raise substantial doubt about the Company s ability to continue as a going concern. These financial statements do not include any adjustments that might result from an adverse outcome related to this uncertainty.

The accompanying unaudited consolidated financial statements have been prepared assuming that we would continue as a going concern. They have been prepared in accordance with the generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation of the interim periods presented have been included. Operating results for the three and nine months period ended December 31, 2007 are not necessarily indicative of the results that may be expected for the year ending March 31, 2008. This interim unaudited financial information should be read in conjunction with the Company s annual report for the year ended March 31, 2007, as filed on Form 10-K.

Note 2. Summary of Significant Accounting Policies

a) Principles of Consolidation

The accompanying consolidated financial statements presented are those of the Company and its wholly-owned subsidiaries, Methane Energy Corp. and Cascadia Energy Corp. All significant intercompany balances and transactions have been eliminated.

b) Principles of Accounting

These consolidated financial statements are stated in U.S. dollars and have been prepared in accordance with the U.S. generally accepted accounting principles. Certain amounts reported in prior periods have been reclassified to conform to the disclosures in the current fiscal year.

c) Joint Venture Receivables

The accompanying financial statements as of December 31 and March 31, 2007, include the wholly-owned accounts of the Company and its proportionate share of assets, liabilities and results of operations in the joint venture in which it participates. The Company has maintained a 60 percent majority ownership interest in properties in which joint venture participation exists and acts as the operator for the joint venture. The Company incurs 100 percent of the expenses related to the joint venture and bills its Joint Venture Partner for 40 percent of applicable costs.

The Company provides for uncollectible receivables using the allowance method of accounting for bad debts. Under this method of accounting, a provision for uncollectible accounts is charged to earnings. The allowance account is increased or decreased based on past collection history and management s evaluation of the receivables.

TORRENT ENERGY CORPORATION
(formerly SCARAB SYSTEMS INC.)
(An exploration stage enterprise)

Notes to Consolidated Financial Statements
December 31, 2007 and 2006
(UNAUDITED)
All amounts considered uncollectible are charged against the allowance account and recoveries of previously charged off accounts are added to the allowance.

At December 31 and March 31, 2007, net joint venture receivables were $25,483 and $147,928, respectively. At December 31 and March 31, 2007, the Company had established no allowance for bad debt, deeming its receivables as likely to be collected.

d) Stock Subject To Mandatory Redemption

In May 2003, FASB issued SFAS No. 150.   Accounting for Certain Instruments with Characteristics of Both Liabilities and Equity.   This statement establishes standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. In applying SFAS No. 150, the Company has determined that a portion of the Series E Convertible Preferred Stock (Series E Stock   ) met the characteristics of a liability and, therefore, has been classified as a current liability on the Company   s balance sheet as of March 31, 2007. (See Note 5).

e) Accounting Estimates

The preparation of the consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Management makes its best estimate of the ultimate outcome for these items based on the historical trends and other information available when the financial statements are prepared. Changes in the estimates are recognized in accordance with the accounting rules for the estimate, which is typically in the period when new information becomes available to management. Actual results could differ from those estimates and assumptions.

f) Inventory

Inventory is comprised primarily of pipe, tubular materials and chemicals used in drilling operations. Inventory accounting is based on the first-in, first-out cost method and is stated at the lower of cost or market. During the nine months ended December 31, 2007, the Company identified certain excess tubular inventory which is not expected to be needed for future drilling operations and, therefore, a charge of $231,356 was recorded to write-down this inventory to its estimated recoverable value. Sales were completed in December 2007 on a portion of this excess inventory held for sale and the Company realizing $117,600 in net proceeds.

TORRENT ENERGY CORPORATION
(formerly SCARAB SYSTEMS INC.)
(An exploration stage enterprise)

Notes to Consolidated Financial Statements
December 31, 2007 and 2006
(UNAUDITED)
g) Loss Per Share

Loss per share is computed using the weighted average number of shares outstanding during the year. Diluted loss per share is equivalent to basic loss per share as the stock options, warrants and convertible preferred stock to acquire common shares as disclosed in the notes are anti-dilutive.

	Three Months Ended December 31, 2007	Three Months Ended December 31, 2006	Nine Months Ended December 31, 2007	Nine Months Ended December 31, 2006
Net Loss	$ (972,461)	$ (1,497,419)	$ (7,347,203)	$ (5,007,622)
Less Preferred stock dividends	(262,887)	(220,547)	(791,689)	(428,832)
Less Dividend accretion on preferred stock beneficial conversion	-	-	-	(710,110)
Net loss applicable to common stockholders	$ (1,236,348)	$ (1,717,966)	$ (8,138,892)	$ (6,146,564)
Weighted Average Shares Outstanding	41,465,306	33,154,289	39,633,242	32,479,178
Basic and Diluted Earnings per Share	$ (0.03)	$ (0.05)	$ (0.21)	$ (0.19)

h) Asset Retirement Obligations

It is the Company s policy to recognize a liability for future retirement obligations associated with the Company s oil and gas properties. The estimated fair value of the asset retirement obligation is based on the current cost escalated at an inflation rate and discounted at a credit-adjusted risk-free rate. This liability is capitalized as part of the cost pool of the related asset and amortized using the units of production method. The liability accretes until the Company settles the obligation. At December 31, 2007, the Company s estimated asset retirement obligation was $69,512. This obligation will be settled at the end of the useful lives of the wells which is projected to be approximately 39 years. This amount has been calculated using an inflation rate of 2.4% and a discounted using a credit-adjusted risk-free interest rate of 8.35% .

i) Recent Accounting Pronouncements

In December 2007, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards (SFAS) No. 141(R), *Business Combinations* (SFAS 141(R)), which replaces SFAS No. 141. SFAS No. 141(R) establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any non-controlling interest in the acquiree and the goodwill acquired. The Statement also establishes disclosure requirements which will enable users to evaluate the nature and financial effects of the business combination. SFAS 141(R) is effective for fiscal years beginning after December 15,

2008. The adoption of SFAS 141(R) will have an impact on accounting for business combinations once adopted, but the effect is dependent upon acquisitions at that time.

TORRENT ENERGY CORPORATION
(formerly SCARAB SYSTEMS INC.)
(An exploration stage enterprise)

Notes to Consolidated Financial Statements
December 31, 2007 and 2006
(UNAUDITED)
In December 2007, the FASB issued SFAS No. 160, *Noncontrolling Interests in Consolidated Financial Statements an amendment of Accounting Research Bulletin No. 51* (SFAS 160), which establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent s ownership interest and the valuation of retained non-controlling equity investments when a subsidiary is deconsolidated. The Statement also establishes reporting requirements that provide sufficient disclosures that clearly identify and distinguish between the interests of the parent and the interests of the non-controlling owners. SFAS 160 is effective for fiscal years beginning after December 15, 2008. The Company has not determined the effect that the application of SFAS 160 will have on its consolidated financial statements.

For information on past Accounting Pronouncements, please refer to the Company s Annual Report for the fiscal year ended March 31, 2007, as filed on Form 10-K.

Note 3. Related Party Transactions

During the nine months ended December 31, 2007, the Company paid or accrued $455,547 (2006 - $550,639) in consulting fees and salaries to directors and officers of the Company. In addition, the Company paid or accrued salaries or consulting fees to directors and officers of the Company of $750 (2006 - $51,338) for activities relating to the Company s oil and gas leases, $nil (2006 - $10,400) for drilling consultation, and $nil (2006 - $92,735) for geological and geophysical consulting activities, all of which are included in the costs of the oil and gas properties. As of December 31, 2007, there was $670 (2006 - $12,428) representing unpaid expense reimbursements owing to directors and officers.

On February 1, 2008, John D. Carlson, the President, Chief Executive Officer and a Director of the Company, loaned $50,000 to the Company and the Company issued a short-term promissory note (the "Note") to Mr. Carlson. Interest on the Note accrues from the date of issuance at the rate of eight percent (8%) per annum. Repayment of principal, together with accrued interest, may be made at any time without penalty. In the event that any amount payable under the Note is not paid in full when due, the Company shall pay, on demand, interest on such amount at the rate of twelve percent (12%) per annum. Upon any "Event of Default," as defined in the Note, Mr. Carlson may declare the entire unpaid balance of this Note immediately due and payable.

TORRENT ENERGY CORPORATION
(formerly SCARAB SYSTEMS INC.)
(An exploration stage enterprise)

Notes to Consolidated Financial Statements
December 31, 2007 and 2006
(UNAUDITED)
Note 4. Oil and Gas Properties, Unproven

The Company s oil and gas properties are currently unproven and ongoing exploration activities are planned and will require the additional significant expenditures, which funding must be raised from outside sources. These exploration activities include formation stimulation and production testing of existing wells drilled in our Coos Bay project and formation coring and gas desorption testing of wells still to be drilled in our Chehalis project. There can be no assurance that financing will be available in amounts or on terms acceptable to the Company, if at all. Assuming that additional funding from outside sources is obtained, management estimates that it will take approximately six to twelve months to complete the first phase of exploration activities on certain of its unproved properties and at that time an assessment will be made for reclassification of a portion of the unproved reserves to proved reserves. Once properties have been classified as proven, then certain of the costs incurred would be included in the amortization computation.

Coos Bay Basin Property. On May 11, 2004, Methane Energy Corp. entered into a Lease Purchase and Sale Agreement (the Agreement) with GeoTrends-Hampton International LLC (GHI) to purchase GHI s undivided working interest in certain oil and gas leases in the Coos Bay Basin of Oregon. As consideration for the acquisition of these oil and gas leases, the Company paid a total of $300,000 in cash and issued 1,800,000 restricted common shares in three performance based tranches. The shares were valued at $0.38 per share, which was the fair value at the time that the agreement was negotiated. GHI also maintains an undivided overriding royalty interest of 4% upon production in the Coos Bay project area. With the subsequent leasing of additional public and private land positions, as of December 31, 2007, Methane Energy Corp. holds a total of approximately 118,000 acres in the Coos Bay Basin.

Chehalis Basin Property. On August 9, 2005, Cascadia Energy Corp., the Company s wholly-owned subsidiary, executed a lease option agreement with Weyerhaeuser Company to lease 100,000 acres that it may select from an overall 365,000 acreage in the Chehalis Basin located in Washington State. Cascadia Energy Corp. commenced an exploratory work program in 2006 for possible hydrocarbon deposits on acreage it selected from the acreage block. Cascadia Energy Corp. also has been granted a two-year first right of refusal on the balance of the Weyerhaeuser acreage that it does not select during its initial selection process. Cash consideration of $100,000 was paid for the lease option of which the Company paid $60,000 (See Joint Venture below). In addition, Cascadia Energy Corp. was allowed to extend the term of its option for an additional year by committing to a work program of $285,715 pertaining to the full 100,000 acres with proportional reduction should the Company reduce the number of acres selected for exploration activity during the initial option period. In February 2007, Weyerhaeuser Company extended the initial period for completion of the $285,715 work commitment to August 2007. In July 2007, the Company negotiated an amendment to the option agreement whereby the Company paid Weyerhaeuser $100,000 to waive the work commitment and extend the lease option to December 7, 2007. On December 6, 2007, after further geological evaluations, Cascasdia Energy Corp. elected to not exercise its option to enter into an oil and gas lease on these 100,000 acres.

From October 2006 through June 2007, Cascadia Energy Corp has entered into three additional lease agreements with Weyerhaeuser totaling 36,991 acres, two of which required payment of upfront lease bonuses of $428,610 and one of which requires annual lease payments of $1,275. Certain provisions of these agreements require Cascadia Energy Corp. to commence a well within the first two years of the lease, or the lease will terminate and the Company would be required to make a payment of $75,000 to Weyerhaeuser.

Since January 2006, Cascadia Energy Corp. has also acquired 23,735 acres from the State of Washington Trust, which acreage lies directly adjacent or contiguous to Cascadia Energy Corp. s initial 100,000 acres leased from Weyerhaeuser. This acreage was acquired in lease auctions for aggregate lease consideration of $37,719, and has been included in the Chehalis Basin project. As of December 31, 2007, Cascadia Energy Corp. controls approximately 76,000 acres in the Chehalis Basin through lease options and oil and gas leases.

TORRENT ENERGY CORPORATION
(formerly SCARAB SYSTEMS INC.)
(An exploration stage enterprise)

Notes to Consolidated Financial Statements
December 31, 2007 and 2006
(UNAUDITED)

On August 12, 2005, Cascadia Energy Corp. entered into a joint venture agreement (Joint Venture) with St. Helens Energy LLC (St. Helens), a 100% owned subsidiary of Comet Ridge Limited, an Australian coal seam gas exploration company, which is listed on the Australian Stock Exchange. Pursuant to this agreement, Cascadia Energy Corp. serves as operator of the Joint Venture with a 60% interest in the Joint Venture; while St. Helens is to actively assist in evaluating the area, developing exploratory leads and prospects, and provide 40% of the funding to pursue exploration and development of the prospect. Cascadia Energy Corp. records its investment and related expenses associated with the Chehalis Basin project net of St. Helens contribution. During the period commencing with the inception of the Chehalis Basin project and ending December 31, 2007, the Joint Venture had expended a total of $3,081,856 of which St. Helens unpaid share as of December 31, 2007 equaled $25,483 (March 31, 2007 -$147,928) and is included in Joint Venture Receivables.

The total costs incurred and currently excluded from amortization for the Company s oil and gas properties are summarized as follows:

	Acquisition Costs		Exploration Costs		Development Costs	
		Seismic and land	Drilling and gathering	Geological and geophysical		Total
Coos Bay Basin Property						
Nine Months Ended December 31, 2007	$ -	$ 74,812	$ 2,441,217	$ 95,827	$ Nil	$ 2,611,856
Inception through March 31, 2007	984,000	1,438,310	26,433,735	1,578,911	Nil	30,434,956
Total	$ 984,000	$ 1,513,122	$ 28,874,952	$ 1,674,738	$ Nil	$ 33,046,812
Chehalis Basin Property						
Nine Months Ended December 31, 2007	$ -	$ 354,755	$ 637,976	$ 59,928	$ Nil	$ 1,015,166
Inception through March 31, 2007	-	579,344	93,899	126,063	Nil	799,306
Total	$ -	$ 896,609	$ 731,875	$ 185,991	$ Nil	$ 1,814,475
Total Oil and Gas Properties	$ 984,000	$ 2,409,731	$ 29,606,827	$ 1,860,729	$ Nil	$ 34,861,287

TORRENT ENERGY CORPORATION
(formerly SCARAB SYSTEMS INC.)
(An exploration stage enterprise)

Notes to Consolidated Financial Statements
December 31, 2007 and 2006
(UNAUDITED)
Note 5. Series E Convertible Preferred Stock (Series E Stock)

On June 28, 2006, the Company closed a private placement agreement with YA Global Investments, LP (formerly known as Cornell Capital Partners, LP), under which it sold 25,000 shares of its Series E Convertible Preferred Stock at $1,000 per share (the Series E Stock). The Series E Stock is senior to the common stock with respect to the payment of dividends and other distributions on the capital stock of the Company, including distribution of the assets of the Company upon liquidation. No cash dividends or distributions shall be declared or paid or set apart for payment on the common stock in any year unless cash dividends or distributions on the Series E Stock for such year are likewise declared and paid or set apart for payment. No declared and unpaid dividends shall bear or accrue interest. Upon any liquidation, dissolution, or winding up of the Company, whether voluntary or involuntary before any distribution or payment shall be made to any of the holders of common stock or any series of preferred stock, the holders of Series E Stock shall be entitled to receive out of the assets of the Company an amount equal to $1,000 per share of the Series E Stock plus all declared and unpaid dividends thereon, for each share of Series E Stock held by them. Net proceeds from the Series E Stock received during the fiscal year ended March 31, 2007 was $23,115,000, after the payment of issuance costs of $1,885,000.

The Series E Stock are non-voting, carry a cumulative dividend rate of 5% per year, when and if declared by the Board of Directors of the Company, and are convertible into common stock at any time by dividing the dollar amount being converted (including accrued but unpaid dividends) by $2.50 per share if the Company s common shares are trading at an average price of $2.50 per share or higher for the five trading days preceding a conversion date. The holder of the Series E Stock may only convert up to a maximum of $1,250,000 of Series E Stock into common stock in any 30 day period. If the Company s common shares are trading at an average price greater than $1.67 but less than $2.50 per share the Company may, at its exclusive option, force conversion at a price of $1.67 per share or may redeem the Series E Stock for cash at the original investment amount plus a 20% redemption premium. Each share of Series E Stock will be automatically converted into common stock immediately upon the consummation of the occurrence of a stock acquisition, merger, consolidation, or reorganization of the Company.

As a condition of the Series E Stock, the Company filed a registration statement (the Registration Statement) registering 15,000,000 shares of common stock into which the Series E Stock may be converted. Subsequently, the Series E Stock investor agreed to an initial registration of 10,000,000 shares on the Registration Statement to facilitate the Company s compliance with a revision of SEC guidelines related to the form of registration. The Registration Statement was declared effective on February 9, 2007. Since the Company has not filed a post effective amendment, on November 9, 2007, this Registration Statement became ineffective as the information contained therein did not include the latest available certified financial statements as of a date not more than 16 months old.

Beginning December 1, 2006, the Company incurred a conditional mandatory redemption requirement equal to the pro rata amortization of the remaining outstanding Series E Stock over the period that ends August 2008. If the Company s common shares are trading at an average price less than $1.67 per share on a mandatory redemption date, the Company will pay the redemption amount in cash equal to the original investment amount per share plus a 20% redemption premium. The Series E Stock investor chose to waive the monthly conditional mandatory redemption payments otherwise due on December 1, 2006 through March 31, 2007. Subsequent to March 31, 2007 and continuing through August 31, 2007, and for the month of October, the Series E Stock investor elected, in lieu of a cash payment, to accept a limited monthly redemption plus accrued dividends, which has been converted into shares of the

Company s common stock. For all of the other monthly conditional mandatory conversion requirements in the current fiscal year , the investor chose not to require the Company to perform a redemption. See Note 7.

TORRENT ENERGY CORPORATION
(formerly SCARAB SYSTEMS INC.)
(An exploration stage enterprise)

Notes to Consolidated Financial Statements
December 31, 2007 and 2006
(UNAUDITED)
Below are the details of the conditional mandatory conversions that have occurred during the first nine months of this fiscal year.

Conversion Date	Shares of Series E Stock	Conversion Price	Shares of Common Stock
April 1, 2007 redemption	250	$ 0.50	500,000
Related dividends		0.50	3,150
May 1, 2007 redemption	500	0.50	1,000,000
Related dividends		0.50	10,410
June 1, 2007 redemption	800	0.50	1,600,000
Related dividends		0.50	23,452
July 1, 2007 redemption	800	0.50	1,600,000
Related dividends		0.50	30,026
August 1, 2007 redemption	800	0.50	1,600,000
Related dividends		0.50	36,822
October 11, 2007 redemption	900	0.50	1,800,000
Related dividends		0.50	58,746
Total	4,050		

During the nine months ended December 31, 2007, certain shares met the conditions of being mandatorily redeemable based on the trailing five day stock price proceeding the assessment date. In accordance with SFAS No. 150, Accounting for Certain Instruments with Characteristics of Both Liabilities and Equity , the Company has determined that the limited redemption that during the current fiscal year met the characteristics of a liability and, therefore, were classified as a current liability in the Company s financial statements. As of March 31, 2007, $2,350,000 had met the characteristics of a liability and, therefore, was classified as a current liability in the Company s financial statements. For those shares that met the characteristics of a liability, the Company has reported the dividends earned on this portion of the Series E Stock as interest expense, in accordance with SFAS No. 150. For the nine months ended December 31, 2007, the interest expense related to Series E Stock subject to conditional mandatory redemption was $52,168 (2006 Nil).

The difference between the $0.50 per common share conversion price and the market price of the common shares on the Series E Stock conversion dates has been recorded as loss on conversion of Series E Stock in the amount of $4,464,329 for the nine months ended December 31, 2007.

On February 12, 2008, the Company was notified by the holder of the Series E Stock alleging that various defaults had occurred under the Series E Stock. As a result of this notice of default, the Company has classified all the outstanding balance of the Series E Stock as a current liability as of December 31, 2007. See Note 7 for additional discussion regarding this subsequent event related to the Series E Stock.

Note 6. Stock Options

On March 17, 2005, the Company adopted the 2005 Equity Incentive Plan (the 2005 Plan) for executives, employees and outside consultants and advisors. During the year ended March 31, 2006, the Company granted 2,300,000 stock options to various directors and consultants of the Company under the 2005 Plan. In July 2007, a prior executive of the Company forfeited 400,000 stock options under the 2005 Plan. All compensation expense

TORRENT ENERGY CORPORATION
(formerly SCARAB SYSTEMS INC.)
(An exploration stage enterprise)

Notes to Consolidated Financial Statements
December 31, 2007 and 2006
(UNAUDITED)
related to these stock options totaling $355,252 had been recognized in prior periods. As of December 31, 2007, there were 400,000 options available for grant under the 2005 Plan.

On May 10, 2006, the Company adopted the 2006 Equity Incentive Plan (the 2006 Plan) for executives, employees and outside consultants and advisors with 1,800,000 options available for grant. During the nine months ended December 31, 2007 the Company granted 260,000 stock options to two employees at an average exercise price of $.53 per share. As of December 31, 2007, there were 75,000 options remaining available for grant under the 2006 Plan.

Note 7. Subsequent Events

On February 10, 2008, the Company entered into an agreement with Gordian Group, LLC ("Gordian"), pursuant to which Gordian will act as the Company's exclusive investment banker in providing financial advisory services and presenting and evaluating potential financial transactions for the Company. As compensation for the services provided by Gordian, the Company shall, upon the completion of any financial transaction, pay to Gordian a transaction fee in the amount of: (i) up to five percent (5%) of the aggregate consideration received by the Company in connection with the completion of a financial transaction other than a reorganization or excluded transaction; or (ii) in the case of a reorganization, up to five percent (5%) of the greater of the aggregate consideration received by the Company in connection with the reorganization or the enterprise value of the Company upon completion of the reorganization. In addition to the transaction fee to be paid upon the completion of a financial transaction, the Company agreed to issue 1,250,000 shares of common stock of the Company to Gordian upon execution of the agreement. The shares will vest in three equal installments on each of March 9, 2008, April 9, 2008 and May 9, 2008 and will become fully vested immediately prior to the completion of a financial transaction.

On February 12, 2008, YA Global, the holder of the Company s Series E Stock, delivered to the Company a Notice of Default under the Series E Stock agreement, alleging that one or more defaults occurred under the Investment Agreement and related transaction documents, including: (i) the Company's failure to make mandatory redemption payments on each of November 1, 2007, December 1, 2007, January 1, 2008 and February 1, 2008; (ii) the Company's and its subsidiaries' inability to pay their debts generally as they become due; and (iii) the Company's failure to maintain the effectiveness of the registration statement filed pursuant to the Investor Registration Rights Agreement to which the Company and YA Global are parties. Based on the alleged defaults, and pursuant to the terms of the Investment Agreement and related transaction documents, YA Global demanded that the Company redeem all of YA Global's shares of Series E Convertible Preferred Stock for the full liquidation amount, plus accumulated and unpaid dividends thereon, in the aggregate amount of $22,491,147. Since November 1, 2007, the Company has been in negotiations with YA Global to amend the terms of the Series E Stock agreements. On each of November 1, 2007, December 1, 2007, January 1, 2008 and February 1, 2008, the Company believed in good faith that its failure to make the mandatory redemption payments and that its failure to maintain the effectiveness of the Registration Statement had been waived by YA Global and that, as a result of such waiver, no event of default had occurred.

Item 2. Management s Discussion and Analysis or Plan of Operations.

FORWARD LOOKING STATEMENTS

This quarterly report contains forward-looking statements as that term is defined in the Private Securities Litigation Reform Act of 1995. These statements relate to future events or our future financial performance. In some cases, you can identify forward-looking statements by terminology such as may , should , expects , plans , anticipates , b estimates , predicts , potential or continue or the negative of these terms or other comparable terminology. Th statements are only predictions and involve known and unknown risks, uncertainties and other factors, including the risks in the section entitled Risk Factors in Part II- Item 1A of this quarterly report, that may cause our Company or our industry s actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements.

Although we believe that the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Except as required by applicable law, including the securities laws of the United States, we do not intend to update any of the forward-looking statements to conform these statements to actual results.

Our consolidated financial statements are stated in United States dollars and are prepared in accordance with United States generally accepted accounting principles. The following discussion should be read in conjunction with our consolidated financial statements and the related notes that appear elsewhere in this quarterly report. All references to CDN$ refer to Canadian dollars.

As used in this quarterly report, the terms our Company , we , us and our mean Torrent Energy Corporation, and wholly owned subsidiaries, Methane Energy Corp. and Cascadia Energy Corp., unless otherwise indicated.

Company Overview

We are an exploration stage company engaged in the exploration for coalbed methane in the Coos Bay region of Oregon and in the Chehalis Basin region of Washington State. We were formed by the merger of Scarab Systems, Inc., a Nevada corporation, with iRV, Inc., a Colorado corporation, on July 17, 2002. We were initially involved in the business of providing services to the e-commerce industry. However, we ceased all activities in the e-commerce industry by the end of the fiscal year ended March 31, 2003. After two unsuccessful business acquisition transactions involving MarketEdge Direct and Catalyst Technologies, Inc., we incorporated an Oregon subsidiary company named Methane Energy Corp. on April 30, 2004 in anticipation of acquiring oil and gas properties in the State of Oregon. On May 11, 2004, Methane Energy Corp. entered into a lease purchase and sale agreement with GeoTrends-Hampton International, LLC to purchase GeoTrends-Hampton International s undivided working interest in certain oil and gas leases for the Coos Bay Basin prospect located onshore in the Coos Bay Basin of Oregon. To reflect the change in our business focus, we obtained shareholder approval on July 13, 2004 to change our name from Scarab System, Inc. to Torrent Energy Corporation.

Through one of our wholly owned subsidiaries, Methane Energy Corp., we now hold leases to approximately 118,000 acres of prospective coalbed methane lands in the Coos Bay Basin. Methane Energy Corp. operates the exploration project in the Coos Bay Basin. Through our other wholly-owned subsidiary, Cascadia Energy Corp., we are evaluating approximately 76,000 acres under private and state leases located in the Chehalis Basis.

Coos Bay Basin Exploration Prospect

The Coos Bay Basin is located along the Pacific coast in southwest Oregon, approximately 200 miles south of the Columbia River and 80 miles north of the California border. The onshore portion of the Coos Bay Basin is elliptical in outline, elongated in a north-south direction and covers over 250 square miles. More than 150,000 acres in the Coos

Bay Basin is underlain by the Coos Bay coal field and appears prospective for coalbed methane gas production. The current leasehold position owned by Methane Energy Corp. covers most of the lands believed to be prospective for coalbed methane production in the Coos Bay Basin. Additional leasing, title and curative work continues. Most areas in Coos County are accessible year-round via logging and fire control roads maintained by the county or timber companies. In addition, numerous timber recovery staging areas are present and in many cases can be modified for drill-site locations.

The Coos Bay Basin is basically a structural basin formed by folding and faulting and contains a thick section of coal-bearing sediments. Coal-bearing rocks contained within the Coos Bay Basin form the Coos Bay Coal field. Coal mining from the Coos Bay field began in 1854 and continued through the mid 1950 s. Much of the coal was shipped to San Francisco. Since mining activity ended several companies such as Sumitomo, Shell and American Coal Company have done exploratory work and feasibility studies on the Coos Bay Coal Field but no mining operations were conducted. In addition, approximately 20 exploratory oil and/or gas wells have been drilled in the Coos Bay basin over the years from 1914 to 1993. Many of these wells encountered gas shows in the coal seams that were penetrated during drilling.

Coalbeds are contained in both the Lower and Upper Member of the Middle Eocene Coaledo Formation. The coal-bearing sandstones and siltstones of the Middle Eocene Coaledo formation are estimated to form a section up to 6,400 feet thick. Total net coal thickness for the Lower Coaledo Member can range up to 70 feet and over 30 feet for the Upper Coaledo Member. Coos Bay coal rank ranges from subbituminous to high-volatile bituminous, with a heating value of 8,300 to 14,000 British Thermal Units per pound (BTU/LB.), a low sulphur content, and a moderate percentage of ash.

On October 6, 2004, a multi-hole coring program was commenced on the Methane Energy Corp. leases. Coring was needed to collect coal samples so that accurate gas content data could be measured. Cores were collected, desorption work was done on the coals and evaluation completed by mid 2005. This data, as well as other geologic information, was provided to Sproule Associates, Inc., an international reservoir engineering firm, for an independent evaluation. To date, natural gas analyses performed on samples from Methane Energy Corp. coal samples and wells indicate that the gas is pipeline quality and that the coals are fully saturated with gas. It is important to note that technically recoverable gas volumes do not necessarily qualify as proved reserves, and we have not recorded any proven reserves at any of our projects at this time.

Drilling and testing programs were then initiated at three pilot sites - Beaver Hill, Radio Hill and Westport. A total of twelve exploratory wells have been drilled. Five exploratory wells were drilled and completed at Beaver Hill; two exploratory wells were drilled at Radio Hill with one completion; and five exploratory wells were drilled at Westport with completions to be scheduled.

Natural Gas Market

Until 2005, the port of Coos Bay was one of the largest population centers on the west coast not served by natural gas. A project to bring natural gas into the region via a 52-mile, 12-inch pipeline was approved, funded by Coos County and the State of Oregon, and completed in late 2004 with gas sales beginning in early 2005. While the line is owned by Coos County, the local gas distribution company, Northwest Natural Gas, operates the line. Northwest Natural Gas serves Coos County and most of western Oregon. The pipeline and its associated distribution system represent the most likely market option for delivery of gas, if produced by Methane Energy Corp. in the future. Estimates of local Coos County market requirements are over 10 million cubic feet of gas per day initially, which represents about 10% of ultimate pipeline capacity. Excess capacity is available for additional gas input.

Coos County is also likely to benefit from new industrial, commercial and residential development as natural gas is now available. Expansion of the market is likely to bring greater demand for and value to natural gas. Because of its west coast location, Coos Bay market prices would be subject to pricing standards of the New York Mercantile Exchange for most of the year. Regional gas pricing hubs are located at Malin and Stanfield, Oregon. The closest pricing point, however, would be the Coos Bay City Gate, where Northwest Natural Gas s retail rates are set and regulated by Oregon s Public Utilities Commission. Seasonal or critical gas demand fluctuations could cause prices to exceed or fall below posted prices on a regular basis.

Exploration Objectives

The Coos Bay Basin is the southernmost of a series of sedimentary basins that are present in western Oregon and Washington west of the Cascade Range. The region containing this series of basins is generally referred to as the Puget-Willamette Trough. These basins contain thick sequences of predominantly non-marine, coal-bearing sedimentary rock sequences that are correlative in age, closely related in genesis, and very similar in many other characteristics. Methane Energy Corp. is primarily targeting natural gas from coal seams of the Coaledo Formation in the Coos Bay Basin. Secondary objectives are natural gas, and possibly oil, trapped in conventional sandstone reservoirs.

Indications of the hydrocarbon potential in the Puget-Willamette Trough are shown by natural gas production at the Mist Field in northwest Oregon, the presence of excellent quality sand reservoir development at the Jackson Prairie Gas Storage Field in southwest Washington, and numerous oil and/or gas shows from historic oil and gas exploration drilling activity.

Chehalis Basin Exploration Prospect

The Chehalis Basin is located about midway between Portland and Seattle in southwest Washington State, approximately 90 miles north of the Columbia River. The Chehalis Basin lies between the western foothills of the Cascade Range and the eastern border of the Coast Ranges and is a structurally-formed basin that contains and is flanked by a thick section of coal-bearing sediments. The coals are hosted by Lower-Middle-Upper Eocene continental sedimentary rocks. The coal-bearing Eocene sandstone and siltstone section is estimated to be approximately 6,600 feet thick.

The Chehalis Basin is more or less centered within the subbituminous and lignite coal fields of southwestern Washington. Subbituminous and lignite are various types of coal. The Centralia-Chehalis coal district lies to the north and portions of the Morton and Toledo coal fields lie to the east and south, respectively. The Centralia-Chehalis coal district is the largest of the subbituminous and lignite fields of southwestern Washington. At least 13 separate coal seams have been mined or are being mined from the district. Most coal suitable for mining has a subbituminous C rank, contains 14% to 35% moisture, 5% to 25% ash, and has a heating value ranging from 8,300 to 9,500 BTU/LB.

TransAlta currently operates a coal-fired power plant and a gas-fired power plant at their Centralia complex. The coal-fired plant produces 1,404 megawatts, enough electricity to supply a city the size of Seattle. In November 2006, the Centralia coal mine adjacent to the power plant closed due to the high cost of operations. Currently, coal to supply the gas-fired power plant is purchased primarily from Wyoming and Montana coal mines.

Coals in the Chehalis Basin are relatively thick and continuous. These coals contain a methane gas resource. Limited core and desorption work showed gas content ranging from 6 to 86 standard cubic feet per ton in the coal seams. Two seams, the Blue and the Brown , each attain thicknesses of about 40 feet. Total net coal typically approaches 75 feet and in places, exceeds 100 feet in thickness. More than 250,000 acres in the Chehalis Basin appears prospective for methane production from the coals. In addition, conventional gas potential is present.

During the 1980 s Kerr-McGee conducted a shallow coal exploration drilling program along the southwest flank of the Chehalis Basin. They encountered a number of gas shows associated with both coals and sandstones. One of the show wells was offset by Duncan Oil in 2001 and it flow tested 714 thousand cubic feet per day from a sand zone.

Our subsidiary, Cascadia Energy Corp., currently controls, through lease options and oil and gas leases, approximately 76,000 acres in the Chehalis Basin. We are also exploring lease opportunities for additional acres and have identified specific leasehold ownership positions falling within our Chehalis Basin exploration prospect area. Access to virtually all areas in our Chehalis Basin project area is excellent year-round via logging and fire control roads maintained by the forest service or the timber industry. Likewise, numerous potential drill-site locations are already constructed as timber recovery staging areas and may be available to be utilized in the initial testing phase of the drilling program.

Natural Gas Market

Our Chehalis Basin project area is located in close proximity to the Interstate 5 corridor that parallels the route of the principal interstate pipeline providing natural gas to utility, commercial and industrial customers in Washington and Oregon. With anticipated declines in Canadian-sourced natural gas, we believe that robust markets will exist for any gas produced from the Chehalis Basin. Because of its west coast location and ready connection to a major interstate pipeline, Chehalis Basin market prices would be subject to pricing standards of the New York Mercantile Exchange for most of the year. Regional gas pricing hubs are located at Malin and Stanfield, Oregon. However, seasonal or critical gas demand fluctuations could cause prices to exceed or fall below posted prices on a regular basis.

Exploration Objectives

The Chehalis Basin is located towards the northern end of a series of sedimentary basins that are present in Oregon and Washington west of the Cascade Range. The region containing this series of basins is generally referred to as the Puget-Willamette Trough. These basins contain thick sequences of predominantly non-marine, coal-bearing sedimentary rock sequences that are correlative in age, closely related in genesis, and very similar in many characteristics. Cascadia Energy Corp. is primarily targeting natural gas from coal seams of the Cowlitz Formation in the Chehalis Basin. Secondary objectives are natural gas, and possibly oil, trapped in conventional sandstone reservoirs.

Indications of the hydrocarbon potential in the Puget-Willamette Trough are shown by natural gas production at the Mist Field in northwest Oregon, the presence of excellent quality sand reservoir development at the Jackson Prairie Gas Storage Field in southwest Washington, and numerous oil and/or gas shows from historic oil and gas exploration drilling activity.

PLAN OF OPERATIONS AND CASH REQUIREMENTS

We will require additional funds to sustain and expand our oil and gas exploration activities, as well as effectively support our operations and to otherwise implement our overall business strategy. The continuation of our business is dependent on obtaining further financing, positive results from exploratory activities, and achieving a profitable level of business. Currently, we are seeking partners to assist in the development of certain of our properties which would dilute our interest in those properties. We are also seeking additional financing which could dilute our existing shareholders interests, or we may sell certain interests in our properties outright. On February 14, 2008 the Company announced it has retained the investment banking firm Gordian Group, LLC to assist the Company in raising additional capital and reviewing potential strategic business alternatives.

There are no assurances that we will be able to obtain further funds required for our continued operations. As noted herein, we are pursuing various financing alternatives to meet our immediate and long-term financial requirements. There can be no assurance that additional financing will be available when needed or, if available, that it can be obtained on commercially reasonable terms. If we are not able to obtain the additional financing on a timely basis, we will be unable to conduct our operations as planned, and we will not be able to meet our other obligations as they become due. In such event, we will be forced to scale down or perhaps even cease our operations. Further, there can be no assurance that our exploration will result in any commercial findings of oil and gas. If at any stage we determine that it is not expected that our properties can be commercially developed, we may abandon further development work and our interests in the properties.

Land Acquisition and Exploration Activities

We currently lease approximately 118,000 acres in the Coos Bay Basin of Oregon and 60,720 acres in the Chehalis Basin of Washington with up to an additional 15,280 acres in the Chehalis Basin subject to lease option agreements.

We are planning to continue a drilling and exploration program in the Coos Bay Basin. Based on existing data, which provided substantial subsurface information and substantive indications of economic viability, we are planning to continue our current completion program and extend our drilling program during fiscal 2008 and fiscal 2009. Contingent upon successful completion results, we plan to connect any producing wells to the Coos County pipeline.

We also plan to continue our exploratory activities in the Chehalis Basin area with the drilling of stratagraphic and pilot wells 2008 and 2009. Retrieval, analysis and testing of core samples obtained from these wells will provide a basis for structuring a plan for a potential resource development program.

LIQUIDITY AND CAPITAL RESOURCES

Over the past year the Company has been searching for new sources of capital, which is necessary to fund a fracing program and other pre-production operations. In recent months we have pursued a number of prospective joint-venture opportunities, and have engaged in detailed negotiations with our largest financial sponsor, YA Global Investments, L.P. (formerly Cornell Capital). To date we have been unable to conclude a new financing agreement that management and our board of directors believe is in the best long-term interest of the Company and all our shareholders. Our Company's principal cash requirements are for exploration expenses which we anticipate will rise as we proceed to determine the feasibility of developing our future property interests.

Our cash on hand was $171,128 as of December 31, 2007, compared to $5,941,577 at March 31, 2007. At December 31, 2007, we had a working capital deficit of $22,084,403 including $20,950,000 of Series E Stock reported as current liabilities as compared to a working capital surplus of $3,071,530 at March 31, 2007. Continuation of our current operations is contingent on obtaining additional funding. During the fiscal year ended March 31, 2007, we received net proceeds of $23,115,000 from the issuance of shares of our Series E preferred stock.

On February 12, 2008, we received from YA Global a Notice of Default under the Investment Agreement we entered into with YA Global on June 28, 2006, alleging that one or more defaults occurred under the Investment Agreement and related transaction documents, including: (i) our failure to make mandatory redemption payments on each of November 1, 2007, December 1, 2007, January 1, 2008 and February 1, 2008; (ii) our and our subsidiaries' inability to pay their debts generally as they become due; and (iii) our failure to maintain the effectiveness of the registration statement filed pursuant to the Investor Registration Rights Agreement. Based on the alleged defaults, and pursuant to the terms of the Investment Agreement and related transaction documents, YA Global demanded that we redeem all of YA Global's shares of Series E Convertible Preferred Stock for the full liquidation amount, plus accumulated and unpaid dividends thereon, in the aggregate amount of $22,491,147.

During the nine months ended December 31, 2007, we expended cash of $2,915,870 on our Coos Bay and Chehalis Basin projects compared to $7,680,198 during the nine months ended December 31, 2006. Expenditures on the Coos Bay project for the nine months ended December 31, 2007 were $1,991,802 (2006 - $7,365,114) and included $74,813 (2006 - $215,890) in seismic and lease costs, $1,821,163 (2006 - $6,819,262) in drilling costs and $95,826 (2006 - $329,962) for geological and geophysical costs.

During the nine months ended December 31, 2007, cash expenditures for our Chehalis Basin project totaled $924,068 (2006 - $315,084) and included $317,265 (2006 - $267,187) for seismic and lease costs, $546,875 (2006 -$7,358) in drilling costs and $59,928 (2006 - $40,539) for geological and geophysical costs. The Chehalis Basin expenditures are net of the 40% participation by our joint venture partner.

Continuation of our current operations is contingent upon obtaining additional funding.

Series E Convertible Preferred Shares

We are authorized to issue up to 25,000 shares of Series E preferred stock (par value $0.01) . On June 28, 2006, we closed a private placement of Series E Convertible Preferred Stock at $1,000 per share for 25,000 shares. Our Series E Convertible Preferred Stock is non-voting, carries a cumulative dividend rate of 5% per year, and is convertible into shares of common stock at any time by dividing the dollar amount being converted by $2.50. The holder of the Series E Convertible Preferred Stock may only convert up to 1,250 Series E Convertible Preferred Stock into common shares in any 30 day period. We may, in our discretion, waive this conversion limitation; and this conversion limitation shall not apply upon the occurrence and continuance of an event of default. We are also required to redeem a certain amount of Series E Convertible Preferred Stock each month starting the month after a registration statement covering the shares of common stock into which the Series E Convertible Preferred Stock is convertible becomes effective or December 1, 2006, whichever is earlier. If the closing trading price of our common stock exceeds $2.50 for the five consecutive trading days immediately before a redemption date, then we will not need to make the redemption. We may elect to pay for the redemption of Series E Convertible Preferred Stock by cash or through issuance of our common stock. If we choose to pay for the redemption of Series E Convertible Preferred Stock in cash, we will need to pay the liquidation amount of the Series E Convertible Preferred Stock to be redeemed plus a 20% redemption premium. If we choose to pay for the redemption of Series E Convertible Preferred Stock through issuance of our common stock, the number of shares of our common stock to be issued is determined by dividing the liquidation amount of the Series E Convertible Preferred Stock to be redeemed by $1.67. However, if the closing trading price of our common stock as of the redemption date falls below $1.67, we will not be allowed to pay for the redemption through issuance of our common stock.

As a condition of the private placement, we agreed to file a registration statement registering up to 15,000,000 shares of common stock in order to receive all of the proceeds of the private placement. The Series E Convertible Preferred Stock investor modified this requirement to initially register 10,000,000 shares of common stock. On February 9, 2007, the registration statement was filed and approved by the Securities and Exchange Commission; and we have received all of the proceeds related to the private placement. Since the Company has not filed a post effective amendment, on November 9, 2007, this registration statement became ineffective as the information contained therein did not include the latest available certified financial statements as of a date not more than 16 months old.

The first conditional mandatory redemption payment was due on December 1, 2006 with additional payments due on the first trading day of each subsequent month in an amount sufficient to ratably retire the Series E Convertible Preferred Stock over the period ending August 1, 2008. The Series E Convertible Preferred Stock investor chose to waive the monthly conditional mandatory redemption payments otherwise due on December 1, 2006 through March 31, 2007. Subsequent to March 31, 2007 and through October 1, 2007, the Series E Convertible Preferred Stock investor elected, in lieu of a cash payment, to accept conditional mandatory redemptions, totaling $4,050,000 plus accrued and unpaid dividends, all of which were converted into 8,262,606 shares of our common stock at a conversion rate of $0.50 per share. Please refer to Note 5 and Note 7 to our unaudited consolidated financial statements.

In accordance with the Financial Accounting Standards Board Statement of Financial Accounting Standards (SFAS) No. 150, Accounting for Certain Instruments with Characteristics of Both Liabilities and Equity, we have determined that all conditional mandatory redemptions during the current fiscal year have met the characteristics of a liability and, therefore, were classified as a current liability in our financial statements . Subsequent to March 31, 2007 and prior to the issuance of these financial statements, we and the investor agreed to a limited redemption of 4,050 shares of the Series E Stock as a negotiated settlement to the conditional mandatory redemption provisions that would have required cash redemption payments of $19,411,765 for 16,176 shares of Series E Stock plus accrued dividends. The difference between the $0.50 per common share conversion price and the market price of the common shares on the Series E Stock conversion dates has been recorded as loss on conversion of Series E Stock in the amount of $4,464,329 for the nine months ended December 31, 2007.

On February 12, 2008, YA Global, the holder of the Company s Series E Stock, delivered to the Company a Notice of Default under the Series E Stock agreement, alleging that one or more defaults have occurred including: (i) the Company's failure to make mandatory redemption payments on each of November 1, 2007, December 1, 2007, January 1, 2008 and February 1, 2008; (ii) the Company's and its subsidiaries' inability to pay their debts generally as they become due; and (iii) the Company's failure to maintain the effectiveness of the registration statement filed pursuant to the Investor Registration Rights Agreement to which the Company and YA Global are parties. Based on the alleged defaults, and pursuant to the terms of the Investment Agreement and related transaction documents, YA Global demanded that the Company redeem all of YA Global's shares of Series E Convertible Preferred Stock for the full liquidation amount, plus accumulated and unpaid dividends thereon, in the aggregate amount of $22,491,147. Since November 1, 2007, the Company has been in negotiations with YA Global to amend the terms of the Series E

Stock agreement. On each of November 1, 2007, December 1, 2007, January 1, 2008 and February

1, 2008, the Company believed in good faith that its failure to make the mandatory redemption payments had been waived by YA Global and that, as a result of such waiver, no event of default had occurred.

Additional Financing

We require additional financing in order to complete our stated plan of operations for the next twelve months. There can be no assurance, however, that such financing will be available or, if it is available, that we will be able to structure such financing on terms acceptable to us and that it will be sufficient to fund our cash requirements until we can reach a level of profitable operations and positive cash flows. If we are unable to obtain the financing necessary to support our operations, we will be unable to continue as a going concern. We currently have no firm commitments for any additional capital, and continuation of our current operations is in jeopardy.

On February 10, 2008, we entered into an agreement with Gordian Group, LLC ("Gordian"), pursuant to which Gordian will act as our exclusive investment banker in providing financial advisory services and presenting and evaluating potential financial transactions for us. As compensation for the services provided by Gordian, we shall, upon the completion of any financial transaction, pay to Gordian a transaction fee in the amount of: (i) up to five percent (5%) of the aggregate consideration received by us in connection with the completion of a financial transaction other than a reorganization or excluded transaction; or (ii) in the case of a reorganization, up to five percent (5%) of the greater of the aggregate consideration received by us in connection with the reorganization or the enterprise value of the Company upon completion of the reorganization. In addition to the transaction fee to be paid upon the completion of a financial transaction, we agreed to issue 1,250,000 shares of our common stock to Gordian upon execution of the agreement. The shares will vest in three equal installments on each of March 9, 2008, April 9, 2008 and May 9, 2008 and will become fully vested immediately prior to the completion of a financial transaction.

The trading price of our shares of common stock and a downturn in the United States stock and debt markets could make it more difficult to obtain financing through the issuance of equity or debt securities. Even if we are able to raise the funds required, it is possible that we could incur unexpected costs and expenses, fail to collect significant amounts owed to us, or experience unexpected cash requirements that would force us to seek alternative financing. Further, if we issue additional equity or debt securities, stockholders may experience additional dilution or the new equity securities may have rights, preferences or privileges senior to those of existing holders of our shares of common stock. If additional financing is not available or is not available on acceptable terms, we will have to curtail our operations.

RESULTS OF OPERATIONS

As we have remained in the early stages of development, we have not yet generated any revenues from our operations.

The results of operations include the results of our Company and its wholly owned subsidiaries, Methane Energy Corp. and Cascadia Energy Corp., for the three- and nine-month periods ended December 31, 2007 and 2006. During the three and nine month periods ended December 31, 2007 and 2006, our Company performed all of the administrative operations while the subsidiaries, Methane Energy Corp. and Cascadia Energy Corp., held the interests in the leases and operated the Coos Bay project and Chehalis Basin project, respectively.

For the Three Months Ended December 31, 2007 Compared to the Three Months Ended December 31, 2006

Operating expenses declined during the current three month period as compared to the same period last year primarily as a result of reduced stock based compensation, employee expenses and consulting expenses. Other less significant operating expense variances during the current three month period compared to the prior year quarter included reduced investor relations, accounting and legal and office expense, partially offset by higher losses from inventory write-downs.

Total operating expenses declined $983,918 for the three months ended December 31, 2007 when compared to same period one year earlier. A significant change occurred in stock based compensation which declined $604,242 reflecting both fewer option grants during the current period as well as a decline in the stock based compensation expense as a result of grants in prior years for which compensation expense has now been fully recognized.

Employee payroll expense decreased by $128,312 on a year-over-year basis for the quarter with consulting expense declining by $121,945 on the same basis. An decrease in the number of employees accounted for the decline in employee and travel expenses. Consulting expense declined as a result of reduced operating activities. Investor relations expense declined by $63,089 due to the prior period including increased investor communication efforts.

Directors fees declined $30,000 as a result of the directors electing to forego payments during the most recent period as compared to the same period last year. The Company also recognized a $160,216 write-down of obsolete inventory to its estimated salvage value. Legal and accounting expense declined by $49,180 with a decline in related activities associated with the Series E Preferred Stock funding that occurred in the previous period.

Our interest income declined by $106,798 as both our cash balances for the current three month period were significantly less than the same period last year. We recorded $353,162 of loss on conversion of Series E Stock for the three months ended December 31, 2007, reflecting the difference between the $0.50 per common share conversion price and the market price of the common shares on the Series E Stock conversion dates.

We recorded $262,887 in dividend expense related to our Series E Stock during the current quarter as compared to $220,547 in dividend expense for the Series E Stock during the same period in the preceding year. In addition we also accrued $1,140 for dividend interest expense on the conditional mandatory redemption requirements recorded for our Series E Stock (see Notes 5 to the unaudited consolidated financial statements).

We recorded a net loss applicable to common stockholders of $(973,461) for the three months ended December 31, 2007, compared with a net loss of $(1,497,419) for the three months ended December 31, 2006.

For the Nine Months Ended December 31, 2007 Compared to the Nine Months Ended December 31, 2006

Operating expenses declined during the most current nine month period as compared to the same period last year primarily as a result of reduced stock compensation and consulting expenses. Other less significant operating expense variances during the current nine month period compared to the comparable prior year period included employee expenses, accounting and legal, investor relations, and lease rentals expenses.

Total operating expenses declined $2,283,985 for the nine months ended December 31, 2007 when compared to same period one year earlier. The largest change occurred in stock-based compensation which declined $1,512,221 reflecting both fewer option grants during the current period as well as a decline in the stock based compensation expense as a result of grants in prior years for which compensation expense has now been fully recognized.

Employee payroll expenses increased by $216,354 on a year-over-year basis for the quarter with consulting expense declining by $653,601 on the same basis. An increase in the number of employees accounted for the increased employee expense with only clerical personnel having received salary increases since their respective hire dates. Consulting expense declined as more of the functions previously performed by outside consultants have been assumed by full-time employees.

Investor relations expenses declined by $224,967 due to the prior period including increased investor communication efforts. Lease rental expense declined $101,624 as a consequence of the absence of recurring lease rentals during the most recent period as compared to the prior year. Directors fees increased $12,500 as a result of three additional independent directors serving during the most recent period as compared to the same period last year. The Company also recognized a $231,356 write-down of obsolete inventory to its estimated salvage value.

Legal and accounting expense declined by $165,234 with a decline in related activities associated with the Series E Preferred Stock funding that occurred in the previous period, while insurance expense increase by $56,073 as a result of expanded coverages.

Interest income declined by $159,237 as cash balances for the current nine month period were significantly less than the same period last year.

We recorded $4,464,329 of loss on conversion of Series E Stock for the nine months ended December 31, 2007, reflecting the difference between the $0.50 per common share conversion price and the market price of the common shares on the Series E Stock conversion dates.

We recorded $791,689 in dividend expense related to our Series E Stock during the current nine month period as compared to $393,562 in dividend expense for our Series C and Series E stock during the same period in the preceding year. The prior year s period also reflected $710,110 in dividend accretion of the Series C Stock beneficial conversion feature with an offsetting amount recorded as additional paid-in capital. In addition we also accrued $52,168 for dividend interest expense on the conditional mandatory redemption requirements recorded for our Series E Stock (see Notes 5 to the unaudited consolidated financial statements).

We recorded a net loss applicable to common stockholders of $(8,138,892) for the nine months ended December 31, 2007, compared with a net loss of $(6,146,564) for the nine months ended December 31, 2006.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Interest Rate and Credit Rating Risk

As of December 31, 2007, we had $117,128 in cash, cash equivalents and short term investments, of which $119,465 was held in our operating accounts and $51,663 was invested in time deposits with 30-day maturities. Based on sensitivity analyses performed on the financial instruments held as of December 31, 2007, an immediate 10% change in interest rates is not expected to have a material effect on our near term financial condition or results.

Commodity Price Risk

As of December 31, 2007, we have no coalbed methane gas production. At such time as we do record commercial production volumes of coalbed methane gas, we will be subject to commodity price risk related to the sale of such production. Prospectively, commodity prices received for our production will be based on spot prices applicable to natural gas, which are volatile, unpredictable, and beyond our control. Accordingly until such time as we establish measurable production volumes, our vulnerability to fluctuations in the price of natural gas is negligible.

Exchange Rate Sensitivity

As of December 31, 2007, our suppliers bill us for drilling and other operating costs almost exclusively in U.S. dollars. Accordingly, a 10% change in the U.S./Canadian exchange rate is not expected to have a material effect on our near term financial condition or results.

Item 4. Controls and Procedures

As required under the Securities Exchange Act of 1934, as of the end of the period covered by this quarterly report, being December 31, 2007, we have carried out an evaluation of the effectiveness of the design and operation of our company s disclosure controls and procedures. This evaluation was carried out under the supervision and with the participation of our Company s management, including our Company s president and chief executive officer and our chief financial officer. Based upon that evaluation, our Company s president and chief executive officer and our chief financial officer concluded that our Company s disclosure controls and procedures are effective as at the end of the period covered by this report. There have been no changes in our internal controls over financial reporting that have materially affected, or are reasonably likely to materially affect our internal controls over financial reporting.

Disclosure controls and other procedures are designed to ensure that information required to be disclosed in our reports filed or submitted under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported, within the time period specified in the Securities and Exchange Commission s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in our reports filed under the Securities Exchange Act of 1934 is accumulated and communicated to management, including our president and chief executive officer and our chief financial officer as appropriate, to allow timely decisions regarding required disclosure.

PART II   OTHER INFORMATION

Item 1. Legal Proceedings.

We know of no material, active or pending legal proceedings against us, nor are we involved as a plaintiff in any material proceedings or pending litigation. There are no proceedings in which any of our directors, officers or affiliates, or any registered beneficial shareholder are an adverse party or has a material interest adverse to us.

Item 1A. Risk Factors.

Much of the information included in this quarterly report includes or is based upon estimates, projections or other forward-looking statements. Such forward-looking statements include any projections or estimates made by us and our management in connection with our business operations. These include (i) the potential prospective for coalbed methane and conventional natural gas production in the Coos Bay Basin and the Chehalis Basin, (ii) the potential pipeline capacity in the port of Coos Bay area, and (iii) greater market for natural gas in Coos County and the Pacific Northwest region in general. While these forward-looking statements, and any assumptions upon which they are based, are made in good faith and reflect our current judgment regarding the direction of our business, actual results will almost always vary, sometimes materially, from any estimates, predictions, projections, assumptions, or other future performance suggested herein. We undertake no obligation to update forward-looking statements to reflect events or circumstances occurring after the date of such statements.

Such estimates, projections or other forward-looking statements involve various risks and uncertainties as outlined below. We caution readers of this quarterly report that important factors in some cases have affected and, in the future, could materially affect actual results and cause actual results to differ materially from the results expressed in any such estimates, projections or other forward-looking statements. In evaluating us, our business and any investment in our business, readers should carefully consider the following factors.

Risks Relating to Our Business:

Our independent auditors have expressed substantial doubt about our ability to continue as a going concern, which may hinder our ability to obtain future financing.

In their report dated July 2, 2007, our independent auditors stated that our consolidated financial statements for the fiscal year ended March 31, 2007 were prepared assuming that we would continue as a going concern. Our ability to continue as a going concern is an issue raised as a result of recurring losses from operations and periodic working capital deficiencies. Our ability to continue as a going concern is subject to our ability to obtain necessary funding from outside sources, including obtaining additional funding from the sale of our securities. Our continued net operating losses increase the difficulty in meeting such goals and there can be no assurances that such funding methods will prove successful. Absent additional funding, continuation of our current operations is in jeopardy.

We have a history of losses that may continue, which may negatively impact our ability to achieve our business objectives.

We have accumulated a deficit of $24,784,667 to December 31, 2007 and incurred net losses applicable to common shareholders of $7,765,427 for the fiscal year ended March 31, 2007; and $5,295,572 for the fiscal year ended March 31, 2006. We cannot assure you that we can achieve or sustain profitability on a quarterly or annual basis in the future. Our operations are subject to the risks and competition inherent in the establishment of a business enterprise. There is no assurance that future operations will be profitable. We may not achieve our business objectives and the failure to achieve such goals would have an adverse impact on us.

We have received a notice of default from our largest financial sponsor, YA Global Investments, L.P., and may be required to pay redemption amounts of over $22,491,147 if we are not successful in our further negotiation with YA Global Investments, L.P. If we are unable to reach new agreements with YA Global or obtain additional funding, *our business operations will be seriously harmed; and if we do obtain additional financing, our then existing shareholders may suffer substantial dilution.*

On February 12, 2008, we received a notice of default from YA Global alleging one or more defaults occurred under the Investment Agreement we entered into with YA Global on June 28, 2006 and demanding that we pay redemption amount of over $22,491,147. If we are not successful in our further negotiation with YA Global Investments, L.P., or obtain additional funding, our business operations will be seriously harmed. We also require additional funds to sustain and expand our oil and gas exploration activities. Additional capital will be required to effectively support our operations and to implement our business strategy. There can be no assurance that financing will be available in amounts or on terms acceptable to us, if at all. The inability to obtain additional capital will restrict our ability to grow and inhibit our ability to continue to conduct business operations. If we are unable to obtain additional financing, we will likely be required to curtail our exploration plans and cease our operations. Any additional equity financing may result in substantial dilution to our then existing shareholders.

We have a limited operating history and if we are not successful in continuing to grow our business, then we may have to scale back or even cease our ongoing business operations.

Our Company has a limited operating history in the business of oil and gas exploration and must be considered to be an exploration stage Company. We have no history of revenues from operations and have no significant tangible assets. We have yet to generate positive earnings and there is no assurance that we will ever operate profitably. Our success is significantly dependent on successful lease acquisition, drilling, completion and production programs. Our operations will be subject to all the risks inherent in the establishment of a developing enterprise and the uncertainties arising from the absence of a significant operating history. We may be unable to locate recoverable reserves or operate on a profitable basis. We are in the exploration stage and potential investors should be aware of the difficulties normally encountered by enterprises in the exploration stage. If our business plan is not successful, and we are not able to operate profitably, investors may lose some or all of their investment in our Company.

If we are unable to retain the services of Mr. Carlson and other senior executives or if we are unable to successfully recruit qualified managerial and field personnel having experience in oil and gas exploration, we may not be able to continue our operations.

Our success depends to a significant extent upon the continued service of Mr. John Carlson, our president and chief executive officer, and a director. Loss of the services of Mr. Carlson could have a material adverse effect on our growth, revenues, and prospective business. We do not maintain key-man insurance on the life of Mr. Carlson. In addition, in order to successfully implement and manage our business plan, we will be dependent upon, among other things, successfully recruiting qualified managerial and field personnel who have experience in the oil and gas exploration industry. Competition for qualified individuals is intense. There are no assurances that we will be able to find and attract new employees; or to retain existing employees; or to find, attract and retain qualified personnel on acceptable terms.

As our properties are in the exploration and development stage, there is no assurance that we will establish commercially exploitable discoveries on our properties.

Exploration for economic reserves of oil and gas is subject to a number of risk factors. Few properties that are explored are ultimately developed into producing oil and/or gas wells. Our properties are in the exploration stage only and are without proven reserves of oil and gas. We may not establish commercially exploitable discoveries on any of our properties; and we may never have profitable operations.

We are unsure about the likelihood that we will discover and establish a profitable production of gas from coal seams in the Coos Bay or Chehalis Basin regions.

Currently, there is no commercial production of coal in the state of Oregon or Washington. Additionally, no coalbed methane gas production exists either in Washington or Oregon. Coalbed methane gas only accounts for a small percentage of all natural gas production in the United States. The closest coalbed methane production to the Coos Bay and Chehalis Basin occurs in the state of Wyoming. As a result, it is unlikely that we will discover any significant amount of coalbed methane in the Coos Bay or Chehalis Basins or be able to establish wells that will produce a profitable amount of coalbed methane gas.

Even if we are able to discover commercially exploitable resources on any of the properties on which we hold an interest, we may never achieve profitability or may not receive an adequate return on invested capital because the potential profitability of oil and gas ventures depends upon factors beyond the control of our Company.

The potential profitability of oil and gas properties is dependent upon many factors beyond our control. For instance, world prices and markets for oil and gas are unpredictable, highly volatile, potentially subject to governmental fixing, pegging, controls or any combination of these and other factors, and respond to changes in domestic, international, political, social and economic environments. Additionally, due to worldwide economic uncertainty, the availability and cost of funds for production and other expenses have become increasingly difficult, if not impossible, to project. In addition, adverse weather conditions can also hinder drilling operations. These changes and events may materially affect our future financial performance. These factors cannot be accurately predicted and the combination of these factors may result in our Company not receiving an adequate return on invested capital.

Even if we are able to discover and complete a gas well, there can be no assurance the well will become profitable.

We have not yet established a commercially viable coalbed methane gas resource. Even if we are able to do so, a productive well may become uneconomic in the event water or other deleterious substances are encountered which impair or prevent the production of oil and/or gas from the well. In addition, production from any well may be unmarketable if it is impregnated with water or other deleterious substances. In addition, the marketability of oil and gas which may be acquired or discovered will be affected by numerous factors, including the proximity and capacity of oil and gas pipelines and processing equipment, market fluctuations of prices, taxes, royalties, land tenure, allowable production and environmental protection, all of which could result in greater expenses than revenue generated by the well.

The oil and gas industry is highly competitive and there is no assurance that we will be successful in acquiring more leases.

The oil and gas industry is intensely competitive. We compete with numerous individuals and companies, including many major oil and gas companies that have substantially greater technical, financial and operational resources. Accordingly, there is a high degree of competition for desirable oil and gas leases, for suitable properties for drilling operations, for necessary drilling equipment, as well as for access to funds. We cannot predict if the necessary funds can be raised or that any projected work will be completed. Our budget anticipates our acquiring additional leases for acreage in both the Coos Bay and Chehalis Basins. This acreage may not become available or, if it is available for leasing, we may not be successful in acquiring clear title to the leases. If we do not acquire the leases, we will not be able to completely fulfill our current business plan. Failure to carry out our business plan may reduce the likelihood of achieving profitable operations and may discourage investors from investing in our Company. If these things happen, we may not be able to raise additional funds when we need them and we may have to cease operations.

The marketability of natural resources will be affected by numerous factors beyond our control that may result in us not receiving an adequate return on invested capital to be profitable or viable.

The marketability of natural resources that may be acquired or discovered by us will be affected by numerous factors beyond our control. These factors include market fluctuations in oil and gas pricing and demand, the proximity and capacity of natural resource markets and processing equipment, governmental regulations, land lease tenure, land use, regulation concerning the importing and exporting of oil and gas, and environmental protection regulations. The exact effect of these factors cannot be accurately predicted, but the combination of these factors may result in us not receiving an adequate return on invested capital to be profitable or viable.

Oil and gas operations are subject to comprehensive regulations that may cause substantial delays or require capital outlays in excess of those anticipated causing an adverse effect on our Company.

Oil and gas operations are subject to federal, state, and local laws relating to the protection of the environment, including laws regulating removal of natural resources from the ground and the discharge of materials into the environment. Oil and gas operations are also subject to federal, state, and local laws and regulations that seek to maintain health and safety standards by regulating the design and use of drilling methods and equipment. Various permits from government bodies are required for drilling operations to be conducted; no assurance can be given that such permits will be granted. Environmental standards imposed by federal, state, or local authorities may be changed, and any such changes may have material adverse effects on our activities. Moreover, compliance with such laws may cause substantial delays or require capital outlays in excess of those anticipated, thus causing an adverse effect on our business operations. Additionally, we may be subject to liabilities for pollution or other environmental damages. We believe that our operations comply, in all material respects, with all applicable environmental and health and safety regulations. To date, we have not been required to spend any material amounts on compliance with environmental and health and safety regulations. However, we may be required to do so in the future and this may affect our ability to expand or maintain our operations. Our operating partners maintain insurance coverage customary to the industry; however, we are not fully insured against all possible environmental and health and safety risks.

Oil and gas exploration and production activities are subject to certain environmental regulations that may prevent or delay the commencement or continuation of our operations.

In general, our oil and gas exploration and production activities are subject to certain federal, state and local laws and regulations relating to environmental quality and pollution control. Such laws and regulations increase the costs of these activities and may prevent or delay the commencement or continuation of a given operation. Compliance with these laws and regulations has not had a material effect on our operations or financial condition to date. Specifically, we are subject to legislation regarding emissions into the environment, water discharges and storage and disposition of hazardous wastes. In addition, legislation has been enacted which requires well and facility sites to be abandoned and reclaimed to the satisfaction of state authorities. However, such laws and regulations are frequently changed and we are unable to predict the ultimate cost of compliance. Generally, environmental requirements do not appear to affect us any differently or to any greater or lesser extent than other companies in the industry. We believe that our operations comply, in all material respects, with all applicable environmental regulations. Our operating partners maintain insurance coverage customary to the industry; however, we are not fully insured against all possible environmental risks.

Exploratory drilling involves many risks and we may become liable for pollution or other liabilities that may have an adverse effect on our financial position.

Drilling operations generally involve a high degree of risk. Hazards such as unusual or unexpected geological formations, power outages, labor disruptions, blow-outs, sour gas leakage, fire, inability to obtain suitable or adequate machinery, equipment or labor, and other risks are involved. We may become subject to liability for pollution or hazards against which we cannot adequately insure or against which we may elect not to insure. Incurring any such liability may have a material adverse effect on our financial position and operations.

There are a large number of shares issuable upon conversion or redemption of our Series E Convertible Preferred Stock and the sale of these shares may depress the market price of our common stock.

As of February 14, 2008, we had 41,732,547 shares of common stock issued and outstanding and 20,950 shares of Series E Convertible Preferred Stock outstanding. In addition, we may be obligated to issue up to 45,000,000 shares of our common stock upon conversion or redemption of the outstanding Series E Convertible Preferred Stock. The sale of these shares may adversely affect the market price of our common stock.

The issuance of shares upon conversion or redemption of the Series E Convertible Preferred Stock may cause immediate and substantial dilution to our existing stockholders.

The issuance of shares upon conversion or redemption of the Series E Convertible Preferred Stock may result in substantial dilution to the interests of other stockholders since we may choose to pay for our redemption of the Series E Convertible Preferred Stock through issuance of our common stock and the selling stockholders may also choose to convert and sell the full amount issuable on conversion. The upper limit of the number of shares of our common stock that may be issued from conversion or redemption of Series E Convertible Preferred Stock in the event of default is approximately 45,000,000 shares, which will have the effect of further diluting the proportionate equity interest and voting power of holders of our common stock.

Risks Relating to Our Shares of Common Stock:

If we fail to remain current in our reporting requirements, we could be removed from the OTC Bulletin Board which would limit the ability of broker-dealers to sell our securities and the ability of stockholders to sell their securities in the secondary market.

Companies trading on the OTC Bulletin Board, such as us, must be reporting issuers under Section 12 of the Securities Exchange Act of 1934, as amended, and must be current in their reports under Section 13, in order to maintain price quotation privileges on the OTC Bulletin Board. If we fail to remain current on our reporting requirements, we could be removed from the OTC Bulletin Board. As a result, the market liquidity for our securities could be severely adversely affected by limiting the ability of broker-dealers to sell our securities and the ability of stockholders to sell their securities in the secondary market.

Our shares of common stock is subject to the penny stock rules of the Securities and Exchange Commission and the trading market in our securities is limited, which makes transactions in our shares of common stock cumbersome and may reduce the value of an investment in our shares of common stock.

The Securities and Exchange Commission has adopted Rule 15g 9 which establishes the definition of a penny stock, for the purposes relevant to us, as any equity security that has a market price of less than $5.00 per share or with an exercise price of less than $5.00 per share, subject to certain exceptions. For any transaction involving a penny stock, unless exempt, the rules require:

- that a broker or dealer approve a person s account for transactions in penny stocks; and
- the broker or dealer receives from the investor a written agreement to the transaction, setting forth the identity and quantity of the penny stock to be purchased.

In order to approve a person s account for transactions in penny stocks, the broker or dealer must:

- obtain financial information and investment experience objectives of the person; and
- make a reasonable determination that the transactions in penny stocks are suitable for that person and the person has sufficient knowledge and experience in financial matters to be capable of evaluating the risks of transactions in penny stocks.

The broker or dealer must also deliver, prior to any transaction in a penny stock, a disclosure schedule prescribed by the Securities and Exchange Commission relating to the penny stock market, which, in highlight form:

- sets forth the basis on which the broker or dealer made the suitability determination; and
- that the broker or dealer received a signed, written agreement from the investor prior to the transaction.

Generally, brokers may be less willing to execute transactions in securities subject to the penny stock rules. This may make it more difficult for investors to dispose of our shares of common stock and cause a decline in the market value of our shares of common stock.

Disclosure also has to be made about the risks of investing in penny stocks in both public offerings and in secondary trading and about the commissions payable to both the broker-dealer and the registered representative, current quotations for the securities and the rights and remedies available to an investor in cases of fraud in penny stock transactions. Finally, monthly statements have to be sent disclosing recent price information for the penny stock held in the account and information on the limited market in penny stocks.

National Association of Securities Dealers Inc. sales practice requirements may also limit a stockholder s ability to buy and sell our shares of common stock.

In addition to the penny stock rules described above, the National Association of Securities Dealers Inc. has adopted rules that require that in recommending an investment to a customer, a broker-dealer must have reasonable grounds for believing that the investment is suitable for that customer. Prior to recommending speculative low priced securities to their non-institutional customers, broker-dealers must make reasonable efforts to obtain information about the customer s financial status, tax status, investment objectives and other information. Under interpretations of these rules, the National Association of Securities Dealers Inc. believes that there is a high probability that speculative low priced securities will not be suitable for at least some customers. The National Association of Securities Dealers Inc. requirements make it more difficult for broker-dealers to recommend that their customers buy our shares of common stock, which may limit your ability to buy and sell our shares of common stock and have an adverse effect on the market for its shares.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

In the fiscal quarter ended December 31, 2007, we issued a total of 1,858,746 shares of common stock to our Series E Convertible Preferred Stock investor as a result of its election to accept conditional mandatory redemption of our Series E Convertible Preferred Stock. The issuance of these shares of common stock to our Series E Convertible Preferred Stock investor was effected pursuant to Section 3(a)(9) of the Securities Act of 1933.

Item 3. Default upon Senior Securities.

Other than described below, there has not been any material arrearage in the payment of dividends or any other material delinquency not cured within 30 days, with respect to any class of our preferred stock which ranks prior to our common stock:

On February 12, 2008, YA Global, the holder of our Series E Stock, delivered to us a Notice of Default under the Series E Stock agreement, alleging that one or more defaults occurred under the Investment Agreement and related transaction documents, including: (i) our failure to make mandatory redemption payments on each of November 1, 2007, December 1, 2007, January 1, 2008 and February 1, 2008; (ii) our and our subsidiaries' inability to pay their debts generally as they become due; and (iii) our failure to maintain the effectiveness of the registration statement filed pursuant to the Investor Registration Rights Agreement to which we and YA Global are parties. Based on the alleged defaults, and pursuant to the terms of the Investment Agreement and related transaction documents, YA Global demanded that we redeem all of YA Global's shares of Series E Convertible Preferred Stock for the full liquidation amount, plus accumulated and unpaid dividends thereon, in the aggregate amount of $22,491,147. Since November 1, 2007, we have been in negotiations with YA Global to amend the terms of the Series E Stock agreements. On each of November 1, 2007, December 1, 2007, January 1, 2008 and February 1, 2008, we believed in good faith that our failure to make the mandatory redemption payments and that our failure to maintain the effectiveness of the registration statement had been waived by YA Global and that, as a result of such waiver, no event of default had occurred.

Item 4. Submission of Matters to a Vote of Security Holders.

None.

Item 5. Other Information.

None.

Item 6. Exhibits.

The following exhibits, required by Item 601 of Regulation S-K, are being filed as part of this quarterly report, or are incorporated by reference where indicated:

Exhibit Number and Exhibit Title

(3)	**Articles of Incorporation and Bylaws**
3.1	Restated Articles of Incorporation (incorporated by reference from our Annual Report on Form 10-KSB/A filed on February 11, 2004).
3.2	Articles of Amendment to the Restated Articles of Incorporation, changing the name to Torrent Energy Corporation (incorporated by reference from our Registration Statement on Form SB-2 filed on March 30, 2005).
3.3	Articles of Amendment to the Restated Articles of Incorporation, creating Series B convertible preferred stock (incorporated by reference from our Current Report on Form 8-K filed on September 1, 2004).
3.4	Bylaws of our Company (incorporated by reference from our Annual Report on Form 10-KSB/A filed on February 11, 2004).
3.5	Articles of Amendment dated July 13, 2005 creating Series C convertible preferred stock (incorporated by reference from our Current Report on Form 8-K filed on July 20, 2005).
3.6	Articles of Amendment dated June 16, 2006 creating Series D convertible preferred stock (incorporated by reference from our Current Report on Form 8-K filed on June 30, 2006).
3.7	Articles of Amendment dated June 28, 2006 creating Series E convertible preferred stock (incorporated by reference from our Current Report on Form 8-K filed on June 30, 2006).
(4)	**Instruments Defining the Rights of Security Holders, including Indentures**
4.1	Scarab Systems, Inc. 2004 Non-Qualified Stock Option Plan (incorporated by reference from our Registration Statement on Form S-8 filed on February 19, 2004).
4.2	Amended 2005 Equity Incentive Plan, effective March 17, 2005 (incorporated by reference from our Registration Statement on Form S-8 filed on August 31, 2005).
4.3	Form of Stock Option Agreement for Amended 2005 Equity Incentive Plan (incorporated by reference from our Registration Statement on Form S-8 filed on August 31, 2005).
(10)	**Material Contracts**
10.1	Lease Purchase and Sale Agreement between our Company, Methane Energy Corp. and Geo-Trends- Hampton International, LLC dated May 11, 2004 (incorporated by reference from our Current Report on Form 8-K filed on May 20, 2004).
10.2	Amending Agreement to Lease Purchase and Sale Agreement dated May 19, 2004 (incorporated by reference from our Current Report on Form 8-K filed on June 23, 2004).
10.3	Second Amending Agreement to Lease Purchase and Sale Agreement dated June 11, 2004 (incorporated by reference from our Current Report on Form 8-K filed on June 23, 2004).
10.4	Investment Rights Agreement dated August 27, 2004 between our Company and Cornell Capital Partners, L.P. (incorporated by reference from our Current Report on Form 8-K filed on September 1, 2004).
10.5	Registration Rights Agreement dated August 27, 2004 between our Company and Cornell Capital Partners, L.P. (incorporated by reference from our Current Report on Form 8-K filed on September 1, 2004).
10.6	Consulting Agreement dated January 1, 2005 between our Company and MGG Consulting (incorporated by reference from our Registration Statement on Form SB-2 filed on March 30, 2005).
10.7	Securities Purchase Agreement dated February 11, 2005 between our Company and Placer Creek Investors (Bermuda) L.P. (incorporated by reference from our Registration Statement on Form SB-2 filed on March 30, 2005).
10.8	Securities Purchase Agreement dated February 11, 2005 between our Company and Placer Creek Partners, L.P. (incorporated by reference from our Registration Statement on Form SB-2 filed on March 30, 2005).
10.9	Securities Purchase Agreement dated July 11, 2005 between our Company and Placer Creek Partners, L.P. (incorporated by reference from our Current Report on Form 8-K filed on July 20, 2005).

10.10	Securities Purchase Agreement dated July 11, 2005 between our Company and Placer Creek Investors (Bermuda) L.P. (incorporated by reference from our Current Report on Form 8-K filed on July 20, 2005).
10.11	Securities Purchase Agreement dated July 11, 2005 between our Company and SDS Capital Group SPC, Ltd. (incorporated by reference from our Current Report on Form 8-K filed on July 20, 2005).

10.12	Investment Agreement dated July 12, 2005 between our Company and Cornell Capital Partners, L.P. (incorporated by reference from our Current Report on Form 8-K filed on July 20, 2005).
10.13	Investor Registration Rights Agreement dated July 12, 2005 between our Company and Cornell Capital Partners, L.P. (incorporated by reference from our Current Report on Form 8-K filed on July 20, 2005).
10.14	Lease Option Agreement dated August 9, 2005 between Torrent s wholly-owned subsidiary, Cascadia Energy Corp. and Weyerhaeuser Company (incorporated by reference from our Current Report on Form 8- K filed on August 18, 2005).
10.15	Joint Venture Agreement dated August 12, 2005 between Torrent s wholly-owned subsidiary, Cascadia Energy Corp. and St. Helens Energy, LLC (incorporated by reference from our Current Report on Form 8- K filed on August 18, 2005).
10.16	Option to Acquire Oil & Gas Lease with Pope Resources LP dated May 9, 2006 (incorporated by reference from our Current Report on Form 8-K filed on May 19, 2006).
10.17	Investment Agreement dated June 28, 2006 between our Company and Cornell Capital Partners, L.P. (incorporated by reference from our Current Report on Form 8-K filed on June 30, 2006).
10.18	Registration Rights Agreement dated June 28, 2006 between our Company and Cornell Capital Partners, L.P. (incorporated by reference from our Current Report on Form 8-K filed on June 30, 2006).
(11)	**Statements regarding computation of per share earnings (See Note 2 to the unaudited consolidated financial statements)**
(16)	**Letter on change in certifying accountant**
16.1	Letter from Moore Stephens Ellis Foster Ltd. dated August 25, 2005 regarding change in independent accountant (incorporated by reference from our Current Report on Form 8-K/A filed on September 13, 2005).
16.2	Letters from Ernst & Young LLP dated March 30, 2006 and April 26, 2006 regarding change in independent accountant (incorporated by reference from our Current Reports on Forms 8-K/A filed on April 7, 2006 and April 27, 2006).
(21)	**Subsidiaries**
	Methane Energy Corp., an Oregon company
	Cascadia Energy Corp., a Washington company
(31)	**Section 302 Certifications**
31.1*	Section 302 Certification (filed herewith).
31.2*	Section 302 Certification (filed herewith).
(32)	**Section 906 Certifications**
32.1*	Section 906 Certification (filed herewith).
32.2*	Section 906 Certification (filed herewith).

*Filed herewith

SIGNATURES

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

TORRENT ENERGY CORPORATION

By: */s/ John D. Carlson*
John D. Carlson
President, Chief Executive Officer and Director
(Principal Executive Officer)

By: */s/ Peter J. Craven*
Peter J. Craven
Chief Financial Officer and Secretary
(Principal Financial Officer and Principal Accounting Officer)

Date: February 19, 2008