

**PROBE RESOURCES LTD.**  
**MANAGEMENT DISCUSSION AND ANALYSIS**  
As at November 30, 2007

This Management Discussion and Analysis was prepared on February 26, 2008.

*Description of Business*

Probe Resources Ltd. (the "Company") is a public company listed and publicly traded on the TSX Venture Exchange, incorporated under the British Columbia Business Corporations Act on November 15, 1988. At November 30, 2007, the Company was in the development stage as an oil and gas company and owned an interest in an oil and gas property located in the Gulf of Mexico.

The management of the Company will prudently seek investment and/or joint venture opportunities that are attractive to the current shareholders and that will create long term value for its shareholders.

*Discussion of Operations*

Gulf of Mexico – High Island

During the year ended August 31, 2007, the Company acquired a 33.574% working interest (25.1875% net revenue interest) in an oil and gas lease and well located in the High Island area of the Gulf of Mexico by way of a Farmout Agreement dated June 1, 2007 and amended July 16, 2007. Consideration for the acquisition was \$583,495 (US\$550,000) payable the earlier of July 15, 2008 or the date by which sufficient funds have been received from the net revenue interest to pay the fee and 33.574% of all costs except for certain well costs of which the Company's share to be paid is 46.30896%. The Company has also agreed to a 72.5% share of the flowline costs.

Subsequent to November 30, 2007, the Company purchased an additional 13.4291% working interest (10.075% net revenue interest) in the lease and a 7.97087% working interest (5.73113% net revenue interest) in the well. Consideration for the additional interest is the issue of 3,000,000 common shares (issued subsequently).

As at November 30, 2007, the well had been completed, however, production did not commence until subsequent to November 30, 2007. Accordingly, no depletion has been recorded as at November 30, 2007. Management has evaluated the carrying value and has determined that no impairment provision is required at November 30, 2007.

Other Interests - West Texas Seismic Data

During the year ended August, 31 2007, the Company obtained seismic data related to certain properties located in West Texas, U.S.A. for consideration of \$233,644 (US\$200,000). In conjunction with the acquisition, the Company also engaged another company to review and evaluate the data for a fee of US\$40,000 per month. Total costs incurred to November 30, 2007, are \$607,893 (US\$560,000) and has been capitalized.

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*Discussion of Operations (Cont'd)*

Subsequent to the acquisition and consulting agreement, a director of the other company became a director of the Company.

The Company is a party to certain administrative and management agreements. Cypress Acquisitions Ltd., a company controlled by a former director, provided consulting services in consideration of \$10,000 per month. Smorgasbord Holdings Ltd. provided corporate development services in consideration of \$4,000 per month. The principal of Smorgasbord Holdings Ltd. subsequently became an officer of the Company.

During the quarter ended November 30, 2007, the Company paid \$8,000 in directors' fees to three Directors for their services. The Company has no standard arrangement to compensate the Directors for such services, other than the granting of Director Stock Options.

The Company's investor relations activities consist of providing investors and shareholders with information regarding the Company's activities. On October 25, 2007 the Company received approval of an investor relations agreement requiring the payment of \$7,500 per month effective September 20, 2007. During the quarter ended November 30, 2007, the Company incurred and paid \$15,000 in investor relations activities.

*Selected Annual Information*

The following financial data are selected information for the Company for the three most recently completed financial years:

	Year ended August 31,		
	2007	2006	2005
Total revenues	\$ -	\$ -	\$ -
Loss before other item	\$(1,154,252)	\$( 152,859)	\$( 130,874)
Basic and diluted loss per share before other item	\$( 0.09)	\$( 0.01)	\$( 0.01)
Net loss	\$(1,084,602)	\$( 306,566)	\$( 107,423)
Basic and diluted loss per share	\$( 0.08)	\$( 0.02)	\$( 0.01)
Total assets	\$ 8,195,337	\$ 280,973	\$ 566,679
Total long-term liabilities	\$ 531,632	\$ -	\$ -
Cash dividends per share	\$ -	\$ -	\$ -

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*Summary of Quarterly Results*

The following is a summary of the Company's financial results for the eight most recently completed quarters:

	Q1 Nov 30, <u>2007</u>	Q4 Aug 31, <u>2007</u>	Q3 May 31, <u>2007</u>	Q2 Feb 28, <u>2007</u>	Q1 Nov 30, <u>2006</u>	Q4 Aug 31 <u>2006</u>	Q3 May 31, <u>2006</u>	Q2 Feb 30, <u>2006</u>
Total revenues	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net loss before other item:								
Total	\$(1,219,491)	\$(975,509)	\$(84,234)	\$(49,938)	\$(44,571)	\$(48,151)	\$(34,995)	\$(38,780)
Per share	\$( 0.04)	\$( 0.04)	\$( 0.00)	\$( 0.00)	\$( 0.00)	\$( 0.00)	\$( 0.00)	\$( 0.00)
Per share, fully diluted	\$( 0.04)	\$( 0.04)	\$( 0.00)	\$( 0.00)	\$( 0.00)	\$( 0.00)	\$( 0.00)	\$( 0.00)
Net (loss)/income:								
Total	\$(1,219,344)	\$(977,420)	\$ 1,260	\$(65,083)	\$(43,359)	\$(21,645)	\$(33,036)	\$(33,270)
Per share	\$( 0.04)	\$( 0.04)	\$( 0.00)	\$( 0.00)	\$( 0.00)	\$( 0.02)	\$( 0.00)	\$( 0.00)
Per share, fully diluted	\$( 0.04)	\$( 0.04)	\$( 0.00)	\$( 0.00)	\$( 0.00)	\$( 0.02)	\$( 0.00)	\$( 0.00)

The Company reported a net loss of \$1,219,344 for the quarter ended November 30, 2007, compared to a net loss of \$43,359 for the quarter ended November 30, 2006. This is mainly due to increased activity and the cost of stock based compensation related to the issuance of stock options, administration and other fees increases resulted from larger transactions during the quarter and legal fees increased as a result of the acquisition of and expenditures related to the High Island lease and well development.

*Financings, Principal Purposes and Milestones*

During the quarter ended November 30, 2007, the Company issued 4,200,000 units at \$0.50 per unit pursuant to a private placement for gross proceeds of \$2,100,000. Each unit consisted of one common share and one share purchase warrant entitling the holder thereof the right to purchase an additional common share for each warrant held at \$0.60 per share for one year. In addition, the Company paid finders' fees of \$52,500 and issued 168,350 units as finders' fees with the same terms as the private placement units.

During the quarter ended November 30, 2007, the Company granted share purchase options entitling the holders thereof the right to purchase 200,000 common shares of the Company at \$0.47 per share until September 20, 2009, 100,000 common shares at \$0.49 per share until October 26, 2012, and 1,250,000 common shares at \$0.60 per share until November 22, 2012.

*Off Balance Sheet Arrangements*

There are no off-balance sheet arrangements to which the Company is committed.

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*Related Party Transactions*

In the course of regular business activities, the Company enters into transactions with related parties from time to time. During the quarter ended November 30, 2007, the Company incurred the following fees charged by directors of the Company or by entities of which a director is a partner or entities with directors in common with the Company:

	<u>Nov 30, 2007</u>	<u>Nov 30, 2006</u>
Administration and other fees	\$ -	\$ 9,075
Directors' fees	8,000	1,125
Consulting fees	20,000	-
Corporate development	12,000	-
Office and miscellaneous	-	14,046
Drilling, completion, and other costs	120,000	-
Legal fees	114,357	-
Salaries	17,000	-
Regulatory compliance services	-	9,000
Rent	-	6,534
	<u>\$ 291,357</u>	<u>\$ 39,780</u>

These charges were measured by the exchange amount which is the amount agreed upon by the transacting parties.

*Subsequent Events*

Subsequent to November 30, 2007:

- a) the Company issued 3,000,000 common shares pursuant to an assignment agreement in which the Company acquired an additional 13.4291% working interest (10.0751% net revenue interest) in the High Island oil and gas lease and a 7.97087% working interest (5.73113% net revenue interest) in the well.
- b) During the year a claim was made against the Company and another party for amounts allegedly advanced by third parties in the amount of \$399,736. This claim was settled on February 18, 2008 and the Company was released from the claim.
- c) the Company issued 275,000 units at \$0.60 per unit pursuant to a private placement for gross proceeds of \$165,000. Each unit consisted of one common share and one non-transferable share purchase warrant entitling the holder thereof the right to purchase an additional common share for each warrant held at \$0.70 per share for one year.

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*Liquidity and Solvency*

As at November 30, 2007, the Company has a working capital deficiency of \$2,528,283 which may not be sufficient to meet ongoing obligations as they become due.

*Accounting Changes*

There were no accounting changes in the Company's policies and procedures as compared to the prior year.

*Critical Accounting Estimates*

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates, which have been made using careful judgment. Actual results may differ from these estimates.

Management's opinion is that the financial statements have been properly prepared within the framework of the significant accounting policies, certain of which are summarized as follows:

a) Oil and Gas Properties

The Company follows the full cost method of accounting for oil and gas operations whereby all costs of exploring for and developing oil and gas reserves are initially capitalized on a country-by-country basis. Such costs include land acquisition costs, lease rentals, geological and geophysical expenses, carrying charges on non-producing properties, costs of drilling and overhead charges directly related to acquisition and exploration activities.

Costs capitalized, together with the costs of production equipment and pipeline, are depleted and amortized on the unit-of-production method based on the estimated gross proved reserves as determined by independent petroleum engineers. Petroleum products and reserves are converted to a common unit of measure, using 6 MCF of natural gas to one barrel of oil.

Costs of acquiring and evaluating unproved properties are initially excluded from depletion calculations. These unevaluated properties are assessed periodically to ascertain whether impairment has occurred. When proved reserves are assigned or the property is considered to be impaired, the cost of the property or the amount of the impairment is added to costs subject to depletion calculations.

Proceeds from a sale of petroleum and natural gas properties are applied against capitalized costs, with no gain or loss recognized, unless such a sale would significantly alter the rate of depletion and amortization.

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*Critical Accounting Estimates (Cont'd)*

In applying the full cost method, the Company calculates a ceiling test whereby the carrying value of petroleum and natural gas properties is compared to the sum of the undiscounted cash flows expected to result from the proved reserves and the lower of cost or market of unproved properties.

The recoverability of amounts shown for unproven properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of the properties and upon future profitable production or proceeds from the disposition thereof.

b) Asset Retirement Obligations

The fair value of obligations associated with the retirement of tangible long-lived assets are recorded in the period in which it is incurred and a reasonable estimate of the fair value can be made, with a corresponding increase to the carrying amount of the related asset. The obligations recognized are statutory, contractual or legal obligations. The liability is accreted over time for changes in the fair value of the liability through charges to accretion, which is included in depletion, depreciation and accretion expense. The costs capitalized to the related assets are amortized in a manner consistent with the depletion and depreciation of the related asset.

c) Stock-based Compensation

The fair value of all share purchase options granted is expensed over their vesting period with a corresponding increase to contributed surplus. Upon exercise of share purchase options, the consideration paid by the option holder, together with the amount previously recognized in contributed surplus, is recorded as an increase to share capital.

The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of grant. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate.

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*Disclosure of Outstanding Share Data*

As at February 28, 2008, authorized share capital for the Company was unlimited common shares without par value. A total of 31,752,451 common shares have been issued as follows:

	<u>Outstanding Share Capital</u>	
	<u>Number of</u>	
	<u>Shares</u>	<u>Amount</u>
Balance as at August 31, 2007	24,109,101	\$ 7,691,846
Private placement at \$0.50	4,200,000	\$ 2,100,000
Finders' fee at \$0.50	168,350	\$ 84,175
Less: finder's fees	-	(52,500)
Less: share issue costs	-	(183,268)
Balance as at November 30, 2007	<u>28,477,451</u>	<u>9,640,253</u>

Subsequent

Assignment agreement at a deemed price of \$0.445	3,000,000	\$ 1,335,000
Private placement at \$0.60	<u>275,000</u>	<u>\$ 165,000</u>
Balance as at February 28, 2008	<u>31,752,451</u>	<u>\$ 11,140,253</u>

	<u>Outstanding Warrants</u>		
	<u>Number</u>	<u>Price</u>	<u>Expiry Date</u>
Balance as at August 31, 2007	10,700,000	\$ 0.75	August 9, 2008
Private placement	4,200,000	\$ 0.60	November 15, 2008
Finders' fee	<u>168,350</u>	\$ 0.60	November 15, 2008
Balance as at November 30, 2007	15,068,350		

Subsequent

Private placement	<u>275,000</u>	\$ 0.70	February 14, 2009
Balance as at February 28, 2008	<u>15,343,350</u>		

	<u>Outstanding Stock Options</u>		
	<u>Number</u>	<u>Price</u>	<u>Expiry Date</u>
Balance as at August 31, 2007	1,340,910	\$ 0.67	July 26, 2012
Stock options granted	200,000	\$ 0.47	September 20, 2009
Stock options granted	100,000	\$ 0.49	October 26, 2012
Stock options granted	<u>1,250,000</u>	\$ 0.60	November 22, 2012
Balance as at November 30, 2007	2,890,910		
<u>Subsequent</u>			
Stock options cancelled	<u>(413,500)</u>	\$ 0.67	July 26, 2012
Balance as at February 28, 2008	<u>2,477,410</u>		

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*Internal Control over Financial Reporting*

The Company has put in place a system of internal controls over financial reporting in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with Canadian generally accepted accounting principles.

There have been no changes in these controls. The Chief Executive Officer and the Chief Financial Officer, along with the other members of management and the audit committee, evaluated them and found the controls to be effective for a company of its size. Due to the limited number of staff at the Company it is not feasible to achieve segregation of incompatible duties. While management of the Company has put in place certain procedures to mitigate the risk of a material misstatement in the Company's financial reporting, a system of internal controls can provide reasonable, not absolute, assurance that the objectives of the control system are met, no matter how well conceived or operated.

*Disclosure Controls and Procedures*

Disclosure controls and procedures have been designed to ensure that information required to be disclosed by the Company is accumulated and communicated to the Company's management, as appropriate, to allow timely decisions regarding required disclosures. The Company's Chief Executive Officer and Chief Financial Officer have concluded, based on their evaluation as of the end of the period covered by the annuals filings that the Company's disclosure controls and procedures are effective to provide reasonable assurance that material information related to the issuer, is made known to them by others within Company. It should be noted that while the Company's Chief Executive Officer and Chief Financial Officer believe that the Company's disclosure controls and procedures provide a reasonable level of assurance that they are effective, they do not expect that the disclosure controls and procedures or internal control over financial reporting will prevent all errors and fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objective of the control system are met.

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*Financial Instruments*

The carrying value of cash and cash equivalents and accounts payable and accrued liabilities approximate their fair value because of the short-term maturity of those instruments.

For further information, please contact the Company.

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