

PROBE RESOURCES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
As at May 31, 2008

This Management Discussion and Analysis was prepared on July 30, 2008.

Management's Discussion and Analysis should be read in conjunction with the audited consolidated financial statements for the year ended August 31, 2007 and the unaudited interim financial statements for the periods ended May 31, 2008. Barrel of oil equivalent ("boe") amounts have been calculated using a conversion rate of six thousand cubic feet of natural gas to one barrel of oil ("6:1") unless otherwise stated. The audited consolidated financial statements and financial data contained in the MD&A have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") in Canadian currency.

This MD&A may contain forward-looking information that involves a number of risks and uncertainties that could cause actual results to differ materially from those anticipated. For this purpose, any statements herein that are not statements of historical fact may be deemed to be forward-looking statements. Such risks and uncertainties include, but are not limited to: risks associated with the oil and gas industry (e.g. – operational risks in exploration, development and production; changes and/or delays in the development of capital assets; uncertainty of reserve estimates; uncertainty of estimates and projections relating to production and costs; commodity price fluctuations; environmental risks; and industry competition).

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 May 31, 2008, the Company was in the development stage as an oil and natural gas company, owning an interest in an oil and natural gas producing property and interest in six federal oil and natural gas blocks located in the United States 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) which was paid subsequent to the period 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.

PROBE RESOURCES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
As at May 31,2008

Discussion of Operations (Cont'd)

Gulf of Mexico – High Island (Cont'd)

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 May 31, 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 May 31, 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 May 31, 2008 are \$816,360 (US\$770,000).

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

Agreement to Purchase Oil and Gas Rights

On May 22, 2008, the Company's wholly-owned subsidiary Probe Resources US Ltd. ("Probe US") entered into an agreement in principle (the "Agreement in Principle") with certain arm's length parties (the "Vendors") to purchase the oil and natural gas rights associated with approximately 26,500 acres on six (6) Federal oil and gas lease blocks located in the United States Gulf of Mexico (collectively, the "Concessions"). The Company subsequently became the Operator of the Concessions on a 100% working interest basis.

Pursuant to the terms of the Agreement in Principle, the Vendors have delivered to Probe US not less than a 69.5% net revenue interest in each of the Concessions. Probe US paid an aggregate amount of US\$4,250,000 as consideration to the Vendors. The Agreement in Principle provides Probe US the opportunity to conduct a drilling program on the Concessions.

The transaction between Probe US and the Vendors was arm's length to the Company. The Agreement was subject to required approvals and customary due diligence investigations by the Company for a transaction of this type.

PROBE RESOURCES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS

As at May 31, 2008

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	\$ -	\$ -	\$ -

Summary of Quarterly Results

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

	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
	May 31, 2008	Feb 29, 2008	Nov 30, 2007	Aug 31, 2007	May 31, 2007	Feb 28, 2007	Nov 30, 2006	Aug 31 2006
Total revenues	\$2,007,280	\$1,244,025	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net income (loss) before other items:								
Total	\$(354,535)	\$(336,704)	\$(1,219,491)	\$(975,505)	\$(84,234)	\$(49,938)	\$(44,571)	\$(48,151)
Per share	\$(0.01)	\$(0.02)	\$(0.04)	\$(0.04)	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.00)
Per share, fully diluted	\$(0.01)	\$(0.02)	\$(0.04)	\$(0.04)	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.00)
Net income (loss):								
Total	\$(430,816)	\$(335,930)	\$(1,219,344)	\$(977,420)	\$ 1,260	\$(65,083)	\$(43,359)	\$(21,645)
Per share	\$(0.01)	\$(0.02)	\$(0.04)	\$(0.04)	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.02)
Per share, fully diluted	\$(0.01)	\$(0.02)	\$(0.04)	\$(0.04)	\$(0.00)	\$(0.00)	\$(0.00)	\$(0.02)

Results of Operations

The following table summarizes production volumes, average sales prices and operating revenues for the three months ended May 31, 2008 and May 31, 2007:

	<u>May 31, 2008</u>	<u>May 31, 2007</u>
Production Volumes		
Oil (Bbl)	252	-
Natural gas (Mcf)	199,980	-
BOE/Day	365	-
Average Sales Price		
Oil	\$ 125.82	\$ -
Natural Gas	\$ 9.88	\$ -
Operating Revenue		
Oil	\$ 31,706	\$ -
Natural Gas	1,975,574	-
Total	<u>\$ 2,007,280</u>	<u>\$ -</u>
Lease Operating Expense	\$ 405,274	\$ -
Lease Operating Expense per BOE	\$ 12.07	\$ -

PROBE RESOURCES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
As at May 31,2008

Results of Operations (Cont'd)

The Company reported a net loss of \$430,816 for the quarter ended May 31, 2008, compared to a net income of \$1,260 for the quarter ended May 31, 2007. The general and administrative expenses for the quarter ended May 31, 2008 are \$1,684,848 compared to \$84,234 for the quarter ended May 31, 2007. This is mainly due to increased activity related to administration, other fee increases resulted from larger transactions during the quarter, increased stock based compensation and legal fees increased as a result of the acquisition of and expenditures related to the High Island lease and well development.

The following table summarizes production volumes, average sales prices and operating revenues for the nine months ended May 31, 2008 and May 31, 2007:

	<u>May 31, 2008</u>	<u>May 31, 2007</u>
Production Volumes		
Oil (Bbl)	252	-
Natural gas (Mcf)	374,032	-
BOE/Day	342	-
Average Sales Price		
Oil	\$ 125.82	\$ -
Natural Gas	\$ 8.61	\$ -
Operating Revenue		
Oil	\$ 31,706	\$ -
Natural Gas	3,219,599	-
Total	<u>\$ 3,251,305</u>	<u>\$ -</u>
Lease Operating Expense	\$ 829,963	\$ -
Lease Operating Expense per BOE	\$ 13.42	\$ -

The Company reported a net loss of \$1,986,090 for the nine months ended May 31, 2008, compared to a net loss of \$107,182 for the nine months ended May 31, 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

On November 16, 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.

On December 19, 2007, the Company issued 275,000 units at \$0.60 per unit pursuant to a private placement for gross proceeds of \$165,000. Each unit consists 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 \$0.70 per share for one year.

PROBE RESOURCES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
As at May 31,2008

Financings, Principal Purposes and Milestones (Cont'd)

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.

On December 19, 2007, 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.

On March 5, 2008, 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"), which did not proceed.

Subsequent to May 31, 2008 the Company announced (on June 6, 2008) the closing of a non-brokered private placement consisting of 16,000,000 Units (each, a "Unit") at a price of \$0.40 per Unit, for gross proceeds of \$6,400,000. Each Unit consisted of one common share of the Company (each a "Share") and one transferable share purchase warrant (the "Warrants"). Each Warrant entitled the holder thereof to purchase one additional Share for a two-year period expiring on June 3, 2010 at an exercise price of \$0.40 per Share. The Company incurred legal and filing fees of \$53,052 and finders' fees of \$77,000. In addition, the Company issued 511,875 units as finders' fees with the same terms as the private placement units. All proceeds on the issue of units have been allocated to share capital and none to warrants. The net proceeds from the Offering were used by the Company to complete the acquisition of licenses in certain oil and natural gas leases in the U.S. Gulf of Mexico, the settlement of debt obligations and for general working capital.

PROBE RESOURCES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
As at May 31,2008

Financings, Principal Purposes and Milestones (Cont'd)

Subsequent to May 31, 2008 the Company announced (on July 2, 2008) the closing of a best efforts brokered private placement consisting of 54,720,000 Units (each, a "Unit") at a price of \$0.50 per Unit, for gross proceeds of \$27,360,000. Each Unit consisted of one common share of the Company (each a "Share") and one transferable share purchase warrant (the "Warrants"). Each Warrant entitled the holder thereof to purchase one additional Share for a one-year period expiring on June 30, 2009 at an exercise price of \$0.75 per Share. The brokers received a cash commission of \$1,726,400 representing 6.5% of the gross proceeds raised in the Offering (excluding proceeds raised from the sale of Units in the United States) and a total of 2,656,000 non-transferable compensation options (each an "Broker Option") representing 5% of the Units sold in the Offering. Each Broker Option entitles the holder thereof to purchase one Share for a one-year period expiring on June 30, 2009 at an exercise price of \$0.50 per Share. The brokers also received a corporate finance fee of \$52,000. The net proceeds from the Offering are being used by the Company to complete the acquisition of licenses in certain oil and natural gas leases in the U.S. Gulf of Mexico, to fund exploration and development costs of three wells associated with such licenses, and for general working capital.

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.

Capital Resources

The Company's first three wells from the Concessions transaction will be funded by a combination of the proceeds of the brokered private placement closed in July 2008 and operating cash flow. With success, the Company anticipates the development of those fields and the drilling and completion of an additional six wells from the Concessions transaction that are expected to be funded by a combination of debt, proceeds of the exercise of outstanding share warrants, an additional equity offering and operating cash flow. The actual number of wells drilled may vary depending upon various factors, including the availability and cost of drilling rigs, success of the initial three wells, weather delays, regulatory issues and other factors. We may not be able to obtain the funding described above on terms that would be acceptable to us. If we cannot obtain adequate funding, we may be required to limit or defer our planned drilling program.

Off Balance Sheet Arrangements

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

PROBE RESOURCES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
As at May 31,2008

Related Party Transactions

In the course of regular business activities, the Company enters into transactions with related parties from time to time. During the nine months ended May 31, 2008 and 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>May 31, 2008</u>	<u>May 31, 2007</u>
Administration and other fees	\$ -	\$ 27,225
Consulting fees	40,000	-
Corporate development	12,000	-
Directors' fees	42,000	28,500
Drilling, completion and other costs	328,467	-
Furniture and equipment rental	-	9,801
Legal fees	447,441	-
Office and miscellaneous	-	32,337
Regulatory Compliance services	-	27,000
Rent	-	19,602
	<u>\$ 869,908</u>	<u>\$ 144,465</u>

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

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.

At May 31, 2008, accounts payable and accrued liabilities include \$182,300 (2007: \$3,401) due to directors of the Company or to private companies with directors in common with the Company and \$445,913 (2007: \$Nil) due to a private company controlled by a shareholder of the Company.

At May 31, 2008, an officer of the Company was indebted to the Company for \$7,712 (2007: \$Nil) from payroll advances.

PROBE RESOURCES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
As at May 31,2008

Subsequent Events

Subsequent to May 31, 2008:

- a) Subsequent to May 31, 2008 the Company announced (on June 4, 2008) the closing of a non-brokered private placement consisting of 16,000,000 Units (each, a “Unit”) at a price of \$0.40 per Unit, for gross proceeds of \$6,400,000. Each Unit consisted of one common share of the Company (each a “Share”) and one transferable share purchase warrant (the “Warrants”). Each Warrant entitled the holder thereof to purchase one additional Share for a two-year period expiring on June 3, 2010 at an exercise price of \$0.40 per Share. The Company incurred legal and filing fees of \$53,052 and finders’ fees of \$77,000. In addition, the Company issued 511,875 units as finders’ fees with the same terms as the private placement units. All proceeds on the issue of units have been allocated to share capital and none to warrants.

The net proceeds from the Offering were used by the Company to complete the acquisition of licenses in certain oil and natural gas leases in the U.S. Gulf of Mexico, the settlement of debt obligations and for general working capital.

- b) Subsequent to May 31, 2008 the Company announced (on July 2, 2008) the closing of a best efforts brokered private placement consisting of 54,720,000 Units (each, a “Unit”) at a price of \$0.50 per Unit, for gross proceeds of \$27,360,000. Each Unit consisted of one common share of the Company (each a “Share”) and one transferable share purchase warrant (the “Warrants”). Each Warrant entitled the holder thereof to purchase one additional Share for a one-year period expiring on June 30, 2009 at an exercise price of \$0.75 per Share.

The brokers received a cash commission of \$1,726,400 representing 6.5% of the gross proceeds raised in the Offering (excluding proceeds raised from the sale of Units in the United States) and a total of 2,656,000 non-transferable compensation options (each an “Broker Option”) representing 5% of the Units sold in the Offering. Each Broker Option entitles the holder thereof to purchase one Share for a one-year period expiring on June 30, 2009 at an exercise price of \$0.50 per Share. The brokers also received a corporate finance fee of \$52,000.

The net proceeds from the Offering are being used by the Company to complete the acquisition of licenses in certain oil and natural gas leases in the U.S. Gulf of Mexico, to fund exploration and development costs of three wells associated with such licenses, and for general working capital.

- c) Mr. David Antony and Mr. Michael Bowie were appointed to the Board of Directors on June 6, 2008. In connection with these additions, the Company announced that Mr. Bruce Ganer and Mr. Kent Couillard resigned as directors and consultants of the Company effective May 12, 2008 and June 1, 2008 respectively in order to pursue other opportunities.

PROBE RESOURCES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
As at May 31,2008

Subsequent Events (Cont'd)

- d) 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 employees of the Company to purchase up to 300,000 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 \$0.50 per share.
- e) The Company paid off one of its notes payable to another company on June 30, 2008. The total payment including the Principal and interest is \$254,164.
- f) On June 6, 2008, the Company agreed to acquire 25% working interest rights from Cutter Energy on 26,500 acres in six (6) Federal oil and gas lease blocks located in the United States Gulf of Mexico (collectively, the "Concessions"). It is in respect to these same Concessions that Probe completed the acquisition of 75% working interest rights announced May 22, 2008. Probe is the Operator of the Concessions on a 100% working interest basis. Cutter Energy is owned by Scott Broussard (President, CEO, and Chairman of Probe) and the acquisition is, therefore, considered to be a non arms-length transaction. Total consideration for the working interest rights includes a payment to Cutter Energy of USD\$829,594 cash, and up to 4,000,000 Common Shares at a deemed price of \$.50 per Common Share. The Company issued 2,000,000 of the 4,000,000 Common Shares upon TSX Venture Exchange approval of this transaction. In addition, the Company will grant Cutter 666,666 Common Shares for each occurrence of up to three successful wells at distinct leases within 24 months from the date of the agreement.
- g) The Company agreed, subject to the approval from TSX Venture Exchange, to extend the term of warrants (the "Warrants") to purchase a total of 10,000,000 common shares of the Company from 12 months from the date of issuance to 18 months from the date of issuance. The new expiry date for the Warrants to purchase a total of 10,000,000 will be February 9, 2009, provided that, the Company is entitled to accelerate the expiry date of the Warrants to the date that is 30 days following the date a notice to holders of Warrants advising that the published closing price of the common shares of the Company on the TSX Venture Exchange has been greater than \$0.75 for 20 consecutive trading days.

Liquidity and Solvency

At May 31, 2008, the Company had a working capital of \$2,729,246; however, it had not yet achieved profitable operations, and expects to incur further losses in the development of its business, 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.

Accounting Changes

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

PROBE RESOURCES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
As at May 31,2008

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.

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.

PROBE RESOURCES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS

As at May 31,2008

Critical Accounting Estimates – (Cont'd)

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.

Disclosure of Outstanding Share Data

As at May 31, 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 and 9,267,292 shares are allotted but unissued 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	-	(216,108)
Share subscriptions - at \$0.40	<u>9,267,292</u>	<u>3,755,960</u>
Balance, May 31, 2008	41,019,743	\$14,863,373
Share subscriptions - at \$0.40	6,732,707	2,644,040
Share subscriptions - at \$0.50	54,720,000	27,360,000
Issued for finder's fees – at \$0.40	511,875	204,750
Issued for acquisition of oil and natural gas properties	2,000,000	1,000,000
Less; finder's fees and commission	-	(2,060,150)
Less: share issue costs	-	(78,800)
Balance, July 30, 2008	<u>104,984,325</u>	<u>\$43,933,213</u>

PROBE RESOURCES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
As at May 31, 2008

Disclosure of Outstanding Share Data (Cont'd)

During the period ended May 31, 2008, 413,500 share purchase options exercisable at \$0.67 until July 26, 2012 and 650,000 share purchase options exercisable at \$0.60 were cancelled due to directors' resignations. In connection with the resignations, 363,500 vested share purchase options exercisable at \$0.67 until July 26, 2012 expired subsequent to May 31, 2008, and 350,000 vested share purchase options exercisable at \$0.60 until November 22, 2012 expired on July 12, 2008.

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 expired on April 30, 2008 (30 days after the termination of the Agreement).

During the period ended May 31, 2008, the Company 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.

Share purchase warrants outstanding at May 31, 2008 are as follows:

	<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 ⁽¹⁾
Private placement	4,200,000	\$ 0.60	November 15, 2008
Finder's fee	168,350	\$ 0.60	November 15, 2008
Private placement	<u>275,000</u>	\$ 0.70	February 14, 2009
Balance as at May 31, 2008	15,343,350		
Private placement	16,000,000	\$ 0.40	June 3, 2010
Finder's fee	511,875	\$ 0.40	June 3, 2010
Private placement	54,720,000	\$ 0.75	June 30, 2009
Agent warrants	<u>2,656,000</u>	\$ 0.50	June 30, 2009
Balance as at July 30, 2008	<u>89,231,225</u>		

- (1) Subject to an acceleration provision whereby, if the Company's shares trade above \$0.75 for 20 consecutive trading days after the expiration of their hold period, the Company may give notice that the warrants will expire in 30 days if unexercised.

Subsequent to May 31, 2008, the Company agreed, subject to the approval from TSX Venture Exchange, to extend the term of warrants (the "Warrants") to purchase a total of 10,000,000 common shares of the Company from 12 months from the date of issuance to 18 months from the date of issuance. The new expiry date for the Warrants to purchase a total of 10,000,000 will be February 9, 2009, provided that, the Company is entitled to accelerate the expiry date of the Warrants to the date that is 30 days following the date a notice to holders of Warrants advising that the published closing price of the common shares of the Company on the TSX Venture Exchange has been greater than \$0.75 for 20 consecutive trading days.

PROBE RESOURCES LTD.
MANAGEMENT DISCUSSION AND ANALYSIS
As at May 31,2008

Disclosure of Outstanding Share Data – (Cont'd)

Share purchase options outstanding at May 31, 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 granted	3,799,000	\$ 0.40	March 26,2013
Stock options cancelled	(200,000)	\$ 0.47	September 20, 2009
Stock options cancelled	(413,500)	\$ 0.67	July 26, 2012
Stock options cancelled	<u>(650,000)</u>	\$ 0.60	November 22, 2012
Balance as at May 31, 2008	5,426,410		
Stock options granted	300,000	\$ 0.50	June 1, 2013
Stock options cancelled	(363,500)	\$ 0.67	July 26, 2012
Stock options cancelled	<u>(350,000)</u>	\$ 0.60	November 22, 2012
Balance as at July 30, 2008	<u>5,012,910</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.

Address: 24 Waterway, Suite 1450
The Woodlands, Texas
77380 USA
Telephone: (281) 210-1170
Facsimile: (281) 210-1180
Email: info@probe-resources.com

PROBE RESOURCES LTD.