

PROBE RESOURCES LTD.

REPORT AND CONSOLIDATED INTERIM FINANCIAL STATEMENTS

UNAUDITED

For the three and six month periods ended February 28, 2009

PROBE RESOURCES LTD.
CONSOLIDATED BALANCE SHEETS
For the six month period ended February 29, 2009

	<u>2/28/09</u> Unaudited	<u>8/31/08</u> Audited
<u>ASSETS</u>		
Current		
Cash and cash equivalents – Note 2	\$ 1,164,622	\$16,532,434
Accounts receivable	4,308,973	509,636
Note receivable, related party – Note 10	401,987	-
Prepaid expenses and deposits	464,484	698,091
Deferred costs	<u>1,406,133</u>	<u>-</u>
	7,746,199	17,740,161
Restricted cash – Note 3	288,917	245,962
Reclamation and performance deposits	4,777,407	4,000,196
Equipment – Note 4	400,046	412,817
Oil and natural gas properties – Notes 5, 8, 9 and 10	64,428,167	24,162,999
Deferred costs	<u>882,167</u>	<u>-</u>
	<u>\$ 78,522,903</u>	<u>\$46,562,135</u>
<u>LIABILITIES</u>		
Current		
Accounts payable and accrued liabilities – Note 10	\$ 20,524,616	\$6,068,238
Due to related parties – Note 10	114,496	54,411
Notes payable – Note 6	10,587,769	115,262
Current maturities of long-term debt	<u>2,400,000</u>	<u>-</u>
	33,626,881	6,237,911
Long-term debt	4,665,649	-
Asset retirement obligation – Note 6	3,170,893	706,435
Asset retirement obligation in escrow – Note 6	<u>153,852</u>	<u>155,075</u>
	<u>41,617,275</u>	<u>7,099,421</u>
<u>SHAREHOLDERS' EQUITY</u>		
Share capital – Note 9	42,623,302	42,623,302
Contributed surplus – Note 9	4,089,761	3,789,693
Deficit	<u>(9,807,435)</u>	<u>(6,950,281)</u>
	<u>36,905,628</u>	<u>39,462,714</u>
	<u>\$ 78,522,903</u>	<u>\$ 46,562,135</u>

Nature of Operations and Ability to Continue as a Going Concern – Note 1
Commitments and Contingent Liability – Note 17

See accompanying notes to consolidated financial statements.

PROBE RESOURCES LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS AND DEFICIT
For the three and six month periods ended February 28, 2009 and 2008

	<u>Three months Ended</u>		<u>Six Months Ended</u>	
	<u>2/28/2009</u>	<u>2/29/2008</u>	<u>2/28/2009</u>	<u>2/29/2008</u>
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>
Revenue	\$ 3,764,341	\$ 1,244,025	\$ 3,836,620	\$ 1,244,025
Oil and natural gas				
Production expenses				
Operating expenses	564,750	424,689	939,350	424,689
Depletion and accretion	<u>2,862,362</u>	<u>582,935</u>	<u>2,921,198</u>	<u>582,935</u>
	<u>3,427,112</u>	<u>1,007,624</u>	<u>3,860,548</u>	<u>1,007,624</u>
Net production revenue (expense)	<u>337,229</u>	<u>236,401</u>	<u>(23,928)</u>	<u>236,401</u>
General and administrative expense				
Amortization	30,157	1,177	57,704	1,177
Administrative expenses – Note 10	237,944	124,614	439,645	220,859
Bank charges and interest expense	658,964	4,771	663,178	4,865
Consulting fees – Note 10	148,313	195,234	290,276	253,234
Directors' fees – Note 10	27,000	15,000	40,000	23,000
Legal and professional fees – Note 10	42,016	131,662	195,556	200,837
Stock-based compensation	166,630	-	308,116	983,138
Wages and benefits – Note 10	<u>1,210,918</u>	<u>87,506</u>	<u>1,811,699</u>	<u>104,506</u>
	<u>2,521,942</u>	<u>559,964</u>	<u>3,806,174</u>	<u>1,791,616</u>
Loss before other items	<u>(2,184,713)</u>	<u>(323,563)</u>	<u>(3,830,102)</u>	<u>(1,555,215)</u>
Other items:				
Foreign exchange gain (loss)	316,416	(13,141)	962,762	(980)
Interest income	<u>1,478</u>	<u>774</u>	<u>10,186</u>	<u>921</u>
Net loss and comprehensive loss	(1,866,819)	(335,930)	(2,857,154)	(1,555,274)
Deficit, beginning of period	<u>(7,940,616)</u>	<u>(4,093,354)</u>	<u>(6,950,281)</u>	<u>(2,874,010)</u>
Deficit, end of period	<u>\$ (9,807,435)</u>	<u>\$ (4,429,284)</u>	<u>\$ (9,807,435)</u>	<u>\$ (4,429,284)</u>
Basic and diluted loss per share	<u>\$ (0.02)</u>	<u>\$ (0.02)</u>	<u>\$ (0.03)</u>	<u>\$ (0.01)</u>

See accompanying notes to consolidated financial statements.

PROBE RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the six month period ended February 28, 2009 and 2008

	<u>Three months Ended</u>		<u>Six Months Ended</u>	
	<u>2/28/2009</u>	<u>2/29/2008</u>	<u>2/28/2009</u>	<u>2/29/2008</u>
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>
Cash provided by (used in):				
Operating Activities				
Net loss	\$ (1,866,819)	\$ (335,930)	\$ (2,857,154)	\$(1,555,274)
Add items not affecting cash:				
Depletion and accretion	2,884,577	582,935	2,943,413	582,935
Note discount accretion	105,999	-	105,999	-
Amortization	30,157	1,177	57,704	1,177
Note forgiveness – related party	461,680	-	461,680	-
Stock-based compensation	<u>158,582</u>	<u>-</u>	<u>300,068</u>	<u>983,138</u>
	1,774,176	248,182	1,011,710	11,976
Changes in non-cash working capital balances:				
Accounts receivable	(3,909,189)	(632,570)	(3,799,337)	(661,034)
Prepaid expenses and other	(1,106,272)	(13,839)	(1,172,526)	(20,089)
Accounts payable and accrued liabilities	330,986	196,152	(148,428)	(301,971)
Due to related parties	<u>-</u>	<u>-</u>	<u>60,085</u>	<u>-</u>
Net change in non-cash operating working capital	(2,910,299)	(202,075)	(4,048,496)	(971,118)
Financing Activity				
Proceeds from issuance of long-term debt	6,959,650	-	6,959,650	-
Notes payables	10,504,011	256,196	10,472,507	256,196
Net proceeds from asset retirement obligation in escrow	-	-	(1,223)	-
Net proceeds from issuance of common shares	<u>-</u>	<u>140,330</u>	<u>-</u>	<u>2,150,530</u>
	17,463,661	396,526	17,430,934	2,406,726
Investing Activities				
Restricted cash	(1,256)	-	(42,955)	-
Note receivable – related party	-	-	(863,667)	-
Reclamation and performance deposits	(153,438)	-	(777,211)	-
Additions to equipment	(10,377)	(27,763)	(44,935)	(27,763)
Additions to oil and natural gas properties	(14,417,603)	(341,801)	(26,117,103)	(1,051,527)
Additions to deferred costs	<u>(904,381)</u>	<u>-</u>	<u>(904,379)</u>	<u>-</u>
	<u>(15,487,055)</u>	<u>(369,564)</u>	<u>(28,750,250)</u>	<u>(1,079,290)</u>
Increase (decrease) in cash	(933,693)	(175,113)	(15,367,812)	356,318
Cash and cash equivalents, beginning of period	<u>2,098,315</u>	<u>600,285</u>	<u>16,532,434</u>	<u>68,854</u>
Cash and cash equivalents, end of period	<u>\$ 1,164,622</u>	<u>\$ 425,712</u>	<u>\$ 1,164,622</u>	<u>\$ 425,712</u>

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PROBE RESOURCES LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
For the three and six month periods ended February 28, 2009 and 2008

	<u>Three months Ended</u>		<u>Six Months Ended</u>	
	<u>2/28/2009</u>	<u>2/29/2008</u>	<u>2/28/2009</u>	<u>2/29/2008</u>
	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>	<u>Unaudited</u>
Cash paid for interest	\$ <u>1,179</u>	\$ <u>4,771</u>	\$ <u>4,713</u>	\$ <u>4,865</u>
Cash paid for income taxes	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

Supplementary Information with Respect to Non-cash Transactions – Note 13

See accompanying notes to consolidated financial statements.

PROBE RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the six month period ended February 28, 2009

Note 1 Nature of Operations and Ability to Continue as a Going Concern

Probe Resources Ltd. (the "Company") is a public company listed on the TSX Venture Exchange, incorporated under the British Columbia Business Corporations Act on November 15, 1988. At February 28, 2009, the Company owned an interest in two oil and natural gas producing properties and interest in six (6) Federal oil and natural gas blocks located in the United States Gulf of Mexico.

These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At February 28, 2009, the Company had a working capital deficiency of \$25,880,682, 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.

Note 2 Significant Accounting Policies

These interim financial statements were prepared using accounting policies consistent with those used in the preparation of the Company's audited financial statements for the year ended August 31, 2008 except for the adoption of new accounting policies discussed below.

The preparation of financial statements in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates. In management's opinion, the financial statements have been prepared within reasonable limits of materiality.

These financial statements do not include all the note disclosures required for the annual financial statements and as a result these interim financial statements should be read in conjunction with the Company's audited financial statements for the year ended August 31, 2008.

These interim financial statements were prepared using accounting policies consistent with those used in the preparation of the Company's audited financial statements for the year ended August 31, 2008.

PROBE RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the six month period ended February 28, 2009

Note 2 Significant Accounting Policies – continued

International Financial Reporting Standards

In February 2008, the CICA Accounting Standards Board (“AcSB”) confirmed a strategic plan for the direction of accounting standards in Canada. As part of that plan, accounting standards in Canada for public companies will converge with International Financial Reporting Standards (“IFRS”), effective January 1, 2011. The Company continues to monitor and assess the impact of the convergence of Canadian GAAP and IFRS.

Note 3 Restricted Cash

As at February 28, 2009, \$288,917 (US\$233,563) of certificate of deposits is held as security for a US\$230,000 bank letter of credit. As at February 28, 2009, the amount outstanding on the bank line of credit was \$Nil.

As at August 31, 2008, \$245,962 (US\$231,603) of certificate deposits is held as security for a US\$230,000 bank letter of credit. As at August 31, 2008, the amount outstanding on the bank line of credit was \$Nil.

Note 4 Equipment

	February 28, 2009		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Computer equipment	\$ 76,601	\$ 17,947	\$ 58,654
Office furniture and fixtures	345,214	46,568	298,646
Leasehold improvement	64,019	21,273	42,746
	<u>\$ 485,834</u>	<u>\$ 85,788</u>	<u>\$ 400,046</u>

	August 31, 2008		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net Book Value</u>
Computer equipment	\$ 76,601	\$ 6,119	\$ 70,482
Office furniture and fixtures	313,318	20,436	292,882
Leasehold improvement	51,184	1,731	49,453
	<u>\$ 441,103</u>	<u>\$ 28,286</u>	<u>\$ 412,817</u>

PROBE RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the six month period ended February 28, 2009

Note 5 Oil and Natural Gas Properties

The asset categories of petroleum and natural gas interests at February 28, 2009 and August 31, 2008 were as follows:

	February 28, 2009		
	<u>Cost</u>	<u>Accumulated</u>	<u>Net Book Value</u>
Proved properties including lease and well equipment	\$37,793,535	\$5,549,148	\$32,244,387
Unproved properties			
Undeveloped	7,546,040	-	7,546,040
In process of development	<u>24,637,740</u>	<u>-</u>	<u>24,637,740</u>
	<u>\$69,977,315</u>	<u>\$ 5,549,148</u>	<u>\$64,428,167</u>

	August 31, 2008		
	<u>Cost</u>	<u>Accumulated Depletion</u>	<u>Net Book Value</u>
Proved properties including lease and well equipment	\$ 10,173,859	\$ 2,684,300	\$ 7,489,559
Unproved properties			
Undeveloped	7,546,040	-	7,546,040
In process of development	<u>9,127,400</u>	<u>-</u>	<u>9,127,400</u>
	<u>\$ 26,847,299</u>	<u>\$ 2,684,300</u>	<u>\$ 24,162,999</u>

Gulf of Mexico – High Island

By a Farmout Agreement dated June 1, 2007 and amended July 16, 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. Consideration for the acquisition was \$583,495 (US\$550,000) which was paid in full and 33.574% of all costs except for certain well costs of which the Company's share paid was 46.30896%. The Company 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 was the issue of 3,000,000 common shares valued at a price of \$0.445 per share.

PROBE RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the six month period ended February 28, 2009

Note 5 Oil and Natural Gas Properties – (continued)

Gulf of Mexico – High Island – (continued)

As at August 31, 2008, the well had been completed with production having commenced in late November of 2007. Accordingly, depletion has been recorded since December 1, 2007. Management has evaluated the carrying value and has determined that no impairment provision is required at February 28, 2009. The future prices used in the impairment test evaluation of the Company's oil and natural gas properties were as follows:

	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Oil - \$/Barrel	<u>\$ 38.52</u>	<u>\$ 38.52</u>	<u>\$ 38.52</u>	<u>\$ 38.52</u>
Natural gas - \$/MBTU	<u>\$3.15 – 3.94</u>	<u>\$ 3.15</u>	<u>\$ 3.15</u>	<u>\$ 3.15</u>

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. For High Island block seismic data, total seismic data costs incurred to February 28, 2009 are \$773,951 (US\$730,000).

Agreement to Purchase Oil and Gas Rights

On May 26, 2008, the Company's wholly-owned subsidiary Probe Resources US Ltd. ("Probe US") entered into an agreement (the "Agreement in Principle") with certain arm's length parties (the "Vendors") to purchase 75% working interest rights associated with approximately 26,500 acres on six (6) Federal oil and natural gas lease blocks located in the United States Gulf of Mexico (collectively, the "Concessions"). After completion of the Cutter transaction, as described below, the Company became the Operator of the Concessions on a 100% working interest basis.

On June 6, 2008, the Company agreed to acquire the remaining 25% working interest rights from Cutter Energy on the Concessions noted above. Cutter Energy is owned by Scott Broussard (President, CEO, and Chairman of Probe) and the acquisition is, therefore, considered to be a non-arm's-length transaction. Total consideration for the Cutter interest rights is USD\$829,594 cash, and the issue of up to 4,000,000 Common Shares. The Company issued 2,000,000 Common Shares upon closing of the transaction. The Company will issue to Cutter the remaining 2,000,000 Common Shares as to 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.

Pursuant to the terms of the Agreements, the Vendors along with Cutter 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 and

PROBE RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the six month period ended February 28, 2009

Note 5 Oil and Natural Gas Properties – (continued)

Agreement to Purchase Oil and Gas Rights – (continued)

USD\$829,524 and issued 2,000,000 common shares valued at \$0.50 per share to Cutter. The Agreement provides Probe US the opportunity to conduct a drilling program on the Concessions.

Note 6 Notes Payable

Notes payable consist of the following:

	<u>2/28/09</u>	<u>8/31/08</u>
Credit facility	\$10,514,500	\$ -
Other short term notes	<u>73,269</u>	<u>115,262</u>
	<u>\$10,587,769</u>	<u>\$ 115,262</u>

Credit Facility

On February 19, 2009 the Company closed a credit facility (“Loan”) with an institutional lender in the amount of USD \$8,500,000. The Loan is for a term of six months from the date of advance (the “Maturity Date”). Interest is at an annual rate of 18% payable and compounded monthly on amounts outstanding at month end. Regular principal payments are being made over a six-month period which will, upon completion, retire the Loan. The Loan is secured by certain of the Company’s oil and natural gas properties. In consideration of the Loan the Lender received a \$480,000 commitment fee and 7,000,000 share purchase warrants to purchase 7,000,000 common shares of the Company at a price of \$0.25 per share for a four year period expiring February 19, 2013. Fees were paid in connection with the Loan equal to 4% (\$428,162) of the funds raised by the Company and 4% (280,000) in warrants of the Company exercisable into a common share at a price of \$0.25 per warrant on or before February 19, 2010.

Other Short-Term Notes

During the year ended August 31, 2008, the Company obtained insurance financing by way of unsecured short term notes payable in the amounts of \$121,509 (US\$114,415) and \$47,931 (US\$45,133), bearing interest at 3.26%, repayable in monthly installments of \$11,227 (US\$10,572) and \$5,418 (US\$5,102) respectively, both maturing on April 8, 2009.

Note 7 Asset Retirement Obligation

The Company has estimated the total future asset retirement obligation based on the Company’s net ownership interest in oil and natural gas wells and facilities. This includes all estimated costs to dismantle, remove, reclaim and abandon the wells and facilities and the estimated time period during which these costs will be incurred in the future. The Company has estimated the total undiscounted cash flows required to settle the asset retirement obligations to be \$767,849 (2007: \$1,036,000). A credit-adjusted risk free rate of 10% was used to calculate the fair value of the asset retirement obligations.

PROBE RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the six month period ended February 28, 2009

Note 7 Asset Retirement Obligation – (continued)

The following table reconciles the asset retirement obligations associated with the retirement of oil and natural gas properties.

	February 28, <u>2009</u>	August 31, <u>2008</u>
Balance, beginning of the period	\$ 706,435	\$ 531,632
Liabilities incurred	2,429,290	320,000
Revisions	-	(193,297)
Accretion expense	<u>35,168</u>	<u>48,100</u>
Balance, end of the period	<u>\$ 3,170,893</u>	<u>\$ 706,435</u>

Asset Retirement Obligation in Escrow

The asset retirement obligation in escrow consists of amounts that the Company has withheld from revenue payments to its partners on the High Island 115 Sidetrack B-2 well. The Company will disburse the withheld funds to the operator of the well in satisfaction of future joint interest billings from the operator for plugging and abandonment costs.

Note 8 Long-Term Debt

Long-term debt notes of the following:

	<u>2/28/09</u>	<u>8/31/08</u>
Senior secured notes	\$ 7,065,649	\$ -
Less: current maturities	<u>(2,400,000)</u>	<u>-</u>
	<u>\$ 4,665,649</u>	<u>\$ -</u>

On February 10, 2009 the Company entered into a Note Purchase Agreement whereby the Company agreed to issue and sell senior secured notes in the aggregate principal amount of USD\$10,000,000 (the “Notes”) to a Single Holder (the “Holder”). The net proceeds to the Company, as a result of the negotiated discount to face value of the Notes, is CDN\$7,000,000. In addition, the Notes bear interest at a rate of 15% per annum, fixed and payable monthly in arrears on principal outstanding. The principal will be re-paid by monthly payments of USD\$200,000. The initial term of the Notes is two years with an extension option at the election of the Company for an additional two years upon payment of an extension fee of \$300,000 in each of the second and third years of the total term. The notes are secured by certain oil and natural gas properties. As additional compensation the Holder received 7,000,000 share purchase warrants exercisable into 7,000,000 common shares of the Company at a price of \$0.20 per share for a period of five years from the closing date.

The notes are stated net of discount of \$5,304,350.

PROBE RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the six month period ended February 28, 2009

Note 9 Share Capital

Authorized:

Unlimited common shares without par value

Issued:

	Share Capital		<u>Contributed Surplus</u>
	<u>Number of Shares</u>	<u>Amount</u>	
Balance, August 31, 2007	24,109,101	\$ 7,691,846	\$ 1,090,364
Issued for acquisition of			
-oil and natural gas properties – at \$0.445	3,000,000	1,335,000	-
-oil and natural gas properties – at \$0.50	2,000,000	1,000,000	-
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	-
-private placement agreements – at \$0.40	15,999,999	6,400,000	-
-private placement agreements – at \$0.50	54,720,000	27,360,000	-
Issued for			
-finder's fees – at \$0.50	168,350	84,175	-
-finder's fees – at \$0.40	511,875	204,750	-
Less: share issue costs	-	(3,717,469)	1,150,707
Share purchase options	-	-	1,548,622
Cancelled escrow shares	(601,125)	-	-
Balance, August 31, 2008	104,383,200	\$ 42,623,302	\$ 3,789,693
Less: share issue costs		(25,545)	
Share purchase options			300,068
Balance February 28, 2009	<u>104,383,200</u>	<u>\$ 42,597,757</u>	<u>\$ 4,089,761</u>

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. The Company incurred legal and filing fees of \$37,300 and finders' fees of \$52,500. In addition, the Company issued 168,350 units as finders' fees valued at \$84,175 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.

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

PROBE RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the six month period ended February 28, 2009

Note 9 Share Capital – (continued)

Issued – (continued)

7.97087% working interest (5.73113% net revenue interest) in the well. The Company incurred legal and filing fees of \$32,840 for share issue costs.

On February 14, 2008, 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.

On June 6, 2008, the Company issued 2,000,000 common shares pursuant to the Cutter transactions as described in Note 5.

On June 6, 2008 the Company closed a non-brokered private placement consisting of 15,999,999 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 valued at \$204,750 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.

On July 2, 2008, the Company closed a 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 2,736,000 non-transferable compensation options (each an “Broker Option”) representing 5% of the Units sold in the Offering valued at \$0.34 for \$930,240 included in share issue costs. 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.

On January 22, 2009 the Company closed a US\$4,000,000 tranche of a senior secured notes issue (the “Notes”) for CDN\$2,800,000 (USD\$2,200,047 net proceeds to the Company) in connection therewith. The Company then issued 2,800,000 of the 7,000,000 warrants to the Holder where each warrant entitles the Holder thereof to purchase one common share of the Company on or before November 28, 2013 at an exercise price of \$0.20 per share. Shares issuable on the exercise of the warrants have a hold period expiring May 21, 2009.

PROBE RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the six month period ended February 28, 2009

Note 9 Share Capital – (continued)

Issued – (continued)

On February 10, 2009 the Company closed the second tranche of a note issue by issuing US\$6,000,000 Notes for CDN\$4,200,000 (USD\$3,351,955 net proceeds to the Company). In addition, the Company issued the remaining 4,200,000 of the seven million warrants to the Holder where each warrant entitles the Holder to purchase one common share of the Company on or before November 28, 2013 at an exercise price of \$0.20 per share. Shares issuable on the exercise of the warrants have a hold period expiring June 9, 2009.

Fees were paid in connection with the issue of the Notes equal to 4% (\$277,271.90) of the funds raised and 4% (280,000) in warrants of the Company exercisable into common shares at a price of \$0.25 per warrant on or before February 9, 2010.

On February 19, 2009 the Company closed a credit facility (“Loan”) with an institutional lender in the amount of USD \$8,500,000. The Loan is for a term of six months from the date of advance (the “Maturity Date”). Interest is at an annual rate of 18% payable and compounded monthly on amounts outstanding at month end. Regular principal payments are being made over a six-month period which will, upon completion, retire the Loan. In consideration of the Loan the Lender received a \$480,000 commitment fee and 7,000,000 share purchase warrants to purchase 7,000,000 common shares of the Company at a price of \$0.25 per share for a four year period expiring February 19, 2013. Fees were paid in connection with the Loan equal to 4% (\$428,162) of the funds raised by the Company and 4% (280,000) in warrants of the Company exercisable into a common share at a price of \$0.25 per warrant on or before February 19, 2010.

Escrow:

During the year ended August 31, 2008, 601,125 common shares held in escrow by the Company's transfer agent were cancelled pursuant to the Escrow Agreement.

Stock-Based Compensation Plan

During the period the Company had a fixed share option plan Effective February 29, 2008, whereby the maximum number of shares reserved for issue under the plan shall not exceed 6,295,490 common shares at the date of the grant. The maximum number of common shares reserved for issue to any one person under the plan cannot exceed 5% of the issued and outstanding number of common shares at the date of the grant and the maximum number of common shares reserved for issue to a consultant or a person engaged in investor relations activities cannot exceed 2% of the issued and outstanding number of common shares at the date of the grant. The exercise price of each option granted under the plan may not be less than the Discounted Market Price (as that term is defined in the policies of the TSX). Options may be granted for a maximum term of five years from the date of the grant, are non-transferable and expire within 90 days of termination of employment or holding office as director or officer of the Company. Unless otherwise stated, share purchase options vest when granted.

PROBE RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the six month period ended February 28, 2009

Note 9 Share Capital – (continued)

Stock-Based Compensation Plan – (continued)

Effective March 26, 2009, the Company adopted a rolling share option plan where the maximum number of common shares reserved for issue to any one person under the plan cannot exceed 10% of the issued and outstanding number of common shares at the date of the grant and the maximum number of common shares reserved for issue to a consultant or a person engaged in investor relations activities cannot exceed 2% of the issued and outstanding number of common shares at the date of the grant. The exercise price of each option granted under the plan may not be less than the Discounted Market Price (as that term is defined in the policies of the TSX). Options may be granted for a maximum term of ten (10) years from the date of the grant, are non-transferable and expire within 45 days of termination of employment or holding office as director or officer of the Company. Unless otherwise stated, share purchase options vest when granted.

Information regarding the Company's outstanding share purchase options is summarized as follows:

	<u>Six Months Ended</u> <u>February 28, 2009</u>		<u>Year Ended</u> <u>August 31, 2007</u>	
	<u>Number</u>	<u>Weighted</u> <u>Average</u> <u>Exercise</u> <u>Price</u>	<u>Number</u>	<u>Weighted</u> <u>Average</u> <u>Exercise</u> <u>Price</u>
Outstanding, beginning of period	5,012,910	\$0.45	1,340,910	\$0.67
Granted	1,282,580	\$0.25	5,649,000	\$0.45
Cancelled	<u>-</u>	<u>-</u>	<u>(1,977,000)</u>	<u>\$0.61</u>
Outstanding, end of period	<u>6,295,490</u>	<u>\$0.41</u>	<u>5,012,910</u>	<u>\$0.45</u>
Exercisable, end of period	<u>3,962,603</u>	<u>\$0.44</u>	<u>2,041,910</u>	<u>\$0.45</u>

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

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

PROBE RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the six month period ended February 28, 2009

Note 9 Share Capital – (continued)

Stock-Based Compensation Plan - (continued)

In March, 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.

On June 2, 2008, the Company 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.

In October, 2008, the Company granted incentive stock options to certain employees of the Company to purchase up to 370,000 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.

On February 11, 2009, the Company granted incentive stock options to certain employees and senior management of the Company to purchase up to 912,580 common shares in the capital stock of the Company. The options have a term of five years expiring February 10, 2014 and are exercisable at an exercise price of \$0.19 per share.

Share purchase options outstanding at February 28, 2009 are as follows:

<u>Number of Options</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
563,910	\$0.67	July 26, 2012
100,000	\$0.49	October 26, 2012
250,000	\$0.60	November 22, 2012
3,243,000	\$0.40	March 5, 2013
556,000	\$0.40	March 5, 2013
300,000	\$0.50	June 1, 2013
370,000	\$0.40	October 2, 2013
<u>912,580</u>	\$0.19	February 10, 2014
<u>6,295,490</u>		

The weighted average contractual life of outstanding options is 4.12 years.

PROBE RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the six month period ended February 28, 2009

Note 9 Share Capital – (continued)

Stock-Based Compensation Plan - (continued)

The fair value of the share purchase options granted during the six months ended February 28, 2009 and the year ended August 31, 2008 of \$420,861 and \$1,548,622 was estimated using the Black-Scholes option pricing model using the following assumptions:

	<u>February 28, 2009</u>	<u>August 31, 2008</u>
Risk-free interest rate	1.30% - 2.22%	3.01% - 4.22%
Dividend yield	0.00%	0.00%
Expected stock price volatility	116.65% - 126.25%	111.46% - 232.36%
Weighted average expected stock option life	5 years	5 years

Share Purchase Warrants

Information regarding the Company's outstanding share purchase warrants is summarized below:

	<u>Six Months Ended February 28, 2009</u>		<u>Year ended August 31, 2008</u>	
	<u>Number</u>	<u>Weighted Average Exercise Price</u>	<u>Number</u>	<u>Weighted Average Exercise Price</u>
Balance, beginning of period	88,531,224	\$0.75	10,700,000	-
Issued	14,560,000	\$0.23	78,531,224	\$0.68
Expired	<u>(14,643,350)</u>	<u>\$0.70</u>	<u>(700,000)</u>	<u>\$0.75</u>
Balance, end of period	<u>88,447,874</u>	<u>\$0.61</u>	<u>88,531,224</u>	<u>\$0.67</u>

Share purchase warrants outstanding at February 28, 2009 are as follows:

<u>Number of Warrants</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
16,511,874	\$0.50	June 6, 2010
2,656,000	\$0.50	June 30, 2009
54,720,000	\$0.75	June 30, 2009
2,800,000	\$0.20	January 21, 2014
4,480,000	\$0.20	February 9, 2014
<u>7,280,000</u>	\$0.25	February 18, 2013
<u>88,447,874</u>		

PROBE RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the six month period ended February 28, 2009

Note 9 Share Capital – (cont'd)

Finders' Warrants

Share issue costs of \$1,123,514 with respect to 3,336,225 share purchase warrants issued for finders' fees during the year ended August 31, 2008 and included in the share purchase warrants outstanding above, were estimated using the Black-Scholes option pricing model with the following assumptions:

	<u>2008</u>
Risk-free interest rate	3.69% - 4.97%
Dividend yield	0.00%
Expected stock price volatility	105.24% - 171.54%
Weighted average expected stock option life	1 - 2 years

Note 10 Related Party Transactions

- a) The Company incurred the following fees charged by directors and former directors of the Company or by entities of which a director is a partner or entities with directors in common with the Company:

	<u>2/28/09</u>	<u>8/31/08</u>
Consulting fees	\$ -	\$ 20,000
Corporate development	-	12,000
Directors' fees	16,000	8,000
Drilling, completion and other costs		120,000
Legal fees	252,095	114,357
Wages and benefits		170,000
	<u>\$ 268,095</u>	<u>\$ 444,357</u>

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

- b) At February 28, 2009, accounts payable and accrued liabilities include \$114,496 (2007: \$52,436) due to directors of the Company or to private companies with directors in common with the Company.

PROBE RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the six month period ended February 28, 2009

Note 10 Related Party Transactions – (continued)

- c) At February 28, 2009, an officer of the Company was indebted to the Company for \$9,428 (2007: \$Nil) from payroll advances. This amount is included in prepaid expenses and deposits.
- d) During the year end August 31, 2008 the Company acquired an interest in certain oil and natural gas properties from a private company controlled by an officer/director as disclosed in Note 5.
- e) On September 2, 2008, the Company advanced USD\$750,000 to an officer of the Company as a relocation/home ownership loan. The advance bears interest at 5% and is repayable on the earlier of January 1, 2010, or immediately in the case of the borrower's termination of the employment agreement dated February 12, 2008. The loan was forgiven as to 50% as of January 1, 2009 and the remaining 50% will be forgiven after the second year unless the employment is terminated.

Note 11 Financial Instruments and Risk Management

At February 28, 2009, and August 31, 2008 the Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities. The fair values of cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities approximate their carrying amount due to the short-term maturity of those instruments and variable rates of interest. The company is exposed to risks arising from its financial instruments. The financial risks include market risk relating to commodity prices, interest rates and foreign exchange rates, credit risk and liquidity risk.

a) Market Risk

Market risk, the risk that the fair value or future cash flows of financial assets or liabilities will fluctuate due to movements in market prices, is comprised of the following:

(i) Commodity price risk

The Company sells all of its natural gas and condensate production at current market prices on the date of sale.

(ii) Foreign exchange risk

The Company is exposed to foreign exchange risks to the extent it transacts in various currencies, while measuring and reporting its results in Canadian dollars (CAD). Since time passes between the recording of a receivable or payable transaction and its collection or payment, the Company is exposed to gains or losses on non CAD amounts and on balance sheet translation of monetary accounts denominated in non CAD amounts upon spot rate fluctuations from quarter to quarter.

PROBE RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the six month period ended February 28, 2009

Note 11 Financial Instruments and Risk Management – (continued)

In addition, additions to oil and gas properties are recorded and translated at historical cost. Based on recent trends in foreign exchange rates, the Company has assumed a possible fluctuation range of an increase or decrease of 20% in non CAD currency rates. As at November 30, 2008 and 2007, a 20% increase in the value of the US dollar when measured against the Canadian dollar would have positively impacted net earnings (loss) by an estimated \$193,000 and \$244,000, respectively. A similar decrease of 20% would have had the opposite impact.

b) Credit Risk

Credit risk reflects the risk the Company may be unable to recover accounts receivable. The Company's accounts receivable are primarily with financially secure oil and gas companies. As such, the Company believes that it does not currently have any significant credit risk.

c) Liquidity Risk

Liquidity risk is the risk the Company will encounter difficulties in meeting its financial obligations. The Company manages liquidity risk by continuously monitoring forecast and actual cash flows and the use of equity and debt facilities as needed. All of the Company's outflows relating to financial liabilities are repayable in the next fiscal year.

Note 12 Segmented Information

The Company has one operating segment, oil and gas operations, and operates in two geographical regions as follows:

February 28, 2009	US	Canada	Total
Revenues	\$ 3,836,620	\$ -	\$ 3,836,620
Current assets	8,186,128	40,251	8,226,379
Petroleum and natural gas properties and equipment	64,428,167	-	64,428,167
Property and equipment	388,780	11,266	400,046
Other assets	5,468,311	-	5,468,311
Total Assets	<u>\$78,471,386</u>	<u>\$ 51,517</u>	<u>\$78,522,903</u>

PROBE RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the six month period ended February 28, 2009

Note 12 Segmented Information – (continued)

August 31, 2008	US	Canada	Total
Revenues	\$ 5,110,861	\$ -	\$ 5,110,861
Current assets	17,659,330	80,831	17,740,161
Petroleum and natural gas properties and equipment	24,162,999	-	24,162,999
Property and equipment	401,551	11,266	412,817
Other assets	4,246,158	-	4,246,158
Total Assets	<u>\$46,470,038</u>	<u>\$ 92,097</u>	<u>\$46,562,135</u>

All petroleum and natural gas properties of the Company are in the US Gulf of Mexico.

Note 13 Non-Cash Transactions

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows.

During the six months ended February 28, 2009 and 2008, the following transactions were excluded from the statement of cash flows:

- a) The Company included \$10,226 (2007: \$nil) in operation expenses and \$367,119 (2007: \$nil) in asset retirement obligation pursuant to the provision of an asset retirement obligation.
- b) The Company's acquisition of oil and gas properties includes \$5,728,184 (2007 \$nil) in oil and natural gas sproPERTIES.

PROBE RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the six month period ended February 28, 2009

Note 14 Income Taxes

A reconciliation of income taxes at statutory rates is as follows:

	<u>2008</u>	<u>2007</u>
Loss before income taxes	\$ <u>4,076,271</u>	\$ <u>1,084,602</u>
Statutory tax rates	<u>34.12%</u>	<u>34.12%</u>
Computed income tax recovery	\$ 1,390,800	\$ 370,100
Effect of reduction in statutory rate	(267,100)	-
Expiry of loss carry forward	(19,300)	-
Foreign income taxed at other than CDC Rate	(1,100)	-
Permanent differences	(405,900)	(283,700)
Other non-deductible items for tax purposes	-	-
Share issue costs not deducted	667,400	-
Net change in valuation allowance	<u>(1,364,800)</u>	<u>(86,400)</u>
Total income taxes (recovery)	<u>\$ -</u>	<u>\$ -</u>

Significant components of the Company's future tax assets and liabilities, after applying enacted corporate income tax rates, are as follows:

	<u>2008</u>	<u>2007</u>
Future income tax assets		
Non-capital loss carried forward	\$ 996,000	\$ 350,000
Exploration and development costs	216,000	-
Capital assets	9,000	-
Share issue costs remaining	<u>587,000</u>	<u>93,000</u>
	1,808,000	443,000
Valuation allowance	<u>(1,808,000)</u>	<u>(443,000)</u>
Future income tax assets	<u>\$ -</u>	<u>\$ -</u>

At August 31, 2008, the Company has estimated losses for income tax purposes that can be used to reduce future taxes payable. These losses expire at varying dates to 2028.

The amount of non-capital losses available for carry forward is (Canada) \$3,500,000. The amount of net-operating losses available for carry forward is (USA) \$235,000.

The Company has recorded a valuation allowance against its future income tax assets based on the extent that it is more likely-than-not that sufficient taxable income will not be realized during the carry-forward periods to utilize all the future tax assets.

PROBE RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the six month period ended February 28, 2009

Note 15 Comparative Figures

Certain comparative figures for the three months ended November 30, 2008 have been reclassified to conform with the financial statement presentation adopted for the current period.

Note 16 Subsequent Events

Stock Option Plan

Effective March 26, 2009, the Company adopted a rolling share option plan where the maximum number of common shares reserved for issue to any one person under the plan cannot exceed 10% of the issued and outstanding number of common shares at the date of the grant and the maximum number of common shares reserved for issue to a consultant or a person engaged in investor relations activities cannot exceed 2% of the issued and outstanding number of common shares at the date of the grant. The exercise price of each option granted under the plan may not be less than the Discounted Market Price (as that term is defined in the policies of the TSX). Options may be granted for a maximum term of ten (10) years from the date of the grant, are non-transferable and expire within 45 days of termination of employment or holding office as director or officer of the Company. Unless otherwise stated, share purchase options vest when granted.

Share Issue

By way of a Purchase and Sale Agreement, dated June 4, 2008, and effective as of April 1, 2008 among the Company, Probe US, and Cutter Energy LLC (“Cutter”), a private entity controlled by L. Scott Broussard, the Company acquired from Cutter a 25% interest in the Leases. The acquisition was accepted by the TSXV on June 30, 2008. Aggregate payable by the Corporation to Cutter is: (1) USD \$829,594 cash (paid); (2) 2,000,000 Common Shares upon approval (issued); and (3) 666,666, 666,667, and 666,667 Common Shares for each occurrence of up to three successful wells at distinct leases within 24 months from the date of the agreement. The first installment of 666,666 Common Shares was issued to Cutter on March 3, 2009 upon the completion of the ST 214 Well.

Joint Venture

On April 29, 2009 the Company announced that it had entered into a joint venture with Petrodome Energy, LLC and certain other parties for the drilling of its East Cameron 37 project. The prospect is adjacent to and will be drilled from the same surface location as its previously announced East Cameron 36 discovery.

The terms of the joint venture consist of the proportionate reimbursement of Probe’s sunk costs in the East Cameron 36 well including prospect acquisition fees, drilling costs, and development costs to date, as well as the joint venture partners’ proportionate contribution of well costs and future development costs. Probe will retain a 52% working interest and 36.4% net revenue interest prior to project payout and a 41.5% working interest and 30.784% net revenue interest after project payout in the project area. The project area consists of East Cameron 36, East Cameron 37, and Vermilion 20. Probe will continue as operator of the project area.

PROBE RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the six month period ended February 28, 2009

Note 17 Commitments and Contingent Liability

Contractual Obligations:

Operating Leases

The Company has a non-cancelable operating lease for its office facility. The lease has schedule increases, requires the Company to pay its share of operating costs, and expires in 2013.

Future minimum payments under operating lease for the next five years are as follows:

February 28, 2010	\$329,721
February 28, 2011	\$329,721
February 28, 2012	\$331,948
February 28, 2013	\$343,077
February 28, 2014	\$285,898

Drilling Commitment

At April 29, 2009, the Company had entered into a turnkey drilling contract to drill the East Cameron 37 #1 well for a gross amount of \$7,852,400. The Company holds a 52% working interest in the well.

Contingent Liability:

The Company's 100% owned U.S. subsidiary, Probe Resources US Ltd. ("Probe US"), along with an officer of the Company, have been named as defendants in a petition filed in the State Court of Texas, USA during September 2008 and amended in November 2008 to add Probe US and the officer as defendants. As of December 10, 2008, Probe US has not filed a reply as it has not been served. The lawsuit alleges that Probe US and the officer used information in violation of a confidentiality agreement to acquire certain properties. The petition has, among other things, petitioned for the establishment of a constructive trust for the revenue from the plaintiff's alleged interest in the properties and has requested unspecified damages as a result of the utilization of the confidential information. Neither Probe US nor its officers have ever had any contractual relationships with the plaintiff. The Company believes that the plaintiff's claims are without merit and accordingly no provision has been provided in the financial statements. The Company intends to vigorously defend the claims made in the lawsuit.

Note 18 Capital Risk Management

The company's objectives when managing capital are: to safeguard the Company's ability to continue as a going concern; to maintain optimal capital structure, while ensuring the Company's strategic objectives are met and to provide an appropriate return to shareholders relative to the risk of the Company's underlying assets.

PROBE RESOURCES LTD.
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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Note 18 Capital Risk Management – (continued)

In the management of capital, the Company includes share capital, contributed surplus, deficit, interest bearing debt and cash and cash equivalents.

The Company maintains and adjusts its capital structure based on changes in economic conditions and the Company's planned requirements. The Company may adjust its capital structure by issuing new equity and/or debt, selling and/or acquiring assets, and controlling its capital expenditures program.