

PROBE RESOURCES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
As at February 29, 2008

This Management Discussion and Analysis was prepared on April 28, 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 February 29, 2008, the Company was in the development stage as an oil and natural gas company, owning an interest in an oil and natural 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 natural 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.

In December 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 at a deemed price of \$0.445 per share. Legal fees of \$208,742 were incurred in connection with these acquisitions.

As at February 29, 2008, the well had been completed with production having commenced in late November of 2007. Accordingly, depreciation, depletion and amortization have been recorded since December 1, 2007. Management has evaluated the carrying value and has determined that no impairment provision is required at February 29, 2008.

Other Interests - Seismic Data

During the year ended August 31, 2007, the Company obtained access to seismic data related to certain properties located in onshore South Texas, South Louisiana and South Mississippi, U.S.A. for consideration of \$233,644 (US\$200,000). The Company also engaged another company to review and evaluate the data for a fee of US\$40,000 per month. Subsequent to the consulting arrangement, a director of the other company became a director of the Company. During the quarter ended February 29, 2008, the Company also paid \$208,467 (US\$210,000) for High Island block seismic data. Total capitalized seismic data costs incurred to February 29, 2008 are \$816,360 (US\$770,000).

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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. A company controlled by a former director provided consulting services in consideration of \$10,000 per month until November 30, 2007. Smorgasbord Holdings Ltd. provided corporate development services in consideration of \$4,000 per month until November 30, 2007. The principal of Smorgasbord Holdings Ltd. subsequently became an officer of the Company.

In addition to granting Director Stock Options, the Company has a standard arrangement to compensate independent directors for \$1,500 per month as well as to compensate each director \$1,000 per board meeting and \$1,000 per committee meeting.

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 six months ended February 29, 2008, the Company incurred and paid \$37,500 in investor relations activities. On February 29, 2008, the investor relations agreement was terminated.

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:

	Q2 Feb 29, <u>2008</u>	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>
Total revenues	\$1,244,025	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net income (loss):								
Total	\$(336,704)	\$(1,219,491)	\$(975,509)	\$(84,234)	\$(49,938)	\$(44,571)	\$(48,151)	\$(34,995)
Per share	\$(0.02)	\$(0.04)	\$(0.04)	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.00)
Per share, fully diluted	\$(0.02)	\$(0.04)	\$(0.04)	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.00)
Net income (loss):								
Total	\$(335,930)	\$(1,219,344)	\$(977,420)	\$ 1,260	\$(65,083)	\$(43,359)	\$(21,645)	\$(33,036)
Per share	\$(0.02)	\$(0.04)	\$(0.04)	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.02)	\$(0.00)
Per share, fully diluted	\$(0.02)	\$(0.04)	\$(0.04)	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.02)	\$(0.00)

Results of Operations

The High Island 115 well has sustained a gross production rate of 9.0-9.5 mmcf/day (2.9-3.1 mmcf/day net to Probe) since commencing production.

The following table summarizes production volumes, average sales prices and operating revenues for the three months ended February 29, 2008 and February 28, 2007:

	<u>February 29, 2008</u>	<u>February 28, 2007</u>
Production Volumes		
Natural gas (Mcf)	174,052	-
Average Sales Price		
Natural Gas	\$ 7.15	\$ -
Operating Revenue		
Natural Gas	<u>\$ 1,244,025</u>	<u>\$ -</u>

The Company reported a net loss of \$335,930 for the quarter ended February 29, 2008, compared to a net loss of \$65,038 for the quarter ended February 28, 2007. The general and administrative expenses for the quarter ended February 29, 2008 are \$573,105 compared to \$49,938 for the quarter ended February 28, 2007. This is mainly due to increased activity related to 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.

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Results of Operations (Cont'd)

The following table summarizes production volumes, average sales prices and operating revenues for the six months ended February 29, 2008 and February 28, 2007:

	<u>February 29, 2008</u>	<u>February 28, 2007</u>
Production Volumes		
Natural gas (Mcf)	174,052	-
Average Sales Price		
Natural Gas	\$ 7.15	\$ -
Operating Revenue		
Natural Gas	<u>\$ 1,244,025</u>	<u>\$ -</u>

The Company reported a net loss of 1,555,274 for the six months ended February 29, 2008, compared to a net loss of \$108,442 for the six months ended February 28, 2007. This is mainly due to increased activity related to the issuance of stock options, administration and other fee increases resulting from larger transactions during the period. 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.

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Financings, Principal Purposes and Milestones (Cont'd)

During the quarter ended February 29, 2008, 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 natural gas lease and a 7.97087% working interest (5.73113% net revenue interest) in the well. The Company also 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.

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.

Off Balance Sheet Arrangements

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

Related Party Transactions

In the course of regular business activities, the Company enters into transactions with related parties from time to time. During the six months ended February 28, 2008, 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>Feb 29, 2008</u>	<u>Feb 28, 2007</u>
Administration and other fees	\$ -	\$ 18,150
Consulting fees	10,000	-
Corporate development	12,000	-
Directors' fees	23,000	2,250
Drilling, completion and other costs	328,467	-
Furniture and equipment rental	-	6,534
Legal fees	304,628	-
Office and miscellaneous	-	21,558
Regulatory Compliance services	-	18,000
Rent	-	13,068
Salaries	<u>57,708</u>	<u>-</u>
	<u>\$ 735,803</u>	<u>\$ 79,560</u>

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

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Related Party Transactions – (Cont'd)

At February 29, 2008, accounts payable and accrued liabilities include \$189,790 (2007: \$3,062) due to directors of the Company or to private companies with directors in common with the Company and \$418,495 (2007: \$Nil) due to a private company controlled by a significant shareholder of the Company.

At February 29, 2008, advances payable include \$115,679 (2007: \$Nil) due to a director or to a company with a director in common and \$248,859 (2007: \$Nil) due to a significant shareholder of the Company.

At February 29, 2008, an officer of the Company was indebted to the Company for \$8,487 (2007: \$Nil) from payroll advances. These amounts are unsecured, non-interest bearing and have no specific terms of repayment.

Subsequent Events

Subsequent to February 29, 2008:

- a) L. Scott Broussard, Bradley Culver, Bruce L. Ganer, and Desmond Balakrishnan were elected directors of the Company at the adjourned and reconvened annual and special meeting of shareholders of the Company held on March 26, 2008. In addition, Kent Couillard has been appointed a director of the Company and Chairman of board of directors.
- b) Subject to the approval of TSX Venture Exchange and the shareholders and of a new share option plan, the Company has granted incentive stock options to certain directors, officers and employees of the Company to purchase up to 3,799,000 common shares in the capital stock of the Company. The options have a term of five years and are exercisable at an exercise price of \$0.40 per share.
- c) The Company paid off its note payable to a company with a director in common on March 12, 2008 (Note 6). The total payment including the Principal and interest is \$255,250 (US\$250,000).

On April 16, 2008, the Company issued another promissory note (“Promissory Note”) in the amount of US\$250,000 payable to the same company (the “Holder”). The Company promises to pay to or to the order of the Holder the principal sum of \$250,000 (the “Principal”) in lawful money of the United States of America, payable on or before June 30, 2008; and

Without demand, interest at the rate of 8% per annum compounded semi-annually and applied to the unpaid principal balance. Interest shall be calculated daily, payable each year on the 30th day of June and 31st day of December, commencing the 30th day of June, 2008 and overdue interest shall bear interest at the same rate.

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Subsequent Events (Cont'd)

Subsequent to February 29, 2008:

A director, officer, employee, incorporator or shareholder of the Company shall not have any liability for any obligations of the Company under this Promissory Note or for any claim in connection with such obligation or its creation. The Holder, by accepting the Promissory Note, waives and releases all such liability and such waiver and release are part of the consideration for the issuance of this Promissory Note.

The Company may prepay all or any part of the Principal at any time and from time to time without penalty or bonus.

- d) The Company issued a promissory note (“Promissory Note”) in the amount of \$51,107 payable to a company controlled by a former director (the “Holder”). The Company promises to pay to or to the order of the Holder the principal sum of \$51,107 (the “Principal”) in lawful money of Canada, payable on or before the earliest of June 30, 2008 and such time as the Company completes a financing; and

Without demand, interest at the rate of 12% per annum compounded semi-annually and applied to the unpaid principal balance. Interest shall be calculated daily, payable each year on the 30th day of June and 31st day of December, commencing the 30th day of March, 2008 and overdue interest shall bear interest at the same rate.

A director, officer, employee, incorporator or shareholder of the Company shall not have any liability for any obligations of the Company under this Promissory Note or for any claim in connection with such obligation or its creation. The Holder, by accepting the Promissory Note, waives and releases all such liability and such waiver and release are part of the consideration for the issuance of the Promissory Note.

The Company may prepay all or any part of the Principal at any time and from time to time without penalty or bonus. The Company may assign all of its right title, and interest in, to and under this Promissory Note.

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Subsequent Events (Cont'd)

Subsequent to February 29, 2008:

- e) The Company announced a best efforts private placement of up to 40,000,000 units (each, a "Unit") of the Company at a price of \$0.50 per Unit for gross proceeds of up to \$20,000,000 (the "Offering"). Canaccord Capital Corporation (the "Agent") will act as an agent on this financing; provided that the Company may arrange for the placement of up to 2,000,000 Units (the "Non-Brokered Units") on a non-brokered basis and for which Non-Brokered Units the Agent will not act as Agent and the Agent will not receive commission.

Each Unit will consist of one common share (a "Common Share") of the Company and one common share purchase warrant (a "Warrant"). Each Warrant will entitle the holder thereof to purchase one Common Share at a price of \$0.75 per Common Share for a period of 12 months following the closing of the private placement; provided that, on the published closing price of the Common Shares on the TSX Venture Exchange being greater than \$1.00 for ten consecutive trading days after the hold period has expired, the Company may give 30 days notice by news release of an accelerated expiry of the Warrants.

The net proceeds from the Offering will be used by the Company to finance exploration expenditures and for working capital and general corporate expenditures.

The Company will pay the Agent in cash a fee of 6.5% of the gross proceeds from the Offering other than proceeds from the Non-Brokered Units. The Company will also issue warrants (the "Agent Warrants") to the Agent to purchase that number of Common Shares equal to 5% of the total number of Units issued under the Offering other than Non-Brokered Warrants, where each such Agent Warrant will entitle the holder thereof to purchase one Common Share at a price of \$0.50 per Common Share for a period of 12 months following the closing of the Offering.

The Offering and the Agent's fees payable thereunder are subject to regulatory approval.

Liquidity and Solvency

At February 29, 2008, the Company had a working capital deficiency of \$950,724, had not yet achieved profitable operations, and expects to incur further losses in the development of its business, all of which cast substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due.

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Accounting Changes

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

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 Natural Gas Properties

The Company follows the full cost method of accounting for oil and natural gas operations whereby all costs of exploring for and developing oil and natural 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 oil 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 oil 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. The costs capitalized to the related assets are amortized in a manner consistent with the depreciation, depletion and amortization 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 29, 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:

	Share Capital	
	Number of Shares	Amount
Balance, August 31, 2007	24,109,101	\$ 7,691,846
Issued for acquisition of oil and natural gas properties	3,000,000	1,335,000
Issued for cash pursuant to		
- private placement agreements - at \$0.50	4,200,000	2,100,000
- private placement agreements - at \$0.60	275,000	165,000
Issued for finder's fees - at \$0.50	168,350	84,175
Less: finder's fees	-	(52,500)
Less: share issue costs	-	(207,937)
Share purchase options	-	-
 Balance, February 29, 2008	 <u>31,752,451</u>	 <u>\$11,115,584</u>

During the period ended February 29, 2008, 413,500 share purchase options exercisable at \$0.67 until July 26, 2012 were cancelled due to directors' resignations.

On February 29, 2008, the Company exercised its right to terminate the service agreement (the "Agreement") with its investor relation consultant. In connection with the termination, 100,000 share purchase options unvested were cancelled and the vested 100,000 share purchase options exercisable at \$0.47 until September 20, 2009 will expire on April 30, 2008 (30 days after the termination of the Agreement).

Share purchase warrants outstanding at February 29, 2008 are as follows:

	Outstanding Warrants		
	Number	Price	Expiry Date
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	168,350	\$ 0.60	November 15, 2008
Private placement	275,000	\$ 0.70	February 14, 2009
Balance as at February 29, 2008	<u>15,343,350</u>		

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Disclosure of Outstanding Share Data – (Cont'd)

Share purchase options outstanding at February 29, 2008 are as follows:

	<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	1,250,000	\$ 0.60	November 22, 2012
Stock options cancelled	(100,000)	\$ 0.47	September 20, 2009
Stock options cancelled	<u>(413,500)</u>	\$ 0.67	July 26, 2012
Balance as at February 28, 2008	<u>2,377,410</u>		

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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