



**PROBE RESOURCES LTD.**

**ANNUAL INFORMATION FORM**

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Unless otherwise indicated  
all information in this Annual Information Form  
is presented as at March 19, 2009

Unless otherwise indicated, the terms “Probe Resources Ltd.”, “Probe” and “Corporation” are used interchangeably in this Annual Information Form to refer to Probe Resources Ltd. and its subsidiaries.

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## Forward-Looking Information

This Annual Information Form contains certain forward-looking information within the meaning of applicable securities legislation. Forward-looking information is based on the Corporation's current expectations, estimates, projections, and assumptions that were made by the Corporation in light of its experience, and its perception of historical trends.

All information that addresses expectations or projections about the future, including information about the Corporation's strategy for growth, expected future expenditures, commodity prices, costs, schedules, production volumes, operating and financial results, and expected impact of future commitments, is forward-looking information. Some of the forward-looking information may be identified by words like "expects," "anticipates," "estimates," "plans," "scheduled," "intends," "may," "believes," "projects," "indicates," "could," "focus," "vision," "goal," "proposed," "target," "objective," "continue," and similar expressions. Such information is not a guarantee of future performance and involves a number of risks and uncertainties, some that are similar to other oil and gas companies and some that are unique to the Corporation's experience. The Corporation's actual results may differ materially from those expressed or implied by its forward-looking information.

Readers are cautioned not to place undue reliance on forward-looking information, as there can be no assurance that the plans, intentions, or expectations upon which it is based will occur. By its nature, forward-looking information involves numerous assumptions, known and unknown risks and uncertainties, both general and specific, that contribute to the possibility that the predictions, forecasts, projections and other things contemplated by the forward-looking information will not occur. The risks, uncertainties, and other factors, many of which are beyond the control of the Corporation, that could influence actual results include, but are not limited to:

- current global credit crisis and recession;
- changes in the general economic, market, and business conditions;
- fluctuations in supply and demand for the Corporation's products;
- fluctuations in future commodity prices, interest rates, and currency exchange rates and how they may vary from those used in reserves estimates;
- variations between discounted present value and fair market value of reserves;
- fluctuations in the costs of borrowing;
- fluctuations in production and operating costs and expenses;
- political and economic developments, expropriations, royalty and tax increases, retroactive tax claims and changes to import and export regulations, and other foreign laws and policies in the countries in which the Corporation operates;
- the Corporation's ability to respond to changing markets and to receive timely regulatory approvals;
- the successful and timely implementation of capital projects, including growth projects and regulatory projects;

- the accuracy of cost estimates, some of which are provided at the conceptual or other preliminary stage of projects and prior to commencement of conception of the detailed engineering needed to reduce the margin of error or level of accuracy;
- the integrity and reliability of the Corporation's capital assets;
- the costs of compliance with existing and future environmental and government laws and regulations and their ability to adversely affect production;
- the accuracy of the Corporation's reserve, resource and future production estimates, the changing assumptions made in preparing the reserves information, and the Corporation's success at exploration and development drilling and related activities;
- the maintenance of satisfactory relationships with joint venture partners;
- competitive actions of other companies, including increased competition from other oil and gas companies and from companies that provide alternative sources of energy;
- skilled labour and material shortages;
- the availability of drilling and other equipment and of processing and pipeline capacity;
- uncertainties resulting from potential delays or changes in plans with respect to projects or capital expenditures;
- actions by governmental authorities, including changes in environmental and other regulations that may impose restriction in areas where the Corporation operates;
- the ability and willingness of parties with whom the Corporation has material relationships to perform their obligation to the Corporation;
- the occurrence of unexpected events such as hurricanes, inclement weather, fires, blowouts, freeze-ups, equipment failures, and other unforeseen operating interruptions affecting the Corporation or other parties whose operations or assets directly or indirectly affect the Corporation;
- increased risks from the Corporation's focus on exploration projects to increase reserves;
- writedowns as a result of decreases in commodity prices;
- the Corporation's lack of control over the operation of HI 115;
- production issues at any of the Corporation's wells;
- the Corporation's ability to replace and expand economically recoverable oil and natural gas reserves;
- changes to the Corporation's plans to drill a prospect;
- potential disruption or unexpected technical difficulties in developing new products;
- the availability of technology and risks associated with technology;
- the Corporation's ability to compete with the superior resources of its competitors;
- the Corporation's ability to adequately insure losses from operating hazards;

- the Corporation's ability to access external sources of debt and equity capital;
- the Corporation's ability to make capital investments and the amounts of capital investments;
- results and risks of exploration, development, and drilling; and
- risks associated with existing and potential future lawsuits and regulatory actions against the Corporation.

Information relating to "reserves" is forward-looking information as it is based on certain estimates and assumptions, including assumptions that the reserves described exist in the quantities predicted or estimated, and can be profitably produced in the future.

Further, any forward-looking information speaks only as of the date on which such statement is made, and, except as required by applicable securities laws, the Corporation undertakes no obligation to update any forward-looking statement or statements to reflect events or circumstances after the date on which such statement is made or to reflect the occurrence of unanticipated events. Readers are cautioned that the foregoing list of important factors is not exhaustive. New factors emerge from time to time, and it is not possible for management to predict all of such factors and to assess in advance the impact of each such factor on the Corporation's business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements. The forward-looking information contained in this Annual Information Form is expressly qualified by this cautionary statement.

Many of these risk factors and other specific risks and uncertainties are discussed in further detail throughout this Annual Information Form.

## Corporate Structure

### NAME AND INCORPORATION

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Probe Resources Ltd. was incorporated under the laws of British Columbia in 1988 and was transitioned under the *Business Corporations Act* on March 27, 2006.

The registered office of the Corporation is located at 1500 – 1055 West Georgia Street, Vancouver, British Columbia, V6E 4N7.

### INTERCORPORATE RELATIONSHIPS

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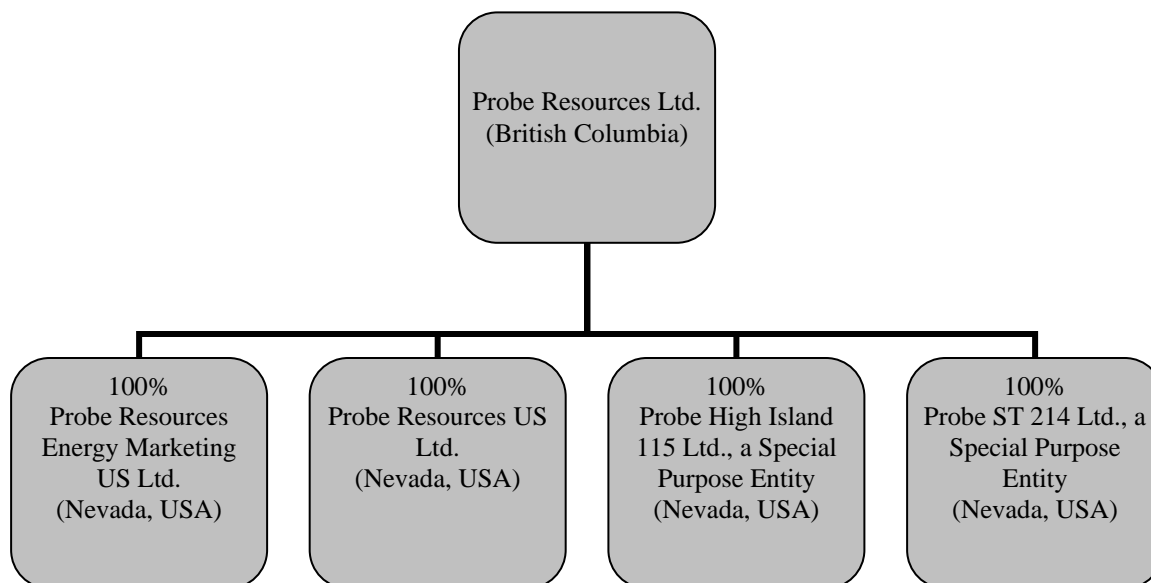
The Corporation's principal subsidiary, Probe Resources US Ltd. ("Probe US"), is wholly owned by the Corporation and was incorporated under the Nevada *Revised Statute Chapter 78* on July 13, 2007. Probe US is engaged in the exploration and development of petroleum products.

On January 25, 2008, Probe Resources Energy Marketing US Ltd. ("PREMUS"), a wholly owned subsidiary of the Corporation, was incorporated under the Nevada *Revised Statute Chapter 78*. PREMUS is engaged in the distribution and marketing of petroleum products.

On January 8, 2009, Probe High Island 115 Ltd. ("High Island 115 Ltd."), a wholly owned subsidiary of the Corporation was incorporated under Nevada *Revised Statute Chapter 78*. High Island 115 Ltd. was formed as a special purpose entity to hold oil and gas interests in High Island 115.

On January 20, 2009, Probe ST 214 Ltd. ("Probe ST 214"), a wholly owned subsidiary of the Corporation was incorporated under the Nevada *Revised Statute Chapter 78*. Probe ST 214 was formed as a special purpose entity to hold oil and gas interests in the leases for EC 246, EC 36, and ST 214.

The intercorporate relationships among Probe and its subsidiaries are as follows (jurisdiction of incorporation is indicated in parenthesis below the respective names):



## General Development of the Business

The Corporation is an oil and gas exploration, development, and marketing company, with operations based in Houston, Texas, U.S.A. The Corporation, through its operating subsidiaries, is principally engaged in the exploration and production of oil and gas reserves in the Outer Continental Shelf (OCS) in the Gulf of Mexico.

### THREE-YEAR HISTORY

#### 2006

In 2006, the Corporation was in the development stage in the mineral resource exploration industry, and was seeking investment and/or joint venture opportunities in exploration activities with a view to developing a mineral resource. During the year ended August 31, 2006, the Corporation obtained a geological report and completed evaluating its 24 claims in the Greenwood Mining District of British Columbia. Management decided not to pursue development of these properties and their value was written down to \$1. The Corporation owned no other mineral properties.

#### 2007

In 2007, the Corporation acquired significant working interests ("WI") in a US federal oil and gas lease in the Gulf of Mexico. In August 2007, the Corporation completed the acquisition of 47.0031% WI and 35.2746% net revenue interest ("NRI") in the federal lease for High Island Block 115 Serial No. OCS-G 18936 ("High Island 115"), containing approximately 5,760 acres. Additionally, the Corporation acquired a 41.54486% WI and 30.91863% NRI in an existing well, High Island 115 #ST B-1 (the "High Island Well"). The acquisitions were funded through private placements. Subsequently, the Corporation participated in the sidetrack drilling of the High Island Well. The drilling program was successful, and the High Island Well began producing in December 2007.

#### 2008

In 2008, the Corporation expanded its asset portfolio by acquiring certain interests in six US federal oil and gas leases in the Gulf of Mexico (the "Leases") in July 2008 totalling 26,500 acres. The Corporation acquired 100% WI and approximately 69.5% NRI in the Leases. The Corporation is the operator for the

Leases. The acquisition was funded by private placements. The Corporation's drilling and development program on the Leases includes drilling nine wells (including exploration and development wells), completing all wells, and developing fields at an estimated cost of US\$169 million. On August 25, 2008, the Corporation announced the discovery of commercial reserves in multiple horizons in its East Cameron 36 #1 well (the "EC 36 Well"). The EC 36 Well was spud on August 5, 2008 and was drilled under budget to a total depth of 10,450 feet. On October 30, 2008, the Corporation announced the discovery of commercial reserves in its East Cameron 246 #2 well (the "EC 246 Well"). On January 5, 2009, the Corporation announced the discovery of commercial reserves in the South Timbalier 214 #A-6 ST#1 well (the "ST 214 Well"). The ST 214 Well was drilled to 15,825 feet measured depth and 14,751 feet true vertical depth. The well was drilled from a Probe-owned production platform in the adjacent block which is connected to the NYMEX premium market via a ready-for-service export pipeline. The ST 214 Well commenced production on January 30, 2009.

## **SIGNIFICANT ACQUISITIONS**

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### **Acquisition of High Island 115**

The Corporation acquired its interests in High Island 115 by way of a Farmout Agreement, dated June 1, 2007, with Emperor World Trade LLC, for a consideration of US\$550,000 and 33.574% of all costs to complete the High Island Well. In December 2007, the Corporation acquired additional interests in High Island 115 from Venture Capital Asset Management AG, for a consideration of 3,000,000 Common Shares of the Corporation at a deemed price of \$0.445 per share. As a result of the acquisitions, the Corporation acquired a total of 47.0031% WI and 35.2746% NRI in High Island 115 and a 41.54486% WI and 30.91863% NRI in the High Island Well.

### **Acquisitions of Oil and Gas Leases in the Gulf of Mexico**

The Corporation completed a two-part acquisition for certain oil and gas interests in the Gulf of Mexico, covering approximately 26,500 acres.

Pursuant to an Agreement, dated May 26, 2008, with PetroVal, Inc., Grimes Energy Company, Texas Standard Oil & Gas, LP, Trifecta Oil & Gas, LLC, and Trifecta Operating, LLC (collectively, the "Trifecta Group"), the Corporation, through Probe US, acquired an undivided 75% WI and approximately 52.125% NRI in the Leases. The Leases consisted of East Cameron Blocks 36 (Serial No. OCS-G 24791) ("EC 36"), 37 (Serial No. OCS-G 25933) ("EC 37"), and 246 (Serial No. OCS-G 24805) ("EC 246"), South Timbalier Block 214 (Serial No. OCS-G 24979) ("ST 214"), Brazos Block 434 (Serial No. OCS-G 26458) ("BA 434"), and Vermilion Block 20 (Serial No. OCS-G 31329) ("VR 20"). The aggregate payable by Probe US to the vendors was US\$4,250,000 cash.

Pursuant to a Purchase and Sale Agreement & Conveyance, dated June 4, 2008 and made retroactive to April 1, 2008, with Cutter Energy, LLC ("Cutter"), the Corporation and Probe US jointly acquired an undivided 25% WI and approximately 17.375% NRI in the Leases. The acquisition of the Leases completed on June 30, 2008. The Corporation paid Cutter cash consideration of US\$829,594 and issued to Cutter 2 million Common Shares in the capital of the Corporation with a deemed price of \$0.54 per share. In addition, the Corporation will issue to Cutter up to 2 million Common Shares in the capital of the Corporation in three instalments, each such issuance being subject to the completion of a producing well within 24 months of June 30, 2008. The first instalment of 666,666 Common Shares was issued to Cutter on March 3, 2009 upon the completion of the ST 214 Well.

After completion of both transactions, the Corporation owned a 100% WI and not less than 69.5% NRI in the Leases. A Form 51-102F4, Business Acquisition Report, has been filed and can be found on SEDAR at [www.sedar.com](http://www.sedar.com).

## Description of the Business

### GENERAL

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#### Business Description

The Corporation is an oil and gas exploration, development, and marketing company, with operations based in Houston, Texas, U.S.A. The Corporation, along with Probe US, generates, acquires, develops, and operates drilling prospects within the Texas and Louisiana OCS in the Gulf of Mexico. The Corporation is listed on the Toronto Stock Exchange – Venture Exchange and trades under the symbol PBR.

The Corporation has interests in High Island 115 (including an existing well) and in six oil and gas leases in the Gulf of Mexico. The Corporation's assets are located in prime locations, near to existing oil and gas fields and infrastructure. The Corporation's assets are in fairly advanced stages of exploration with existing 3-D seismic data and identified leads and prospects. Reference is made to the National Instrument 51-101 Standards of Disclosure for Oil and Gas Activities ("NI 51-101") filed by the Corporation on SEDAR at [www.sedar.com](http://www.sedar.com).

One of the Corporation's business strategies is to acquire properties situated in areas of proven hydrocarbon potential with well-established infrastructure. The Corporation's assets in the OCS are situated close to producing oil and gas fields and have extensive seismic data that help to rapidly identify drilling targets, which reduces exploration risks. The Corporation believes in holding large WI in properties, which enable it to operate the projects and control their development and production.

During the current economic situation and recession, the Corporation continues to implement its business model, which focuses on developing low-risk and low-cost long-life resource opportunities, allowing the Corporation to respond flexibly to the current market uncertainty. The Corporation monitors the risks under its control and has policies in place to mitigate those risks. Management has been adjusting operational and financial risk strategies to proactively respond to the difficult economic conditions and to mitigate or reduce risk. The capital budget for 2009 is conservative and continues to be monitored by the Corporation and may be adjusted to allow for a reduction or increase in spending as commodity prices and forecasts are revised, including the impact of changes to the Corporation's long term plans. Cost containment and reduction strategies are in place to ensure all aspects of the Corporation's controllable costs are efficiently managed. During the current economic environment, the Corporation is focused on maintaining financial strength and generating significant cash flow.

#### Product Information

Approximately 98% of the Corporation's production historically has been natural gas produced from its operation at High Island 115.

#### Revenues by Product

Sales in 2008 were US\$5,110,861 and consisted of sales to customers outside the consolidated entity of Probe. There were no sales in the year ended as at August 31, 2007.

#### Reserves Information

Information related to reserves may be found in the NI 51-101

#### *Source and Availability of Raw Materials*

Commercial reserves were discovered in the HI 115, ST 214, EC 36, and EC 246 properties. Production at the ST 214 Well was commenced in late January 2009. In early February 2009, production at the High Island Well resumed. The High Island Well had been off production since Hurricane Ike impacted the Gulf

of Mexico in early September 2008. Commercial gas reserves had been discovered in the EC 36 Well and the EC 246 Well. Production for the EC 36 Well and EC 246 Well is expected to commence in the second half of 2009. The availability of these reserves is subject to many factors. Reference is made to “Risk Factors” in this AIF filed on SEDAR at [www.sedar.com](http://www.sedar.com).

## *Drilling Activity*

### ***EC 36/37***

On August 25, 2008 the Corporation announced the discovery of commercial reserves in multiple horizons at the EC 36 Well. The well was spud on August 5, 2008 and was drilled under budget to a total depth of 10,450 feet. Production casing has been installed in the well, a caisson has been over-driven, and a caisson deck installed. The Corporation is evaluating its development plan for the EC 36 Well. The Corporation expects to conduct additional drilling in the EC 36 and EC 37 blocks in 2009 depending upon the availability of funds. The Corporation holds a 100% WI and a 69.5% NRI in the EC 36 Well.

### ***EC 246***

On October 30, 2008 the Corporation announced the discovery of commercial reserves at the EC 246 Well. The expected gross production rate from this well is 10-15 MMcfd. Upon completion of drilling activities, production casing was run and the well was suspended awaiting production facilities. Further drilling in the field is planned during 2009 depending upon the availability of funds. The Corporation holds a 100% WI and 70% NRI in the well.

### ***HI 115***

The High Island Well was off production since September 2008 as a result of damage caused by Hurricane Ike. Production resumed in early 2009 and will be on restricted capacity to evaluate repairs to the facilities. Ultimate production rates are expected to resume at the pre-hurricane rate of approximately 9 MMcfd. The Corporation holds a 41.55% WI and 30.92% NRI in the High Island Well.

### ***ST 214***

On January 5, 2009, the Corporation announced the discovery of commercial reserves in ST 214 Well. The well was drilled to 15,825 feet measured depth and 14,751 feet true vertical depth from a Corporation-owned production platform in the adjacent block which is connected to NYMEX premium market via a ready for service export pipeline. On January 30, 2009, production commenced from the well. The well is currently producing approximately 35 MMcfd and 400 BCPD. The Corporation holds a 100% WI and a 70% NRI in the well.

## *Location of Wells*

The Corporation, through Probe US, has wells in operation at the following locations within the Texas and Louisiana OCS in the Gulf of Mexico:

<b>Location</b>	<b>Existing Well</b>
HI 115	High Island 115 #ST B-1 (the “HI 115 Well”)
EC 36	East Cameron 36#1 (the “EC 36 Well”)
EC 246	East Cameron 246#2 (the “EC 246 Well”)
ST 214	South Timbalier 214 #A6-ST#1

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(the “ST 214 Well”)

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## *Source of Reserves Estimates*

The Corporation’s reserves were evaluated by Quantum Oil & Gas, LLC (“Quantum”), independent petroleum consultants. Quantum was engaged by the Corporation to provide an evaluation of the Corporation’s proved and probable reserves. No valuation of possible reserves or prospective reserves was undertaken. The evaluation was prepared in accordance with NI 51-101 and the Canadian Oil and Gas Evaluation Handbook. Reference is made to the NI 51-101 filed on SEDAR at [www.sedar.com](http://www.sedar.com).

The Reserves Committee had been delegated the responsibility by the Board of Directors to review the Corporation’s processes and related procedures for the disclosure of conventional oil and gas reserves data as permitted by NI 51-101.

## **Specialized Skill and Knowledge**

The Corporation considers the knowledge of its people to be one of its most important assets. Success in the oil and gas industry requires its personnel to possess a very high level of technological sophistication and solid experience to meet the new challenges of the industry. The officers and directors of the Corporation are industry professionals who have extensive expertise and highly-technical experience particular to the oil and gas market. They provide a strong foundation of advanced field engineering skills and advanced knowledge and specialized oil and gas exploration experience, complemented by their demonstrated ability to succeed in the management and administration of an oil and gas company. Each with their own proven expertise and results-driven entrepreneurial style, together their knowledge base ranges from negotiating and administering commercial contracts, supervising personnel, land budget administration, risk management, to field engineering, troubleshooting, operations, and site management and maintenance.

## **Competitive Conditions**

The petroleum industry in the U.S.A. is highly competitive in all its aspects, including the exploration for and development of new sources of supply; the acquisition of oil and gas interests; the construction and operation of crude oil, natural gas and refined products pipelines; and the refining, distributing and marketing of petroleum products. The exploration rights on federal-owned lands in the U.S.A. are acquired through a competitive bidding process. Exploration seismic and drilling data are generally considered trade secrets. Prices of all products are set by the Corporation based on market conditions and are subject to international competition. The Corporation will compete with numerous other organizations in the search for and the acquisitions of oil and natural gas properties and in the marketing of oil and natural gas. The Corporation’s competitors will include oil and natural gas companies that have substantially greater financial resources, staff, and facilities than those of the Corporation. The Corporation’s ability to successfully bid on and acquire additional property rights, discover reserves, participate in drilling opportunities, and identify and enter into commercial arrangements with customers will be dependent upon developing and maintaining close working relationships with its future industry partners and joint operators and its ability to select and evaluate suitable properties and to consummate transactions in a highly competitive environment. Competition may also be presented by alternate fuel sources. The Corporation’s ability to increase reserves in the future will depend not only on its ability to select and acquire suitable producing properties or prospects for exploratory drilling, but also on its ability to develop or continue to develop existing properties.

## **Cycles**

The Corporation’s business is generally cyclical. The exploration and development of oil and natural gas reserves is dependent on access to areas where production is to be conducted. Seasonal weather variations affect access in certain circumstances. Because of the concentration of U.S.A. oil and gas production,

processing, and transportation facilities in the Gulf of Mexico, a substantial percentage of domestic oil and gas production and processing is subject to disruptions caused by hurricanes.

Historically in the OCS, there is minimal adverse on production caused by hurricanes due primarily to industry pre-planning and preparedness. The Corporation is focused on the safety of its personnel and it will pull crews off a rig well before a storm moves into the Gulf of Mexico. Consequently, most disruptions to production in connection with hurricanes are caused by suspension of operations as a safety precaution in the event that an approaching hurricane threatens offshore production. As a result, average hurricane disruptions are short-lived with full production re-established within a few months.

Despite the fact that historic average hurricane damage and production curtailment have been relatively modest, actions to mitigate impacts from hurricanes are necessary. Current Gulf of Mexico production and infrastructure are more widespread than in the past, which means that hurricanes that enter the Gulf of Mexico may cause greater damage and curtail critical exploration and production activities.

In response to the increase in major hurricanes striking the Gulf of Mexico in recent years, and meteorological forecasts for stronger storm seasons ahead, the oil and gas industry has improved evacuation plans and shut-in and restart procedures to ensure safety, and to mitigate leaks and production loss.

Within economic limits, offshore structures are being engineered to withstand severe hurricanes. In addition, the Minerals Management Service has mandated new design specifications for offshore facilities and for rig fitness requirements, platform tie-downs and ocean current monitoring, tied to hurricane season.

## *Economic Dependence*

Since the Corporation has and will have in the near term production from a small number of wells, any interruption in production from any well will have a significant negative impact on the Corporation.

## *Environmental Protection*

The Corporation's operations are subject to environmental regulations (including regular environmental impact assessments and permitting) in the jurisdictions in which it operates. Such regulations cover a wide variety of matters, including, without limitation, prevention of waste, pollution, and protection of the environment, labour regulations, and worker safety. Under such regulations, there are clean-up costs and liabilities for toxic or hazardous substances which may exist on or under any of its properties or which may be produced as a result of its operations. Environmental legislation and legislation relating to exploration and production of natural resources are likely to evolve in a manner which will require stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their directors and employees. Such stricter standards could impact the Corporation's costs and have an adverse effect on results of operations. Although the Corporation believes that it will be in material compliance with current applicable environmental regulations no assurance can be given that environmental laws will not result in a curtailment of production or a material increase in the costs of production, development or exploration activities or otherwise adversely affect the Corporation's financial condition, results of operations or prospects.

Reference to abandonment and reclamation costs is made in the NI 51-101 filed on SEDAR at [www.sedar.com](http://www.sedar.com).

## *Employees*

As at August 31, 2008, the Corporation had eleven employees located at The Woodlands, Texas office and the Canadian head office. These employees are primarily devoted to production, regulatory, engineering, land, geological, and various administrative functions. The employees are not represented by any union or

covered by a collective bargaining agreement, and the Corporation believes its relations with its employees are satisfactory.

Additionally, since January 1, 2007, numerous services necessary for the Corporation's business and operations, including certain executive, technical, administrative, accounting, financial, tax and other services, have been performed by various service providers.

The Corporation also uses contract personnel to perform various professional and technical services, including but not limited to drilling, construction, well site surveillance, environmental assessment, and field and on-site production operating services. These services are intended to minimize the Corporation's development and operating costs as well as allow its management staff to focus on directing its oil and gas operations.

## *Foreign Operations*

All of the Corporation's operations are located in the U.S.A.

The Corporation's results are subject to financial market risk as a result of fluctuations in the U.S.A./Canadian currency exchange rate. Revenues, expenses, capital expenditures and related net assets of the Corporation's oil and gas operations outside Canada are primarily U.S.A.-dollar denominated. An increase in the value of the Canadian dollar relative to the U.S.A. dollar will decrease the revenues received from the sale of oil and gas commodities. Correspondingly, a decrease in the value of the Canadian dollar relative to the U.S.A. dollar will increase the revenues received from the sale of oil and gas commodities. The U.S.A./Canadian dollar exchange rate averaged \$0.93 and \$0.94 in 2007 and 2008 respectively, ranging from a low of \$0.84 and \$0.77 to a high of \$1.09 and \$1.02.

## **RISK FACTORS**

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Readers should consider the risk factors set out below and other information included in this Annual Information Form. The risks and uncertainties described below are not the only ones Probe may face. Additional risks and uncertainties, including those that Probe is not aware of or that it currently deems immaterial also may adversely affect Probe's business.

### **The current global credit crisis and recession is affecting the Corporation's business**

A sub-prime mortgage crisis in the U.S.A. housing market during the summer of 2007 began widening during 2008 into deeper issues across the global financial landscape and ended with the collapse of major banking institutions, steep falls on stock markets across the world, and a credit freeze. Many of the forces which caused the U.S.A. to go into a slowdown are still in place, such as high energy prices, a negative housing market, and tight credit conditions, which suggest that general global business environment will remain negative. The current global credit crisis and recession has reduced liquidity in financial markets, restricted access to financing and caused significant demand destruction for commodities resulting in lower pricing. These issues may continue to affect the performance of the economy going forward. Canada, being a close trading partner of the U.S.A., has been affected by the slowdown in the U.S.A. economic situation. Slow growth may be expected in the next few quarters, as global demand and commodity prices weaken.

### **The Corporation's results of operations and financial condition are dependent on the prices of oil and gas, foreign exchange rates, and other market conditions**

A decrease in oil and gas prices may adversely affect the Corporation's results of operations and financial condition. The Corporation's success is highly dependent on the prices for oil and gas, which are extremely volatile. Any substantial or extended decline in the prices of oil and gas would have a material adverse effect on the Corporation. Oil and gas markets are both seasonal and cyclical. The prices of oil and gas depend on factors the Corporation cannot control such as weather, economic conditions, and levels of production, actions by OPEC and other countries and government actions. The prices of oil and gas will

affect revenues, cash flows and earnings; the amount of oil and gas that the Corporation is economically able to produce; its ability to attract capital to finance operations and the cost of the capital; the value of its gas properties; and the profit or loss the Corporation incurs in exploring for and developing its reserves.

The Corporation defines foreign exchange risk as the risk of gains or losses that could result from changes in foreign currency exchange rates. As the Corporation primarily operates in North America, fluctuations in the exchange rate between the U.S.A. and Canadian dollar can have a significant effect on the Corporation's reported results. The majority of the Corporation's revenues are received in U.S.A. dollars or from the sale of oil and gas commodities that receive prices determined by reference to U.S.A. benchmark prices. An increase in the value of the Canadian dollar relative to the U.S.A. dollar will decrease the revenues received from the sale of oil and gas commodities. Correspondingly, a decrease in the value of the Canadian dollar relative to the U.S.A. dollar will increase the revenues received from the sale of oil and gas commodities.

The Corporation's ability to operate, generate cash flows, complete projects, and value reserves is dependent on financial risks, including commodity prices, continued market demand for its products and other risk factors outside of its control, which include: general business and market conditions; economic recessions and financial market turmoil; continued market demand for its products; commodity prices; the ability to secure and maintain cost-effective financing for its commitments; environmental and regulatory matters; unexpected cost increases; royalties; taxes; the availability of drilling and other equipment; the ability to access lands; weather; the availability of processing capacity; the availability and proximity of pipeline capacity; technology failures; accidents; the availability of skilled labour; and reservoir quality.

## **Reserve estimates may potentially be inaccurate**

All of the Corporation's oil and gas reserves and resources are evaluated and reported on by independent qualified reserves evaluators. The estimation of reserves is a subjective process. Forecasts are based on engineering data, projected future rates of production, estimated commodity price forecasts, and the timing of future expenditures, all of which are subject to numerous uncertainties and various interpretations. Reserves estimates can be revised upward or downward based on the results of future drilling, testing, production levels and economics of recovery based on cash flow forecasts.

The Corporation's reserve information represents estimates that may turn out to be incorrect if the assumptions upon which these estimates are based are inaccurate. Any material inaccuracies in these reserve estimates or underlying assumptions will materially affect the quantities and present value of its reserves. The process of estimating oil and gas reserves is complex. It requires interpretations of available technical data and various assumptions, including assumptions relating to economic factors. Any significant inaccuracies in these interpretations or assumptions could materially affect the estimated quantities and present value of reserves shown in this Annual Information Form. Natural gas prices are primarily driven by North American supply and demand, with weather being the key factor in the short term. The industry's ability to continue to grow gas supply is also expected to be challenged in North America by land access and regulatory issues. Volatility in crude oil prices is expected to continue throughout 2009 as a result of market uncertainties over supply and refining, changes in demand due to the overall state of the world economies, OPEC actions, and the worldwide credit and liquidity crisis.

## **Certain assumptions made in preparing the reserves information are subject to change over time**

In order to prepare these reserves estimates, the Corporation must project production rates and the timing of development expenditures. The assumptions regarding the timing and costs to commence production from the wells used in preparing the reserves are often subject to revisions over time. The Corporation must also analyze available geological, geophysical, production and engineering data, the extent, quality and reliability of which can vary. The process also requires the Corporation to make economic assumptions, such as oil and gas prices, drilling and operating expenses, capital expenditures, taxes, and availability of funds. Therefore, estimates of oil and gas reserves are inherently imprecise.

## **Actual production and operating expenses may vary from estimates**

Actual future production, oil and gas prices, revenues, taxes, development expenditures, operating expenses and quantities of recoverable oil and gas reserves most likely will vary from the reserves estimates. Any significant variance could materially affect the estimated quantities and present value of reserves shown in this Annual Information Form. In addition, estimates of proved reserves may be adjusted to reflect production history, results of exploration and development, prevailing oil and gas prices and other factors, many of which are beyond the control of the Corporation.

## **Actual future prices and costs may vary from those used in the present value estimate**

Readers should not assume that the present value of future net cash flows from the Corporation's proved reserves referred to in this Annual Information Form is the current market value of the Corporation's estimated oil and gas reserves. In accordance with securities laws requirements, the Corporation generally bases the estimated discounted future net cash flows from its proved reserves on prices and costs on the date of the estimate. Actual future prices and costs may differ materially from those used in the present value estimate.

## **The discounted present value of oil and gas reserves may vary from the fair market value of those reserves**

The discounted present value of the Corporation's oil and gas reserves is prepared in accordance with guidelines established by the Canadian Securities Administrators. A purchaser of reserves would use numerous other factors to value the reserves. The discounted present value of reserves, therefore, does not necessarily represent the fair market value of those reserves. Information about reserves constitutes forward-looking information. See "Forward-Looking Information."

## **Future success depends upon the Corporation's ability to replace economically recoverable reserves**

Unless the Corporation is able to replace reserves which it has produced, its cash flows and production will decrease over time. The Corporation's future success depends upon its ability to find, develop, and acquire oil and gas reserves that are economically recoverable. As is generally the case for OCS properties, the Corporation's producing properties usually have high initial production rates, followed by a steep decline in production. As a result, the Corporation must continually locate and develop or acquire new oil and gas reserves to replace those being depleted by production. The Corporation must do this even during periods of low oil and gas prices when it is difficult to raise the capital necessary to finance these activities and during periods of high operating costs when it is expensive to contract for drilling rigs and other equipment and personnel necessary to explore for oil and gas. Without successful exploration or acquisition activities, the Corporation's reserves, production and revenues will decline rapidly. If the Corporation fails to acquire or find additional crude oil and natural gas reserves, its reserves and production will decline materially from their current levels and, therefore, its cash flows are highly dependent upon successfully exploiting current reserves and acquiring, discovering or developing additional reserves. The Corporation cannot assure the reader that it will be able to find and develop or acquire additional reserves at an acceptable cost.

Also, because of the aggregate short life of its reserves, the Corporation's return on the investment it makes in its oil and gas wells and the value of its oil and gas wells will depend significantly on prices prevailing during relatively short production periods.

## **The Corporation's results of operations and financial condition could be adversely affected if production is curtailed**

A significant part of the value of the Corporation's production and reserves is concentrated in a small number of offshore properties, and any production problems or inaccuracies in reserve estimates related to those properties would adversely impact its business. Until recently, approximately 100% of the Corporation's daily production came from High Island 115. In addition, all of the Corporation's proved reserves were located in High Island 115, with approximately 100% of total net proved reserves attributable

to this property. As at January 2009, production at ST 214 was commenced, and proved reserves were also found at EC 36 and 246. If mechanical problems, storms or other events curtailed a substantial portion of this production or if the actual reserves associated with these properties or any future producing properties are less than its estimated reserves, the Corporation's results of operations and financial condition could be adversely affected.

## **Focus on exploration projects to increase reserves heightens the risks inherent in the Corporation's oil and gas activities**

The Corporation's focus on exploration projects increases the risks inherent in its oil and gas activities. The Corporation's business strategy focuses on replacing reserves through exploration, where the risks are greater than in acquisitions and development drilling. Although the Corporation has been successful in exploration in the past, it cannot assure the reader that it will continue to increase reserves through exploration or at an acceptable cost. Additionally, the Corporation is often uncertain as to the future costs and timing of drilling, completing, and producing wells. Its drilling operations may be curtailed, delayed or cancelled as a result of a variety of factors, including unexpected drilling conditions; pressure or inequalities in formations; equipment failures or accidents; adverse weather conditions; governmental requirements; and shortages or delays in the availability of drilling rigs and the delivery of equipment.

## **The Corporation lacks control in the operation of High Island 115**

The Corporation does not operate High Island 115. The Corporation's lack of control could result in the following: the operator may initiate exploration or development at a faster or slower pace than the Corporation prefers; the operator may propose to drill more wells or build more facilities on a project than the Corporation has funds for or that the Corporation deems appropriate, which may mean that it is unable to participate in the project or share in the revenues generated by the project even though the Corporation paid its share of exploration costs; and if an operator refuses to initiate a project, the Corporation may be unable to pursue the project. Any of these events could materially reduce the value of its non-operated properties.

## **The Corporation may not be able to compete with the superior resources of its competitors**

Competitive industry conditions may negatively affect the Corporation's ability to conduct operations. The Corporation operates in the highly competitive areas of oil and gas exploration, development, and production. The Corporation competes for the purchase of leases in the Gulf of Mexico granted by the U.S.A. government and from other oil and gas companies. These leases include exploration prospects as well as properties with proved reserves. Factors that affect its ability to compete in the marketplace include its access to the capital necessary to drill wells and acquire properties; its ability to acquire and analyze seismic, geological and other information relating to a property; its ability to retain the personnel necessary to properly evaluate seismic and other information relating to a property; the location of, and its ability to access, platforms, pipelines and other facilities used to produce and transport oil and gas production; the standards it establishes for the minimum projected return on an investment of its capital; and the availability of alternate fuel sources. The Corporation's competitors include major integrated oil companies, substantial independent energy companies, and affiliates of major interstate and intrastate pipelines and national and local gas gatherers, many of which possess greater financial, technological and other resources than the Corporation does.

The Corporation's competitors may use superior technology, which it may be unable to afford or which would require costly investment by the Corporation in order to compete. The industry is subject to rapid and significant advancements in technology, including the introduction of new products and services using new technologies. As its competitors use or develop new technologies, the Corporation may be placed at a competitive disadvantage, and competitive pressures may force the Corporation to implement new technologies at a substantial cost. In addition, its competitors may have greater financial, technical and personnel resources that allow them to enjoy technological advantages and may in the future allow them to implement new technologies before the Corporation can. The Corporation cannot be certain that it will be able to implement technologies on a timely basis or at a cost that is acceptable to it. One or more of the

technologies that the Corporation currently uses or that it may implement in the future may become obsolete, and it may be adversely affected. For example, marine seismic acquisition technology has been characterized by rapid technological advancements in recent years, and further significant technological developments could substantially impair the Corporation's 3-D seismic data's value.

## **The Corporation may not be able to raise capital to develop existing reserves or discover new reserves**

The Corporation may not be able to replace its reserves or generate cash flows if it is unable to raise capital. The Corporation will be required to make substantial capital expenditures to develop its existing reserves, and to discover new oil and gas reserves. Historically, the Corporation has financed these expenditures primarily with cash from operations, and proceeds from the sale of equity and debt securities. The Corporation cannot assure you that it will be able to raise capital in the future. It also makes offers to acquire oil and gas properties in the ordinary course of its business. If these offers are accepted, the Corporation's capital needs may increase substantially.

## **The Corporation's plans to drill a prospect are subject to change**

The Corporation's decision to drill a prospect is subject to a number of factors, and it may decide to alter its drilling schedule or not drill at all. A prospect is a property on which the Corporation has identified what its geoscientists believe, based on available seismic and geological information, to be indications of hydrocarbons. The Corporation's prospects are in various stages of evaluation, ranging from a prospect which is ready to drill to a prospect which will require substantial additional seismic data processing and interpretation. Whether the Corporation ultimately drills a prospect may depend on the following factors: receipt of additional seismic data or the reprocessing of existing data; material changes in oil or gas prices; the costs and availability of drilling rigs; the success or failure of wells drilled in similar formations or which would use the same production facilities; availability and cost of capital; changes in the estimates of the costs to drill or complete wells; its ability to attract other industry partners to acquire a portion of the working interest to reduce exposure to costs and drilling risks; and decisions of its joint working interest owners. The Corporation will continue to gather data about its prospects and it is possible that additional information may cause it to alter its drilling schedule or determine that a prospect should not be pursued at all. The reader should understand that the Corporation's plans regarding its prospects are subject to change.

## **The Corporation's ability to conduct business may be materially affected by inclement weather and unforeseen operating interruptions**

Weather, unexpected subsurface conditions, and other unforeseen operating hazards may adversely impact the Corporation's ability to conduct business. There are many operating hazards in exploring for and producing oil and gas, including: its drilling operations may encounter unexpected formations or pressures, which could cause damage to equipment or personal injury; it may experience equipment failures which curtail or stop production; it could experience blowouts or other damages to the productive formations that may require a well to be re-drilled or other corrective action to be taken; and because of these or other events, it could experience environmental hazards, including release of oil and gas from spills, gas leaks, and ruptures. In the event of any of the foregoing, the Corporation may be subject to interrupted production or substantial environmental liability due to injury to persons or loss of life, damage to or destruction of property, natural resources and equipment, pollution and other environmental damage, investigation and remediation requirements, and fines and penalties and injunctive relief. Moreover, a substantial portion of the Corporation's operations are offshore and are subject to a variety of risks peculiar to the marine environment such as capsizing, collisions, hurricanes, and other adverse weather conditions, which can result in substantial damage to facilities and interrupt production, as well as more extensive governmental regulation.

## **The Corporation may not be able to adequately insure losses from operating hazards**

The Corporation cannot assure you that it will be able to maintain adequate insurance at rates it considers reasonable to cover its possible losses from operating hazards. The occurrence of a significant event not

fully insured or indemnified against could materially and adversely affect its financial condition and results of operations.

## **Compliance costs associated with environmental and governmental regulations may adversely affect production**

Compliance with environmental and other government regulations could be costly and could negatively affect production. The Corporation's operations are subject to numerous laws and regulations governing the operation and maintenance of its facilities and the discharge of materials into the environment or otherwise relating to environmental protection. These laws and regulations may: require that the Corporation acquire permits before commencing drilling; impose operational and other conditions on its activities; restrict the substances that can be released into the environment in connection with drilling and production activities; limit or prohibit drilling activities on protected areas such as wetlands, wilderness areas or coral reefs; and require measures to remediate or mitigate pollution and environmental impacts from current and former operations, such as cleaning up spills or dismantling abandoned production facilities. Contract rights can also be cancelled or expropriated. Changes to government regulation could impact the Corporation's existing and planned projects as well as impose a cost of compliance.

Under these laws and regulations, the Corporation could be liable for costs of investigation, removal and remediation, damages to and loss of use of natural resources, loss of profits or impairment of earning capacity, property damages, costs of and increased public services, as well as administrative, civil and criminal fines and penalties, and injunctive relief. Under the common law, the Corporation could be liable for injuries to people and property. The Corporation maintains limited insurance coverage for sudden and accidental environmental damages. It does not believe that insurance coverage for environmental damages that occur over time is available at a reasonable cost. Also, the Corporation does not believe that insurance coverage for the full potential liability that could be caused by sudden and accidental environmental damages is available at a reasonable cost. Accordingly, the Corporation may be subject to liability or it may be required to cease production from properties in the event of environmental incidents.

A number of federal, provincial, and state governments have announced intentions to regulate greenhouse gases ("GHG") and other air pollutants, while some jurisdictions have provided details on these regulations. It is anticipated that other jurisdictions will announce emissions reduction plans in the future. As these federal and regional programs are under development, the Corporation is unable to predict the total impact of the potential regulations upon its business. Therefore, it is possible that the Corporation could face increases in operating costs in order to comply with GHG emissions legislation. However, the Corporation will continue to work with governments to develop an approach to deal with climate change issues that protects the industry's competitiveness, limits the cost and administrative burden of compliance, and supports continued investment in the sector.

## **The Corporation's marketability is subject to factors beyond its control**

Factors beyond the Corporation's control affect its ability to market production and its financial results. The ability to market oil and gas from its wells depends upon numerous factors beyond its control. These factors include: the extent of domestic production and imports of oil and gas; the proximity of the gas production to gas pipelines; the availability of pipeline capacity; the demand for oil and gas by utilities and other end users; the availability of alternative fuel sources; the effects of inclement weather; state and federal regulation of oil and gas marketing; and federal regulation of gas sold or transported in interstate commerce. Because of these factors, the Corporation may be unable to market all of the oil or gas it produces. In addition, the Corporation may be unable to obtain favourable prices for the oil and gas it produces.

## **The Corporation may be required to take writedowns of the carrying value of its oil and gas properties should oil and gas prices decrease**

If oil and gas prices decrease, the Corporation may be required to take writedowns of the carrying value of its oil and gas properties based on declining reserve values. The Corporation may be required to writedown

the carrying value of its oil and gas properties when oil and gas prices are low or if it has made substantial downward adjustments to its estimated net proved reserves, increases in its estimates of development costs or deterioration in its exploration results. This type of charge will reduce the book value of its shareholders' equity. The Corporation reviews the carrying value of its properties quarterly, based on prices in effect as of the end of each quarter or at the time of reporting its results. Once incurred, a writedown of oil and gas properties is not reversible at a later date, even if prices increase.

## **OIL AND GAS ACTIVITIES**

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The Corporation's oil and gas reserves as at August 31, 2008 are contained in the Corporation's NI 51-101 available on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Dividends**

### **DIVIDENDS**

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Dividends are declared at the discretion of the Board of Directors of the Corporation. No dividends have been declared and paid for as at the date of this Annual Information Form.

## **Description of Capital Structure**

### **DESCRIPTION OF CAPITAL STRUCTURE**

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#### **General**

The Corporation is authorized to issue an unlimited number of Common Shares without par value (the "Common Shares") and an unlimited number of preferred shares without par value (the "Preferred Shares"). As at March 11, 2009, there were 105,049,866 Common Shares, and no Preferred Shares were issued and outstanding as fully paid and non-assessable.

#### *Common Shares*

The holders of Common Shares are entitled to one vote in respect of each share at all meetings of shareholders and to receive dividends if, as and when declared from time to time by the Board of Directors of the Corporation, subject to the attributes of the Preferred Shares.

In the event of the liquidation, dissolution or winding-up of the Corporation, whether voluntary or involuntary, or any other distribution of the assets of the Corporation among its shareholders for the purpose of winding-up its affairs, the holders of the Common Shares are entitled to participate rateably in any distribution of the assets of the Corporation after payment of all of the Corporation's debts and liabilities.

There are no exchange or conversion rights, special liquidation rights, pre-emptive rights or subscription rights attached to the Common Shares.

#### *Preferred Shares*

The Preferred Shares may be issued in one or more series at such price and with such rights, privileges, restrictions and conditions as the Corporation's Board of Directors designates from time to time.

### **CONSTRAINTS**

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There are no constraints imposed on the ownership of securities of the Corporation.

## Market for Securities

## TRADING PRICE AND VOLUME

The Common Shares are listed on the Exchange and trade under the symbol “PBR”. The following table sets out the high, low, and closing prices and the volume of trading of the Corporation’s shares on the Exchange for the months indicated:

	Sept 2007	Oct 2007	Nov 2007	Dec 2007	Jan 2008	Feb 2008	Mar 2008	Apr 2008	May 2008
<b>High</b>	0.59	0.70	0.72	0.62	0.52	0.50	0.60	0.60	0.65
<b>Low</b>	0.40	0.44	0.54	0.38	0.32	0.345	0.40	0.38	0.40
<b>Close</b>	0.48	0.63	0.65	0.49	0.38	0.46	0.40	0.52	0.49
<b>Volume</b>	1,707,700	1,585,277	1,517,804	3,527,511	2,410,151	1,518,750	4,018,117	1,685,805	4,386,560

	Jun 2008	July 2008	Aug 2008	Sept 2008	Oct 2008	Nov 2008	Dec 2008	Jan 2009	Feb 2009
<b>High</b>	0.74	0.61	0.77	0.72	0.50	0.22	0.195	0.34	0.25
<b>Low</b>	0.455	0.415	0.48	0.36	0.16	0.11	0.08	0.15	0.14
<b>Close</b>	0.54	0.47	0.65	0.51	0.20	0.18	0.17	0.165	0.15
<b>Volume</b>	5,771,122	2,592,623	5,332,343	5,309,936	9,979,550	19,797,568	9,817,135	11,712,001	9,282,014

## Directors and Officers

## NAME, OCCUPATION AND SECURITY HOLDING

The following table sets out the name, residence, position, and principal occupations for the previous five years of each of the directors and executive officers of the Corporation.

The term of office of each director of the Corporation expires at the annual general meeting of shareholders each year.

## Directors and Officers

**L. Scott Broussard** Mr. S. Broussard has been the President, Chief Executive Officer, and Chairman of the Board since March 2008. Mr. S. Broussard is also the President and Chief Executive Officer of PRUS since February 2008. From 2003 to 2005, Mr. S. Broussard was the Vice-President of Operations for Spinnaker Exploration Company. In 2006, he served as the Vice-President of Operations of Hydro Gulf of Mexico, formerly Spinnaker Exploration Company.

**Residence:**  
Texas, USA

Mr. S. Broussard is a member of the Reserves, Corporate Disclosure, and Corporate Governance Committees.

Type of securities	Number of securities	Exercise price	Expiry date
<b>Common stock</b>	2,780,763 or 2.647% <sup>(1)</sup>	N/A	N/A
<b>Options</b>	1,420,768	1,220,000 shares at \$0.40; and 200,768 shares at	March 5, 2013; and February 10, 2014,

## Directors and Officers

		\$0.19	respectively
<b>Warrants</b>	114,097	\$0.50	June 6, 2010

<sup>(1)</sup> For each occurrence of up to three (3) successful wells in the Leases, Probe will issue to Cutter Energy, LLC, which is wholly-owned by Mr. S. Broussard, 666,666, 666,667, and 666,667 shares, respectively, within 24 months from the TSX Effective Date, which is June 30, 2008. The first instalment of 666,666 has been issued as at March 3, 2009.

**Paul A. Diven**

Mr. Diven has been the Chief Financial Officer since April 2008. From 2007 to 2008, Mr. Diven was a Controller for CIECO Energy (US) Limited. From 2006 to 2007, he was a Controller for A-Texian Compressors, Inc. From 1997 to 2006, Mr. Diven was a Controller for Carrizo Oil & Gas, Inc.

**Residence:**  
Texas, USA

Type of securities	Number of securities	Exercise price	Expiry date
<b>Common stock</b>	91,278 or 0.087%	N/A	N/A
<b>Options</b>	656,384	556,000 shares at \$0.40; and 100,384 shares at \$0.19	May 26, 2013 and February 10, 2014, respectively
<b>Warrants</b>	91,278	\$0.50	June 6, 2010

**William N. Young III**

Mr. Young has been Chief Operating Officer since December 2008. From February to December 2008, Mr. Young was the Vice-President, Commercial Negotiations. From 2005 to 2007, Mr. Young served as Vice-President at Hydro Gulf of Mexico. From 2003 to 2005, he was Vice-President for Spinnaker Exploration Company. From 1997 to 2003, Mr. Young served as President of Gemco Energy Marketing Company, Inc.

**Residence:**  
Texas, USA

Type of securities	Number of securities	Exercise price	Expiry date
<b>Common stock</b>	216,278 or 0.206%	N/A	N/A
<b>Options</b>	711,139	556,000 shares at \$0.40; and 155,139 shares at \$0.19	March 5, 2013; and February 10, 2014.
<b>Warrants</b>	216,278	\$0.50	June 6, 2010

**Roger B. Souders**

Mr. Souders has been Vice-President, Land since March 2008. From 1991 to 2008, Mr. Souders served as Deepwater Negotiations Advisor, Land Negotiations Advisor, and Landman for Nobel Energy, Inc./Samedan.

**Residence:**  
Texas, USA

Type of securities	Number of securities	Exercise price	Expiry date
<b>Common stock</b>	135,028 or 0.129%	N/A	N/A
<b>Options</b>	656,384	556,000 shares at \$0.40; and 100,384 shares at \$0.19	March 5, 2013; and February 10, 2014
<b>Warrants</b>	135,028	\$0.50	June 6, 2010

**Andre J. Broussard**

Mr. A. Broussard has been the Vice-President, Exploration since March 2008. From 2007 to 2008, he served as Exploration Manager for StatoilHydro. From 2006 to 2007, he served as Development Manager for Norsk Hydro. From 1997 to 2006, Mr. Broussard served as Explorationist for Spinnaker Exploration Company.

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**Directors and Officers**


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**Residence:**  
Texas, USA

Type of securities	Number of securities	Exercise price	Expiry date
<b>Common stock</b>	1,091,278 or 1.039%	N/A	N/A
<b>Options</b>	656,384	556,000 shares at \$0.40; and 100,384 shares at \$0.19	March 5, 2013; and February 10, 2014
<b>Warrants</b>	1,091,278	\$0.50	June 6, 2010

**Morgan Tincher** Mr. Tincher has been the Vice President, Finance and Corporate Secretary since November 2007. Since 2006, Mr. Tincher has served as President of Heathercrest Energy Ltd. From 2004 to present, he has served as President of Smorgasbord Holdings Ltd. From 2000 to 2004, he was a partner of Random Works Entertainment.

**Residence:**  
British Columbia, Canada

**Corporate Cease Trade Order**

While Mr. Tincher was acting as the Vice President, Finance and Corporate Secretary of the Corporation, the Corporation was subject to a management cease trade order issued on January 3, 2008 for failure to file financial statements. The cease trade order was lifted on February 29, 2008.

Type of securities	Number of securities	Exercise price	Expiry date
<b>Common stock</b>	150,000 or 0.143%	N/A	N/A
<b>Options</b>	400,794	150,410 shares at \$0.67; 150,000 shares at \$0.60; and 100,384 shares at \$0.19	July 26, 2012; November 22, 2012; and February 10, 2014, respectively

**David M. Antony** Mr. Antony has been a Director of the Corporation since June 2008. The principal occupation of David M. Antony is acting as the CEO of Southern Pacific Resource Corp. since March 2006, and the President of March Resources Corp. since 2000.

**Residence:**  
Alberta, Canada

Mr. Antony has also acted in the following capacities:

Name of Reporting Issuer	Position(s) Held	From (MM/YY)	To (MM/YY)
Bridge Resources Corp.	Director, Senior Officer	January 2005	Present
Canadian Stevia Corp.	Chief Financial Officer	August 2000	April 2001
Dawson Creek Capital Corp.	Director	February 2006	January 2008
Early Rain Inc.	Chief Financial Officer, Director	October 2000	June 2002
March Resources	Chief Executive Officer, Director	July 2003	Present

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**Directors and Officers**


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Corp.			
Paramax Resources Ltd.	Director	May 2008	Present
Semper Energy Ltd.	Chief Financial Officer, Director	August 2002	September 2003
Rich Minerals Corporation	Director, Senior Officer	February 2009	Present
Winslow Resources Ltd.	Director	July 2006	August 2007

**Corporate Cease Trade Order**

From October 2000 to June 2002, Mr. Antony served as CFO and a Director of Early Rain Inc. Early Rain Inc. was subject to a cease trade order issued June 11, 2002 from the British Columbia Securities Commission and June 21, 2002 from the Alberta Securities Commission for the failure to file financial statements.

Type of securities	Number of securities	Exercise price	Expiry date
Common stock	250,000 or 0.238%	N/A	N/A
Options	150,000	\$0.50	June 1, 2013
Warrants	250,000	\$0.50	June 6, 2010

Mr. Antony is a member of the Audit and Compensation Committees.

**Desmond M. Balakrishnan**

Mr. Balakrishnan has been a Director since November 2007. Mr. Balakrishnan's principal occupation is as a partner in the Vancouver office of Lang Michener LLP, a national Canadian law firm, since February 2002.

**Residence:  
British  
Columbia,  
Canada**

Mr. Balakrishnan has also acted in the following capacities:

Name of Reporting Issuer	Position(s) Held	From (MM/YY)	To (MM/YY)
Acero-Martin Exploration Inc.	Corporate Secretary	November 2001	Present
	Chief Financial Officer	May 2002	June 2003
Capella Resources Ltd.	Corporate Secretary	July 2006	December 2008
Evolving Gold Corp.	Corporate Secretary	May 2007	September 2008
Great Canadian Gaming Corporation	Assistant Corporate Secretary	June 2006	Present
Halmont Properties Corporation	Director	October 2003	December 2003
Iciena Ventures Inc.	Corporate Secretary	October 2006	Present
Copacabana Capital Limited	Director	June 2005	Present
Yankee Hat Minerals Ltd.	Secretary	January 2005	Present
26 Broadway Capital Corp.	Corporate Secretary	November 2007	Present

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**Directors and Officers**


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**Corporate Cease Trade Orders**

A cease trade order was issued against Copacabana Capital Limited on May 9, 2006 for failure to file a comparative financial statement and a Form 51-102F1 Management's Discussion and Analysis for its financial year ended December 31, 2005. As at the date of this AIF, the cease trade order remains in effect and trading in Copacabana Capital Limited is suspended.

While Mr. Balakrishnan was acting as a Director of the Corporation, the Corporation was subject to a management cease trade order issued on January 3, 2008 for failure to file financial statements. The cease trade order was revoked on February 29, 2008.

Type of securities	Number of securities	Exercise price	Expiry date
<b>Common stock</b>	16,000 or 0.0015%	N/A	N/A
<b>Options</b>	100,000	50,000 shares at \$0.67; and 50,000 shares at \$0.60	July 26, 2012; and November 22, 2012, respectively
<b>Warrants</b>	None.	None.	None.

Mr. Balakrishnan is a member of the Audit, Corporate Governance, and Disclosure Committees.

**Mike Bowie**

Mr. Bowie has been a Director since June 2008. Mr. Bowie's principal occupation is as a Director and Managing Partner of Summit Liability Solutions, since May 2007. From 2005 to 2006, he was the Vice-President, Business Development for Vital Energy. From 2002 to 2005, he was EH&S Coordinator at Vermilion Energy Trust.

**Residence:**  
Alberta, Canada

Type of securities	Number of securities	Exercise price	Expiry date
<b>Common stock</b>	250,000 or 0.238%	N/A	N/A
<b>Options</b>	150,000	\$0.50	June 1, 2013
<b>Warrants</b>	250,000	\$0.50	June 6, 2010

Mr. Bowie is a member of the Compensation and Reserves Committee.

**Bradley T. Culver**

Mr. Culver has been a Director since October 2007. Since 2000, Mr. Culver has served as a Geophysicist for Encana Corporation.

**Residence:**  
Alberta, Canada

Mr. Culver has also acted in the following capacities:

Name of Reporting Issuer	Position(s) Held	From (MM/YY)	To (MM/YY)
Lands End Resources Ltd.	Director	October 2007	Present

**Corporate Cease Trade Order**

While Mr. Culver was acting as a Director of the Corporation, the Corporation was subject to a management cease trade order issued on January 3, 2008 for failure to file financial statements. The cease trade order was revoked on February 29, 2008.

Type of securities	Number of securities	Exercise price	Expiry date
<b>Common stock</b>	59,000 or 0.056%	N/A	N/A
<b>Options</b>	100,000	\$0.49	October 26,

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**Directors and Officers**


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			2012
<b>Warrants</b>	None.	None.	None.

Mr. Culver is a member of the Audit, Compensation, Corporate Governance, Reserves, and Disclosure Committees.

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**Ownership of Shares of the Corporation by Officers, Directors, and Experts**

The percentage of Common Shares of the Corporation owned beneficially, directly or indirectly, or over which control or direction is exercised by the directors, senior officers and any expert whose report is contained in this Annual Information Form, as a group, is less than 5% by directors and officers.

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**CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS**


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There have been no personal bankruptcies, penalties, or sanctions for the officers and directors of the Corporation. Cease trade orders are discussed along with the information concerning the particular officers or directors in “Officers and Directors.”

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**CONFLICTS OF INTEREST**


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There are no existing or potential material conflicts of interest between the Corporation or a subsidiary of the Corporation and an officer or director of the Corporation or a subsidiary of the Corporation.

Desmond M. Balakrishnan, whose principal occupation is as a partner of Lang Michener LLP, is a Director of the Corporation. Lang Michener LLP is the Canadian legal counsel for the Corporation. However, this is not considered material nor does it give rise to a potential material conflict in the opinion of the Board of Directors or management of the Corporation.

**Legal Proceedings and Regulatory Actions**


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**LEGAL PROCEEDINGS**


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**Frankel Offshore Energy, Inc. (“Frankel”) v. Texas Standard Oil & Gas, L.P., Grimes Energy Inc., Petroval, Probe Resources U.S., Ltd. Inc., Timothy Roberson, Kim McCullough, David M. Grimes, Michael Grimes and L. Scott Broussard; Cause No. 08-34031 in the District Court of Harris County, Texas, 127<sup>th</sup> Judicial District**

Probe US and its Chief Executive Officer, L. Scott Broussard, by a recently filed Amended Petition have been joined as defendants in the above-captioned lawsuit. Frankel seeks monetary damages for fraud, conversion, misrepresentation, and breach and/or anticipatory breach of several contracts of which Frankel was a signatory. Alternatively, Frankel seeks to specifically enforce and/or reform one or more of the contracts at issue. Frankel has, among other things, petitioned for the establishment of a constructive trust for certain revenue from the plaintiff’s alleged interest in certain properties and has requested unspecified damages and attorneys fees, interest and costs as a result of the utilization of certain alleged confidential information.

Mr. S. Broussard and Probe US are vigorously defending the claims made in the lawsuit and believe that plaintiff’s claims are wholly without merit.

## Interest of Management and Others in Material Transactions

### INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

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The following is the interest of management and others in material transactions of the Corporation:

#### **L. Scott Broussard**

By way of a Purchase and Sale Agreement, dated June 4, 2008, and effective as of April 1, 2008 among the Corporation, Probe US, and Cutter, a private entity controlled by L. Scott Broussard, the Corporation 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 instalment of 666,666 Common Shares was issued to Cutter on March 3, 2009 upon the completion of the ST 214 Well.

#### **David M. Antony**

Prior to becoming a Director of the Corporation, RHM Management Ltd., a company of which David M. Antony is the sole shareholder, provided consulting services to the Corporation and was paid a total of \$100,000. Since joining the Board of Directors, no material interest of David Antony has materially affected or will materially affect the Corporation.

#### **Mike Bowie**

Prior to becoming a Director of the Corporation, Spring Haven Investments, a company of which Mike Bowie is the sole owner, provided financial consulting services to the Corporation and was paid \$100,000. Since joining the Board, no material interest of Mike Bowie has materially affected or will materially affect the Corporation.

## Transfer Agents and Registrars

### TRANSFER AGENTS AND REGISTRARS

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The transfer agent and registrar for the Common Shares is Computershare Trust Company of Canada at its office in Vancouver, British Columbia. No preferred shares of the Corporation have been issued as at the date of this Annual Information Form.

## Material Contracts

### MATERIAL CONTRACTS

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The following are material contracts of the Corporation:

#### **High Island 115**

1. Farmout Agreement, dated June 1, 2007, between Probe Resources US Ltd., as farmee, and Emperor World Trading LLC, as farmor, for 33.574% record interest and a 25.1875% NRI in High Island 115.

2. Assignment Agreement, dated August 24, 2007, between Venture Capital Asset Management AG. (“Venture”), as assignor, and Probe US, as assignee, for all of the benefits, rights, and obligations under the Farmout Agreement, between Venture and Emperor World Trading, dated as at August 24, 2007, in High Island 115.

3. Agreement dated, April 10, 2007, between Probe US, Maxim Resources Inc., Gregory Fedun, Coldstream Energy Ltd., Petrel Properties Inc., 0794889 B.C. Ltd., and Varo Capital Corporation, affirming their interests, rights, and obligations in High Island 115, including the operation of High Island 115 by Probe US.

## **Six (6) Federal Oil and Gas Leases**

4. Purchase and Sale Agreement and Conveyance, dated June 4, 2008, between Probe, Probe US, collectively as purchaser, and Cutter Energy LLC, as seller, of an undivided 25% WI and not less than 17.375% WI in the Leases.

5. Acquisition Agreement, dated May 26, 2008, between and among PetroVal Inc., Grimes Energy Company, Texas Standard Oil & Gas LP, Trifecta Oil & Gas LLC, Trifecta Operating LLC, collectively as seller, and Probe US, as purchaser, an undivided 75% WI and not less than a 52.125% NRI in the Leases.

6. Assignment of Farmout rights, dated May 26, 2008, between PetroVal Inc., Grimes Energy Company, Texas Standard Oil & Gas LP, Trifecta Oil & Gas LLC, Trifecta Operating, LLC, collectively as assignor, and Probe US, as assignee, in respect of interests in EC 36, 37, 246, and ST 214.

## **ST 214**

7. Assignment of Farmout Rights, dated May 26, 2008, between and among PetroVal, Inc., Grimes Energy Company, Texas Standard Oil & Gas, LP, Trifecta Oil & Gas, LLC, and Trifecta Operating, LLC, collectively, as assignor, and Probe US, as assignee, in respect of interests in ST 214.

8. Offer to Purchase, dated June 30, 2008, between and among Apache Corporation, Offshore Shelf, LLC, Maritech Resources Inc., Omimex Petroleum Inc., and Unit Petroleum, collectively as offeree, and Probe US, as offeror, of interests in ST 198.

9. Contract Operations Agreement, dated July 24, 2008, between and among Apache Corporation, Offshore Shelf LLC, Maritech Resources, Inc., Omimex Petroleum, Inc., Unit Petroleum Company and Probe US, whereby Probe US was appointed operator with respect to ST 198.

## **Loan**

10. Loan Agreement, dated August 15, 2008, between Probe, as lender, and L. Scott Broussard, as borrower, of US\$750,000 as principal, bearing simple interest at an annual rate of 5% per annum, all of which are forgivable should the borrower remain employed by the borrower by January 1, 2010.

## **Financing**

11. Note and Warrant Purchase Agreement, dated January 20, 2009, providing for the purchase of \$10,000,000 15% secured notes.

12. Amendment to the Note and Warrant Purchase Agreement, dated February 18, 2009, amending terms and conditions regarding restrictive covenants of Probe in respect of its certain subsidiaries.

13. Intercreditor Agreement, dated as at February 19, 2009, setting out the rights and priorities of the lenders with respect to the debtor’s obligations.

14. Term Credit Facility Agreement, dated as at February 19, 2009, stipulating the terms and conditions for the loan of US\$8,500,000 to be used for the well completion and tie-in of the ST 214 Well in the U.S.A. Gulf of Mexico, exclusive of drilling costs.

15. Pledge Agreement, dated as at February 19, 2009, pledging securities of the pledgor's subsidiaries as security for the loan.

16. Intercompany Subordination Agreement, dated as at February 19, 2009, where each subsidiary of Probe agrees to subordination to each other.

## **Additional Information**

### **ADDITIONAL INFORMATION**

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Additional information relating to the Corporation as filed with Canadian securities regulatory authorities, including this Annual Information Form, can be found online under the Corporation's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

Additional financial information is provided in the Corporation's Consolidated Financial Statements and Management's Discussion and Analysis for its most recently completed financial year also filed on SEDAR at [www.sedar.com](http://www.sedar.com).