CRUISER OIL & GAS LTD.

Introduction

This MD&A is dated as of August 27, 2008

This Management's Discussion and Analysis ("MD&A") of financial results and related data is reported in Canadian dollars and has been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), and should be read in conjunction with the unaudited interim financial statements as at and for the three and six months ended June 30, 2008 and the audited financial statements as at and for the years ended December 31, 2007 and 2006.

Forward-looking Statements

Information contained herein includes estimates and assumptions which management is required to make concerning future events, and may constitute forward-looking statements under applicable securities laws. Forward-looking statements include plans, expectations, estimates, forecasts and other comments that are not statements of fact. The words "anticipate", "believe", "expect", "estimate", "plans" and similar expressions are generally intended to identify forward-looking statements. Although Cruiser Oil & Gas Ltd. ("**Cruiser**" or the "**Company**") views such expectations as reasonable, no assurance can be given that such expectations will be realized. Such forward-looking statements are subject to risks and uncertainties and may be based on assumptions that may cause actual results to differ materially from those implied herein, and therefore are expressly qualified in their entirety by this cautionary statement.

Forward-looking statements included in this MD&A include, but are not limited to, statements with respect to: use of proceeds from sale of certain of the Company's properties; use of funds from private placements; the impact of changes in oil and natural gas prices on cash flow; ability to meet current and future obligations; the performance characteristics of the Company's oil and natural gas properties; and realization of the anticipated benefits of acquisitions and dispositions.

Some of the risks and other factors which could cause results to differ materially from those expressed in the forward-looking statements contained in this MD&A include, but are not limited to: industry conditions, including fluctuations in the price of oil and natural gas; liabilities inherent in oil and natural gas operations; potential delays or changes in plans with respect to exploration or development projects or capital expenditures; unanticipated operating events which could reduce production or cause production to be shut in or delayed; commodity price fluctuations, interest and exchange rates, changes in government regulations in the oil and gas industry, including environmental regulations; hazards such as fire, explosion, blowouts, cratering, and spills, each of which could result in substantial damage to wells, production facilities, other property and the environment; competition for, among other things, capital, acquisition of reserves, undeveloped land and skilled personnel; and the other factors considered under "Business Risks and Uncertainties" herein.

With respect to forward-looking statements contained in this MD&A, the Company has made assumptions regarding: future exchange rates; the price of oil and natural gas; the impact of increasing competition; conditions in general economic and financial markets; availability of equipment; availability of skilled labour; cash flow; commodity prices; production rates; timing and amount of capital expenditures; marketability of oil and natural gas; royalty rates; effects of regulation by governmental agencies; future operating costs and the Company's ability to obtain financing on acceptable terms. Management has included the above summary of assumptions and risks related to forward-looking information provided in this MD&A in order to provide shareholders with a more complete perspective on the Company's future outlook and may not be appropriate for other purposes.

These forward-looking statements are made as of the date of in this MD&A and the Company disclaims any intent or obligation to update publicly any forward-looking statements, whether as a result of new information, future events or results or otherwise, other than as required by applicable securities laws.

BOE Conversion

This MD&A presents and discusses results on a BOE (barrels of oil equivalent) basis. This presentation may be misleading, particularly if used in isolation. A BOE conversion ratio of 6 mcf: 1 bbl (barrel) is based on an energy equivalency conversion method primarily applicable at the burner tip and does not represent a value equivalency at the wellhead. All BOE conversions in this report are derived by converting natural gas to oil in the ratio of six thousand cubic feet of natural gas to one barrel of oil.

BASIS OF PRESENTATION

Cruiser Oil & Gas Ltd. is engaged in the exploration for and production of petroleum and natural gas in Western Canada. The Company was incorporated under the laws of the Province of Alberta and is listed on the TSX Venture Exchange ("TSXV").

The June 2007 comparative financial statements have been restated to reflect the adjustment that was initially recognized in the September 30, 2007 unaudited financial statements in relation to the recognition of certain obligations to two vendors (see notes 4 and 7 to the audited December 31, 2007 financial statements).

FINANCIAL HIGHLIGHTS

	Three months ended June 30		Six months ended June 30	
	2008	2007	**2008**	2007
Petroleum and natural gas sales	**746,103**	461,849	**1,377,565**	783,371
Funds from operations	**304,502**	74,594	**551,376**	117,298
Loss for the period	**(4,984)**	(155,119)	**(49,759)**	(294,354)
Net capital expenditures	**101,898**	938,384	**112,428**	2,893,019
Weighted average shares outstanding – basic	**134,597,712**	122,037,572	**128,222,712**	121,964,717
Common shares outstanding – end of period	**211,740,029**	122,057,718	**211,740,029**	122,057,718

SUMMARY OF QUARTERLY RESULTS

	JUN 08	MAR 08	DEC 07	SEP 07	JUN 07	MAR 07	DEC 06	SEP 06
Petroleum and natural gas revenue	746,103	631,462	502,376	363,207	461,849	321,522	331,210	234,304
Net loss	(4,984)	(44,775)	(172,104)	(352,160)	(155,119)	(139,235)	(249,341)	(136,069)
Net loss per share (basic & diluted)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)	(0.00)
Net capital expenditures	101,898	10,530	283,043	637,747	938,384	1,954,635	1,645,104	1,278,022

PETROLEUM AND NATURAL GAS SALES

Oil and natural gas revenues for the three and six months ended June 30, 2008 were $746,103 and $1,377,565 as compared to $461,849 and $783,371 for the three and six months ended June 30, 2007. Prices for the Company's production in the three months ended June 30, 2008 averaged $112.27 per barrel for oil and liquids and $10.22 per mcf for natural gas, as compared to $63.82 per barrel of oil and liquids and $7.36 per mcf of natural gas for the same period in 2007. The increased 2008 revenues were a result of both increased production volumes and commodity prices.

	Three months ended June 30		Six months ended June 30	
	2008	2007	**2008**	2007
Petroleum and natural gas sales ($)	**746,103**	461,849	**1,377,565**	783,371
$/BOE	**75.95**	53.13	**69.50**	51.93

PRODUCTION

Total production for the three months ended June 30, 2008 averaged 108 boe/day as compared to 96 boe/day in the comparative period of 2007. The second quarter production remained basically flat with the first quarter 2008 production of 110 boe/day. By commodity, production of natural gas averaged 462 mcf/day and oil and NGLs averaged 31 bbls/day in the three months ended June 30, 2008, as compared to 312 mcf/day for gas and 44 bbls/day of oil and NGLs for the same period in 2007. The 2008 six month period includes production from Willesden Green (52 boe/day) as compared to 4 boe/day for the comparative 2007 period whereas the 2007 six month period included production of 19 boe/day from Swan Hills, which remains shut-in due to third party processing and injection facility constraints.

	Three months ended June 30		Six months ended June 30	
	2008	2007	**2008**	2007
Natural gas (mcf/d)	**462**	312	**449**	278
Crude oil and NGLs (bbls/d)	**31**	44	**34**	36
Total (boe/d)	**108**	96	**109**	83
Percentage natural gas (%)	**71**	54	**69**	56

ROYALTIES

Royalties as a percentage of revenue for the three months ended June 30, 2008 decreased significantly as compared to the first quarter of 2008. The Company received several crown royalty adjustments related to prior periods for two of its properties, which have been determined to be granted a deep gas royalty holiday.

	Three months ended June 30		Six months ended June 30	
	2008	2007	**2008**	2007
Net royalties ($)	**20,120**	80,407	**127,673**	113,079
Net royalties as a % of revenue	**3**	17	**9**	14
$/BOE	**2.05**	9.25	**6.44**	7.50

OPERATING EXPENSES

During the three and six months ended June 30, 2008, the Company incurred operating and transportation expenses of $116,862 and $230,955 as compared to $99,370 and $188,084 for the same periods in 2007. The 2008 operating expenses have increased on a total basis but decreased on a unit basis as a result of increased production volumes.

	Three months ended June 30		Six months ended June 30	
	2008	2007	**2008**	2007
Operating and transportation expenses ($)	**116,862**	99,370	**230,955**	188,084
$/BOE	**11.90**	11.43	**11.65**	12.47

GENERAL AND ADMINISTRATIVE EXPENSES

General and administrative expenses were $348,002 for the three months ended June 30, 2008 as compared to $219,992 for the second quarter of 2007. The second quarter of 2008 reflects $120,000 paid to a corporation controlled by the former president and CEO of the Company for termination of management services. The Company has not been pursuing any significant capital expenditure programs in 2008 as compared to the 2007 period and continues to reduce its overhead costs.

	Three months ended June 30		Six months ended June 30	
	2008	2007	**2008**	2007
General and administrative expense ($)	**348,002**	219,992	**510,008**	396,654
$/BOE	**35.42**	25.31	**25.73**	26.30

INTEREST INCOME AND EXPENSE

The interest expense of $5,321 that had been accrued for the three months ended March 31, 2008 plus an amount of $6,763 from the last quarter of 2007 have been reversed in the second quarter of 2008. The Company has reached agreements with certain trade creditors for outstanding obligations from 2004 as described under the restatement of prior period in notes 4 and 7 to the December 2007 financial statements. One of the creditors was paid during the first quarter of 2008 and the Company is settling with the remaining creditor. The comparative 2007 interest expenses of $7,546 and $15,265 were a result of these obligations.

Pursuant to a private placement in May 2008, the Company issued 90 million special warrants for gross proceeds of $6.3 million. These funds have been invested in term deposits with the Company's bank and are continuing to earn income on the balances.

	Three months ended June 30		Six months ended June 30	
	2008	2007	**2008**	2007
Interest expense ($)	**(12,084)**	7,546	**(6,763)**	15,265
Interest income ($)	**31,299**	20,060	**35,684**	47,009
Net interest expense (income) ($/BOE)	**(4.42)**	(1.44)	**(2.14)**	(2.10)

DEPLETION AND DEPRECIATION

Depletion and depreciation for the three and six months ended June 30, 2008 was $295,446 and $594,291 as compared to $271,635 and $530,387 for the same periods in 2007. The increased amount is a result of higher production reduced by decreased cost of accumulated capital expenditures related to reserve additions.

	Three months ended June 30		Six months ended June 30	
	2008	2007	**2008**	2007
Depletion and depreciation ($)	**295,446**	271,635	**594,291**	530,387
$/BOE	**30.07**	31.25	**29.98**	35.16

ASSET RETIREMENT OBLIGATIONS

The obligation at June 30, 2008 is estimated to be $477,327 based on the total estimated undiscounted obligation of $725,005 adjusted for a discount rate of 8% and inflation of 2% over an average reserve life of 7 years. Of this amount, $112,597 has been classified to current obligations as the abandonment expenditures are currently being incurred. Accretion of $8,327 and $16,496 for the three and six months ended June 30, 2008 compared to $5,355 and $9,825 for the respective 2007 comparative periods have been charged to the statements of loss.

	Three months ended June 30		Six months ended June 30	
	2008	2007	**2008**	2007
Accretion expense ($)	**8,327**	5,355	**16,496**	9,825
$/BOE	**0.85**	0.62	**0.83**	0.65

FUNDS FROM OPERATIONS

For the three and six months ended June 30, 2008, funds generated from operations were $304,502 and $551,376 as compared to $74,594 and $117,298 from the three and six months ended June 30, 2007. The increase for the 2008 period is primarily a result of increased commodity prices combined with increased production. Excluding the one time payment for termination of management fees as described in note 11(a) to the June 2008 financial statements, the funds from operations would be greater by $120,000.

	Three months ended June 30		Six months ended June 30	
	2008	2007	**2008**	2007
Funds from operations ($)	**304,502**	81,022	**551,376**	130,082

Funds from operations is a non-GAAP measure that represents funds generated from operating activities before changes in non-cash working capital. This is considered a key measure as it demonstrates the Company's ability to generate the funds necessary to fund future growth through capital investment. Funds from operations may not be comparable to similar measures used by other companies.

NET LOSS

The net loss for the three and six months ended June 30, 2008 was $4,984 and $49,759 compared to $155,119 and $294,354 during the same periods in 2007. The decrease in the net loss was primarily a result of increased net field revenue.

	Three months ended June 30		Six months ended June 30	
	2008	2007	**2008**	2007
Net (loss) ($)	**(4,984)**	(155,119)	**(49,759)**	(294,354)

CAPITAL EXPENDITURES

During the three months ended June 30, 2008, the Company participated in commencement of the drilling of a well at Willesden Green. A total of $96,341 had been incurred on this well by the end of the second quarter with approximately $300,000 additional expenditures incurred subsequent to June 30, 2008. The well was initially determined to be uneconomic however options are still being considered.

A total of $101,898 capital expenditures were incurred in the second quarter of 2008, which resulted in total expenditures of $112,428 for the six months ended June 30, 2008. During 2007, the Company had purchased land and commenced the drilling and completion of wells in the Willesden Green area plus the drilling of the Kakwa well.

	Three months ended June 30		Six months ended June 30	
Capital expenditures ($)	**2008**	2007	**2008**	2007
Land and seismic	**2,331**	77,160	**4,589**	181,348
Drilling and completions	**99,448**	409,511	**104,217**	1,975,108
Equipment and tie-ins	**119**	450,052	**3,622**	728,545
Other	**-**	1,661	**-**	8,018
Total	**101,898**	938,384	**112,428**	2,893,019

LIQUIDITY AND CAPITAL RESOURCES

The Company commenced the 2008 year with a working capital deficit of $170,032. During the six months ended June 30, 2008, funds from operations provided $551,376 and gross proceeds from the equity financing provided $6.3 million. After the capital expenditures of $112,428, abandonment expenditures and other minor items, plus the expenditures associated with the equity issue, the Company ended the quarter with a working position of $6,081,106.

The Company has no off-balance sheet arrangements.

Financial instruments, financial risk management and capital management are disclosed in notes 13 and 14 of the unaudited financial statements as at and for the three and six months ended June 30, 2008.

SHARE CAPITAL

At the beginning of 2008, the Company had 122,057,718 issued and outstanding shares. During the six months ended June 30, 2008, 317,689 shares were cancelled (see notes 4 and 7 to the audited December 31, 2007 financial statements). In addition, pursuant to the private placement which closed on May 21, 2008 and received approval of the shareholders in June 2008, the 90.0 million special warrants were exercised into an equal number of common shares, which increased the issued and outstanding shares to 211,740,029 as at June 30, 2008 and as at the date of this MD&A.

Options

At the beginning of 2008, there were 4,078,334 options outstanding. As a result of one of the directors resigning during the first quarter of 2008, a total of 500,000 options were forfeited resulting in 3,578,334 options outstanding as at June 30, 2008. Subsequent to June 30, 2008, a total of 2,370,000 options were cancelled which decreased the options outstanding to 1,208,334 as at the date of this MD&A.

RELATED PARTY TRANSACTIONS

The Company had the following related party transactions:

Except as disclosed elsewhere in the financial statements, the Company had the following related party transactions:

1. During the three and six months ended June 30, 2008, the Company was charged $154,902 and $187,629 (June 30, 2007 – $30,000 and $60,000) for management fees by a corporation controlled by a former officer and director of the Company. Included in general and administrative expenses for the three and six months ended June 30, 2008, is a payment of $120,000 for the termination of management services. At June 30, 2008, accounts payable includes an amount of $5,266 payable to the related party.
2. During the three and six months ended June 30, 2008, the Company was charged $nil (2007 - $nil and $43,960) for capital expenditures and $300 and $600 (2007 - $nil) for general and administrative expenditures by corporations in which a former officer and director of the Company is both a director and shareholder. At June 30, 2008, accounts payable includes $105 (December 31, 2007 – $4,362) payable to the related party.
3. During the three and six months ended June 30, 2008, the Company was charged $34,783 and $74,382 respectively (June 30, 2007 – $24,833 and $51,141) for accounting and administrative fees by a corporation controlled by an officer of the Company. At June 30, 2008, accounts payable includes an amount of $22,723 payable to the related corporation.
4. During the three and six months ended June 30, 2008, a law firm in which a director and officer of the Company is a member, charged the Company $99,347 (June 30, 2007 – $nil) for legal services. Accounts payable as at June 30, 2008 includes $99,347.

All related party transactions are in the normal course of operations and have been measured at the exchange amount that is the amount of consideration established and agreed to by the related parties under terms similar to those negotiated with third parties.

OUTLOOK FOR 2008

The Company's current production is approximately 110 boe/day which currently provides sufficient cash flow to fund overhead commitments and minor capital expenditures. In August 2008, the Company agreed to dispose of certain properties for cash proceeds of $500,000 before adjustments. Completion of this sale is subject to several conditions, including the execution of a definitive purchase and sale agreement. These properties had provided approximately 17 boe/day production to the Company during the six months ended June 30, 2008.

The Company is continuing to pursue the reactivation of the Swan Hills well which was producing approximately 100 boe/day when it was constrained in the second quarter of 2007 due to ongoing infrastructure issues with a third party operated water disposal facility. It is not known as to when the operator of the facility will be able to eliminate these constraints. The current expenditures that the Company plans on making will assist in assessing the value of this core area.

The Company exited the second quarter with working capital of $6.1 million. These funds are being used for the remaining expenditures on the Willesden Green well, Swan Hills reactivation and to evaluate new opportunities to increase shareholder value.

BUSINESS RISKS AND UNCERTAINTIES

The Company is exposed to several operational risks inherent in exploring, developing, producing and marketing crude oil and natural gas. These inherent risks include: economic risk of finding and producing reserves at a reasonable cost; financial risk of marketing reserves at an acceptable price given current market conditions; cost of capital risk associated with securing the needed capital to carry out the Company's operations; risk of environmental impact, including the potential impact of environmental initiatives and agreements; credit risk of non-payment for sales contracts and joint venture partners; and, the potential impact of royalty rate revisions or other legislative changes.

The Company maintains a comprehensive insurance program to reduce risk to an acceptable level and to protect it against significant losses.

CRITICAL ACCOUNTING ESTIMATES

The Company's financial statements are prepared in accordance with Canadian GAAP. A comprehensive discussion of the Company's significant accounting policies is contained in Notes 1 and 2 to the audited financial statements for the year ended December 31, 2007. The Company's significant accounting policies are subject to estimates and key judgments about future events, many of which are beyond management's control.

CHANGE IN ACCOUNTING POLICIES

On January 1, 2008, the Company adopted the new or revised Canadian accounting standards for capital disclosures, financial instruments and inventories. Prior periods have not been restated. The adoption of these changes had no impact on the Company's opening deficit.

a) Capital disclosures specifies the disclosure of (i) an entity's objectives, policies, and processes for managing capital, (ii) quantitative data about what the entity regards as capital, (iii) whether the entity has complied with any capital requirements, and (iv) if it has not complied, the consequences of such non-compliance.

b) Financial Instruments – Disclosure and Presentation, have revised and enhanced its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

c) In March 2007, Inventories was issued which aligns Canadian GAAP with International Financial Reporting Standards. This standard has no impact on the Company's unaudited interim financial statements.

ADDITIONAL INFORMATION

Additional information relating to the Company can be found on SEDAR at www.sedar.com