PROBE RESOURCES LTD.

Management Discussion and Analysis
February 29, 2012

This management discussion and analysis ("MD&A") of Probe Resources Ltd. ("Probe" or the "Company") reflects its February 29, 2012 financial results and operations as well as developments following February 29, 2012 through the date of preparation of this MD&A. This MD&A should be read in conjunction with the Company’s unaudited condensed consolidated interim financial statements and related notes as at and for the three and six months ended February 29, 2012, which were prepared in accordance with International Accounting Standards ("IAS") 34, Interim Financial Reporting, as issued by the International Accounting Standards Board ("IASB"), and with the Company’s audited consolidated financial statements and related notes as at and for the year ended August 31, 2011, which were prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP). The unaudited condensed consolidated interim financial statements and related notes as at and for the three months ended February 29, 2012 are part of the period covered by the Company’s first IFRS consolidated financial statements for the year ending August 31, 2012. All dollar amounts are stated in Canadian dollars, unless otherwise noted.

The Company emerged from bankruptcy on April 15, 2011, resulting in a substantial realignment of the non-equity and equity interests in the Company, as well as a change in control. The reorganization had limited impact on the Company’s physical operations and, therefore, for purposes of this MD&A, the results of operations will be discussed without reference to the financial reorganization occurring with the emergence from bankruptcy. The financial reorganization plan is described in Note 1 of the Company’s consolidated financial statements.

Overview

Probe Resources Ltd. is an independent oil and natural gas company incorporated in British Columbia in 1988. At February 29, 2012, the Company’s principal properties consist of interests in two producing oil and natural gas properties and six federal oil and natural gas blocks, all located in the United States Gulf of Mexico.

Probe’s core business and strategy is focused on the development of existing oil and natural gas properties and the production and sale of oil and natural gas from those properties.

Key drivers of performance in the business are: (i) ability to successfully exploit, discover and develop commercial oil and natural gas reserves on the Company’s properties, and (ii) ability to optimize profitability from operation of producing wells. Further, the Company’s ability to successfully exploit, discover and develop its properties is a function of, among other things: (i) ability, or the ability of its partners, to retain rigs, drillers, personnel and supplies to carry out drilling operations in a professional and cost effective manner; (ii) the ultimate results of such drilling operations; (iii) the availability, on commercially reasonable terms, of transportation, storage, handling, processing and other facilities to service producing wells; and (iv) ability to finance the costs of such operations. The Company’s ability to optimize profitability from the operation of producing wells is a function of, among other things: (i) lease operating expenses,
which expenses may be beyond our control, particularly on wells operated by third parties; (ii) volumes of oil and natural gas produced; and (iii) prevailing prices for oil and natural gas.

During the six months ended February 29, 2012, and continuing a trend that existed throughout the years ended August 31, 2010 and 2011, the Company’s ability to execute on its strategy was materially impaired by the residual effects of earlier hurricanes and mechanical failures that resulted in declining production and a steep decline in commodity prices during late 2008 through mid-2009 that resulted in sharply reduced profitability and liquidity and a severe strain on the Company financial resources. As a result of the Company’s lack of liquidity and financial resources, the Company was limited in its ability to develop existing reserves and conduct exploration on federal lease blocks acquired in 2008. As a result of such lack of liquidity and financial resources, management of the company was required to devote substantial time and effort and company resources to securing new financing and/or renegotiate existing debt. Those efforts culminated in the execution of a Debt Restructuring Agreement (the “DRA”) in September 2009 which, among other things, provided mechanisms to support ongoing operating costs and modified debt service on outstanding indebtedness.

In November 2009 and May 2010, the Company entered into separate credit facilities to support ongoing development projects and the DRA was amended to accommodate such facilities.

On September 15, 2010, the DRA expired as did a Forbearance Agreement entered into in connection with the DRA. Following expiration of the DRA and Forbearance Agreement, a financial advisor was retained to develop a restructuring plan.

On November 16, 2010, each of its U.S. subsidiaries filed voluntary Chapter 11 petitions in the U.S. Bankruptcy Court and on December 7, 2010, the company filed a similar Chapter 11 petition in Canada.

In connection with the bankruptcy filing, the then chief executive officer and chief operating officer were each terminated. Other employees, including the chief financial officer, left the company during the months following the bankruptcy filing.

On December 14, 2010, the Company announced that audited financial statements for the financial year ended August 31, 2010 and related management discussion and analysis and CEO and CFO certifications (the “Required Documents”) would not be filed on the prescribed date required under Canadian securities regulations due to complications relating to the Chapter 11 filing. The Company made application to securities regulatory authorities for a management cease trade order related to the Company’s securities to be imposed against some or all of the persons who are or have been directors, officers, or insiders of the Company, where such application was denied. A general issuer cease trade order was issued by the British Columbia Securities Commission (“BCSC”) on January 7, 2011 and, correspondingly, the TSX Venture Exchange suspended trading of the Company’s shares on January 10, 2011.

On March 21, 2011, a Plan of Reorganization was confirmed by the Bankruptcy Court. On March 22, 2011, the Company applied to, and authority was received from, the Executive Director of the British Columbia Securities Commission for an order under section 171 of the Act for a variation of the Cease Trade Order to permit it to issue securities in connection with a reorganization of the Company under a plan filed pursuant to Chapter 11 of the United States
Bankruptcy Code. Full reinstatement of trading is not automatic and is subject to the Company making a reinstatement application to the TSX.

On April 15, 2011, the Plan of Reorganization became effective. Pursuant to the Plan of Reorganization, among other things, the Company’s principal creditors were issued stock representing 97% of the common shares of the Company.

On July 14, 2011, the Company announced that its audited financial statements for the financial year ended August 31, 2010 and related management discussion and analysis and CEO and CFO certifications were filed with the TSX.

On August 9, 2011, the Company announced that its listing has been transferred from the TSX-V Tier 2 to the NEX. The Company’s trading symbol has changed from PBR to PBR.H.

On September 16, 2011, the Company announced that its unaudited interim financial statements for the quarters ended November 30, 2010 and February 28, 2011 and related management discussion and analysis and CEO and CFO certifications were filed with the TSX. Also announced was that the Company has undertaken a study of strategic alternatives.

On November 28, 2011, the Company announced that its reviewed financial statements for the quarter ended May 31, 2011 and related management discussion and analysis and CEO and CFO certifications were filed with the TSX.

On December 5, 2011, the Company initiated the process of making an application for reinstatement of trading with the TSX.

On December 28, 2011, the company announced that its audited financial statements for the financial year ended August 31, 2011 and related management discussion and analysis and CEO and CFO certifications were filed with the TSX.

On February 6, 2012, the Company announced that both the Alberta Securities Commission and the BCSC had revoked their cease trade orders.

On February 22, 2012, the Company announced that it has entered into an arrangement agreement dated February 21, 2012, (further amended, as announced on April 16, 2012) with Morrison Energy Group, LLC, Rooster Resources, LLC, K2 Principal Fund L.P. and Rooster Probe GOM Oil & Gas Ltd. ("Canco") (the "Transaction Agreement") to merge the Company with Canco under the Business Corporations Act (British Columbia) (the "Transaction").

Immediately prior to the completion of the Transaction, the Company will consolidate its 3,546,106,667 issued and outstanding common shares (the "Probe Shares") on a 250 to 1 basis and change its name to "Rooster Energy Ltd.".

Pursuant to the Transaction, the Company will acquire all of the issued and outstanding common shares of Canco (the "Canco Shares") in exchange for, at the election of each holder of Canco Shares, either: (i) one Probe Share (on a post-consolidated basis) for each Canco Share held or (ii) one-thousandth of one Probe proportionate voting share ("Proportionate Voting Shares") for each Canco Share held. Canco was recently incorporated under the Business Corporations Act
(British Columbia) its sole asset is an option agreement with Rooster Resources, LLC (the "Rooster Option") whereby Canco has the option to acquire all of the outstanding membership interests of Rooster Energy, LLC from Rooster Resources, LLC. Rooster Energy, LLC is the sole member of Rooster Oil & Gas, LLC, and Rooster Petroleum, LLC.

The Proportionate Voting Shares will be a new class of shares of the Company. Each Proportionate Voting Share: (i) will carry 1,000 votes at meetings of the shareholders of the Company, (ii) will be entitled to 1,000 times the amount distributed per Probe Share in the event of the liquidation, dissolution or winding-up of the Company, and (iii) will be entitled to 1,000 times the amount of any dividend paid per Probe Share. The Probe Shares will, at any time, at the option of the holder, be convertible into Proportionate Voting Shares on the basis of 1,000 Probe Shares (on a post-consolidated basis) for one Proportionate Voting Share. Proportionate Voting Shares, will at any time, at the option of the holder, be convertible into Probe Shares on the basis of 1,000 Probe Shares (on a post-consolidated basis) for each Proportionate Voting Share.

In conjunction with the transaction, and revised from the previous filed quarterly Management Discussion and Analysis, Canco expects to complete a private placement to raise between $20 million and $24 million in gross proceeds. Approximately $9.8 million will be used to pay amounts owed to an affiliate of Morrison Energy Group, Chet Morrison Contractors, LLC. The balance of the funds raised from the offering will be used to fund the combined entities drill program and for general corporate purposes.

As part of the transaction, K2 will reduce principal and accrued interest on both the Term Note and Advancing Loan Facility, leaving a balance of approximately US$6.5 million.

Both K2 Principal Fund, L.P. and Chester F. Morrison, Jr., intend to participate in the Canco Offering for proceeds of approximately $5 million each (being $10 million in the aggregate).

Immediately following the Transaction the current directors and officers of Probe, with the exception of Paul Crilly and Richard Buski, who will remain directors, will be replaced by nominees of Canco, the Company and Canco will be amalgamated under the name Rooster Energy Ltd. ("Amalco"), the Rooster Option will be exercised and the assets of Rooster Energy, LLC will be integrated with Amalco's existing assets. The consideration payable to Rooster Resources, LLC upon the exercise of the Rooster Option will consist of approximately 56,738 Proportionate Voting Shares. The Transaction will result in the former shareholders of Canco and Rooster Resources LLC obtaining control of the combined entity.

From a field operations standpoint, during the six months ended February 29, 2012, Probe pursued a development plan on a substantially curtailed basis, focusing on only those projects that the Company’s lenders agreed to fund. As such, Probe continued to evaluate development opportunities on the South Timbalier 198, East Cameron 36/37 and Vermillion 20 leases.

During the year ended August 31, 2011, the primary term of the East Cameron 246 lease expired. The lease was being held by a Suspension of Operations ("SOP") through June 30, 2011. The SOP required certain milestones in order to retain the lease. After careful geologic and economic evaluation, the Company decided not to pursue completion of this project and the SOP, and lease, lapsed on June 30, 2011.
Owing to the substantially curtailed investments in development and field maintenance, during the six months ended February 29, 2012, Probe was unable to offset natural production declines and experienced a decline in production volumes of 47% from 679 thousand cubic feet of natural gas equivalent (“Mcfe”) in the six months ended February 28, 2011 to 357 thousand Mcfe in the six months ended February 29, 2012. The decline in production volume was hindered by a 3% decrease in commodity prices realized on a per Mcfe basis resulting in a 52% change in oil and natural gas revenues to $1.6 million in the six months ended February 29, 2012, compared to $3.3 million in the six months ended February 28, 2011.

During the year ended August 31, 2011, in order to reduce the Company’s overhead, the Company closed its Woodlands, Texas office, terminated the remaining prior employees and contracted with Pisces Energy, LLC (“Pisces”) to provide operational, regulatory and accounting services to support post-bankruptcy operations. Additionally, on exit from bankruptcy on April 15, 2011, the Company appointed a new five-person board of directors and appointed a new Chief Executive Officer and new Chief Financial Officer.

The Company currently lacks the financial resources to implement a drilling and development plan and is substantially dependent upon controlling shareholders or outside investors to provide the capital resources required to initiate any further development.

Business

At February 29, 2012, the Company’s oil and natural gas properties covered an aggregate of approximately 26,158 gross acres (17,079 net acres), all of which are located in U.S. Gulf of Mexico. The Company’s properties at February 29, 2012, consisted of the following:

A. High Island 115 – The Company holds a 27.50% working interest (“WI”), and 22.07% net revenue interest (“NRI”), in the High Island 115 block, a federal lease covering approximately 5,700 acres located offshore southeast of Galveston, Texas, including the High Island #B-ST2 well. The High Island well produced intermittently from September 2008, when associated facilities were damaged by Hurricane Ike, until resumption of production in July 2010 following the completion of work on various support facilities. In connection with the facilities work performed to restore production from the well, the Company reduced its WI and NRI in the lease as consideration for the services of the project contractor and release of certain indebtedness owed to the contractor. Net production from the High Island well averaged 453 Mcf/d and 0 barrels of condensate per day (“Bcpd”) during the quarter ended February 29, 2012. Certain parties having a contractual interest in the HI 115 block elected not to participate in a proposed operation. As a result, revenues associated with this interest continue to be collected on their behalf until all funds paid on their behalf for the operation are recouped by the Company.

B. South Timbalier 214 – The Company holds a 100.00% WI and 68.50% NRI prior to project payout (“BPPO”) and an 80.00% WI and 57.70% NRI after project payout (“APPO”) in the South Timbalier 214 block, a federal lease covering approximately 5,000 acres located offshore southwest of New Orleans, including the South Timbalier A-6 Sidetrack #1 well.
The South Timbalier A-6 Sidetrack # 1 well was drilled in January 2009 to 15,825 feet measured depth and 14,751 feet true vertical depth from a Company owned production platform in the adjacent block which is connected to the NYMEX premium natural gas sales market via a ready for service export pipeline. The well loaded up and was shut in on June 8, 2011. During December 2011, the Company made an unsuccessful attempt to restore production from this well.

C. **East Cameron 36** – The Company holds a 52.00% WI and 35.62% NRI BPPO and a 41.60% WI and 30.00% NRI APPO in the East Cameron 36 block, a federal lease covering approximately 5,000 acres located offshore southwest of Lafayette, Louisiana, including the EC 36 A-1 well. The EC 36 A-1 well was drilled in August 2008 to a total depth of 10,450 feet, casing was installed, and completion of the well was suspended pending satisfactory financing arrangements to complete the same. In April 2009, the Company entered into a joint venture to drill the East Cameron 37 prospect, which joint venture provided for reduction of our interest in the EC 36 A-1 well and the proportionate reimbursement of our costs in the well. The well was completed in December 2009. Net production from the EC 36 A-1 well averaged 1,293 Mcf/d and 8 Bcpd during the quarter ended February 29, 2012. Evaluation is ongoing with respect to drilling the EC 36 #2 well.

The Company currently serves as operator of the project area consisting of the East Cameron 36, East Cameron 37 and Vermillion 20 blocks.

D. **East Cameron 37** – The Company holds a 52.00% WI and 35.36% NRI BPPO and a 41.60% WI and 29.79% NRI APPO in the East Cameron 37 block, a federal lease covering approximately 2,608 acres located offshore southwest of Lafayette, Louisiana, including the EC 37 A-2 well. The EC 37 A-2 well was drilled in May/June 2009 to a total depth of 12,039 feet, casing was installed and completion of the well was suspended pending satisfactory financing arrangements to complete the same. Following entry into the joint venture arrangement covering the East Cameron 36, East Cameron 37 and Vermilion 20 blocks, production and pipeline facilities supporting those blocks were installed and, in January 2010, the EC 37 A-2 well was completed. The EC 37 A-2 well has produced water since start-up despite operations undertaken to date to block water production from the well. Net production from the EC 37 A-2 well averaged 5 Mcf/d and 0 Bcpd during the quarter ended February 29, 2012. The Company is presently evaluating this property for additional opportunities.

E. **Vermillion 20** – The Company holds a 52.00% WI and 35.62% NRI BPPO and a 41.60% WI and 30.00% NRI APPO in the Vermillion 20 block, a federal lease covering approximately 3,150 acres located offshore southwest of Lafayette, Louisiana. The lease is undeveloped and still in its primary term. Development potential exists in the Rob L interval from an up-thrown stratigraphic trap at approximately 10,650 feet.

F. **South Timbalier 198** – The Company holds a 100.00% WI and 70.00% NRI in the South Timbalier 198 block, a federal lease covering approximately 5,000 acres located offshore southwest of New Orleans. Initial geological evaluation of the prospect indicated untapped reserve potential up-dip to a previously produced well. The prospect has been evaluated and is included in the Company’s Estimate of Reserves and Future Revenue as of August 31,
2011 prepared by Netherland, Sewell & Associates, Inc. In the event that the Company is unsuccessful in attracting new financing for the project, no development will take place.

Emergence from Bankruptcy

Bankruptcy Proceedings and Plan of Reorganization

On November 16, 2010 (the “Petition Date”), the Company’s U.S. subsidiaries filed voluntary Chapter 11 petitions in the U.S. Bankruptcy Court for the Southern District of Texas in Houston, Texas. On December 7, 2010, the Company filed for bankruptcy protection in both the Southern District of Texas in Houston, Texas and on March 31, 2011 in the Supreme Court of British Columbia in Vancouver, Canada. All the bankruptcies were jointly administered in the US under Case No. 10-40395.

On the Petition Date, total liabilities were estimated at $40.5 million, including $27.2 million of senior secured notes payable. Following the bankruptcy filing, the Company along with its subsidiaries (together, the “Debtors”), operated the business as debtors-in-possession and sought to negotiate a satisfactory resolution of creditor claims. During the course of the Chapter 11 cases, the Senior Secured Note Holder provided financing (the “Administrative Facility”) to fund certain case administration and operating expenses and acquired the interests of the other secured lenders.

On March 21, 2011, a Plan of Reorganization was agreed to by the Company, its subsidiaries and its creditors and was confirmed by the court with an effective date of April 15, 2011 (the “Effective Date”).

The principal terms of the Plan of Reorganization, were as follows:

- **Value of Oil & Gas Properties and Related Debt**

  The oil and gas properties and related debt were each assigned a negotiated value by the Company and the creditors of US $15 million. See “Senior Secured Lender Claims (the “Allowed Senior Secured Lender Claim”) and assigned value of related oil and gas assets,” below for additional details. Where, under Canadian GAAP, the reduction in the valuation of the oil and gas natural properties negotiated with the creditors was recorded as an adjustment to share capital, under IAS 36 *Impairment of Assets*, the $19,616,441 reduction in the valuation is accounted for as an impairment write-down, with the corresponding adjustment recorded as a write-down in the consolidated statements of operations.

- **Priority Tax Claims**

  Taxing authorities holding allowed claims (the “Allowed Priority Tax Claims”) shall receive, in full satisfaction, settlement, release, and discharge of such Allowed Priority Tax Claims, regular installments payable in cash in the amount of such claims, excluding penalties, over a period not exceeding five (5) years after the Petition Date. All penalties on, with respect to, or arising in connection with, any Allowed Priority Tax Claim were treated as General
Unsecured Claims (more fully described below). As of the Effective Date, Allowed Priority Tax Claims totaled $nil.

- Claim of RLI Insurance Company and the Bureau of Ocean Energy Management, Regulation and Enforcement (“MMS” or “BOEMRE”)

As of the Effective Date, all contracts between the Debtors and the decommissioning and/or plug and abandonment financial responsibility bonding company, RLI Insurance Company, were assumed by the Debtors, to the extent section 365 of the US Bankruptcy Code applies. All bonds and restricted cash remained in place to secure the performance of the reorganized Debtors’ applicable decommissioning and/or plugging and abandonment obligations.

As of the Effective Date, the Debtors assumed, to the extent section 365 of the US Bankruptcy Code applies, all of its oil and gas leases in the Gulf of Mexico granted by and through the BOEMRE and shall pay all claims (if any) of the BOEMRE in the ordinary course of business.

- Senior Secured Lender Claims (the “Allowed Senior Secured Lender Claim”) and assigned value of related oil and gas assets

The Senior Secured Note Holder, K2 Principal Fund L.P., received, with respect to its claims (the “Allowed Senior Secured Lender Claims”), on the Effective Date: (i) 3,095,751,120 common shares, representing ninety percent (90%) of the new common shares of the Company issued under the Plan of Reorganization (the “New Common Shares”); (ii) a note payable in the amount of US $1.8 million representing the obligations owed by the reorganized Debtors under the Advancing Loan Facility (more fully described below); (iii) a 90% interest in a note payable in the amount of US $15.0 million, representing the obligations owed by the reorganized Debtors under the Post Confirmation Term Loan (more fully described below); and (iv) an allowed general unsecured deficiency claim totaling approximately US $13.7 million (“the Deficiency Claim”).

The balance owing to the Senior Secured Note Holder was $26.1 million (US $27.2 million). On the Effective Date of the Debtors’ Plan of Reorganization, the reorganized Debtors entered into a new term loan with the Senior Secured Note Holder (“Post Confirmation Term Note”). The principal amount of the Post Confirmation Term Note totaled US $15 million, computed as (i) the agreed upon value of the reorganized Debtors’ oil and gas assets, excluding the EC 246 lease, as of the Effective Date (wherein the agreed upon value of the oil and gas properties was approximately US $15 million), plus (ii) the value of the EC 246 lease in excess of the 246 DIP Facility Loan, if any, on the Effective Date, minus (iii) the amount outstanding on the Administration DIP Facility, or the Advancing Loan Facility, as of the Effective Date. Pursuant to the Plan of Reorganization, a ten percent (10%) participation interest in the Post Confirmation Term Note was assigned to a liquidating trust (the “Liquidating Trust”) for the benefit of certain vendors (the “DRA Class 1 and 3 Creditors”). The Post Confirmation Term Note matures on the third anniversary of the Effective Date and accrues interest at 15% per annum. The balance of the pre-confirmation Allowed Senior Secured Lender Claims in excess of the Post Confirmation Term Note, less the 10% participation interest granted to the Liquidating Trust is classified as an unsecured
claim. The Senior Secured Lenders “deficiency” claim of approximately US $13.7 million received the same treatment as all other unsecured claims per the Debtors’ Plan of Reorganization.

Upon the Effective Date, the Administration DIP Facility, in the amount of up to US $1.6 million, was modified, amended and otherwise converted into the post confirmation Advancing Loan Facility (“Advancing Loan Facility”) in the amount of up to US $1.8 million. The Advancing Loan Facility matures on the third anniversary of the Effective Date and accrues interest at a rate of 15% per annum. The terms of the Advancing Loan Facility require that net available cash in excess of the Debtors’ administrative and operating expenses to be applied against the balance owed on the Advancing Loan Facility.

- **Allowed Secured DRA Creditors’ Agent Claim for DRA Class 1 and Class 3 Joining Creditors**

  On the Effective Date, the Liquidating Trust was established. The Liquidating Trust was funded with (1) a ten percent (10%) participation in the Post Confirmation Term Loan, (2) 343,972,347 common shares, representing ten percent (10%) of the New Common Shares, and (3) any amounts recovered pursuant to successful avoidance actions (the “Avoidance Actions”). The DRA Class 1 and Class 3 joining creditors shall receive, on account of the DRA Creditors’ Agent’s Claim, distributions from the Liquidating Trust from and on account of the foregoing interests. DRA Class 1 and DRA Class 3 joining creditors shall also be included in the general unsecured creditor class.

- **General Unsecured Claims**

  Each holder of allowed unsecured claims (the “Allowed General Unsecured Claims”) shall receive a pro rata share of distributions from the Liquidating Trust from and on account of any recoveries attributable to Avoidance Actions after payment of fees and expenses of the Liquidating Trust.

- **Other Claims**

  Certain executory contracts and administrative claims were confirmed by the Company under the Plan as at the Effective Date.

- **Interests in Parent Company**

  On the Effective Date, holders of common shares in the Company retained their existing interests subject to substantial dilution from the issuance of 3,439,723,467 New Common Shares, representing ninety seven percent (97%) of the Company’s outstanding common shares following issuance of the New Common Shares. The balance of the common shares outstanding will continue to be held by existing shareholders. Subsequent to the issuance of the New Common Shares, the Company intends to file Articles of Amendment pursuant to the British Columbia Business Corporations Act to consolidate its outstanding share capital at an appropriate ratio and potentially change the name of the Company.
The Plan of Reorganization resulted in K2 Principal Fund L.P. obtaining beneficial ownership of 87.3% of the total authorized, issued and outstanding common shares, and control and direction over the Company, therefore becoming a significant shareholder as defined under National Instrument 55-104 and making them subject to insider reporting requirements going forward.

• **Interests in Subsidiaries**

On the Effective Date, the Company’s interests in Probe HI 115, Ltd., Probe ST 214, Ltd. and Probe Resources Energy Marketing US, Ltd. were merged with and into the wholly owned subsidiary Probe Resources US, Ltd.

As a result of the reorganization transactions, a substantial realignment of the non-equity and equity interests in the Company, as well as a change in control, occurred as of April 15, 2011.

Under pre-changeover Canadian GAAP the Company accounted for the financial reorganization at April 15, 2011 using “fresh-start” accounting in accordance with the provisions CICA handbook Section 1625 comprehensive revaluation of assets and liabilities thus the retained earnings and contributed surplus that arose prior to the reorganization were reclassified to share capital and the revaluation adjustments related to the Company’s assets and liabilities and the reorganization expenses related to the Plan of Reorganization were accounted for as capital transactions as more fully described in note 1 to the November 30, 2011 financial statements.

Under IFRS there is no explicit standard or IFRS 1 exemption related to fresh start accounting when an entity undertakes a financial reorganization therefore the financial reorganization was accounted for as debt extinguishment in accordance with the guidance in IAS 39 Financial Instruments: Recognition and Measurement as more fully described in Note 16 to the November 30, 2011 financial statements. Thus, on April 15, 2011, the adjustment to reclassify the deficit and contributed surplus that arose prior to the fresh start to share capital were reversed. The reduction of the accounts payable and accrued liabilities and the notes payable (collectively the “debt”) in exchange for the issuance of common shares of Probe (the consideration paid) was based on the fair value of the shares issued at that date with the difference between the carrying value of the debt and the consideration paid recognized in the statement of comprehensive loss as gain on debt extinguishment with a corresponding credit to share capital. The reorganization expenses and the forfeiture of the lease deposit were reclassified to the statement of comprehensive loss as additional expenses with a corresponding adjustment to share capital. The value of the oil and gas natural properties negotiated with the creditors under the Plan of Arrangement was considered their recoverable amount per the guidance in IAS 36 Impairment of Assets. As such, the difference between their carrying amount and their recoverable amount at April 15, 2011 was accounted for as an impairment write-down with a corresponding adjustment recorded in the consolidated statements of comprehensive loss.

**Selected Annual Information**

The following financial and operating data are selected information for the Company for the three most recently completed financial years, reflecting the results of operations of the Company for the years ended August 31, 2009, 2010 and 2011:
### Results of Operations

The following table summarizes production volumes, average sales prices and operating revenues for the six months ended February 29, 2012 and February 28, 2011:

<table>
<thead>
<tr>
<th></th>
<th>2012</th>
<th>2011</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Production sales</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oil (Bbl)</td>
<td>1,576</td>
<td>3,814</td>
</tr>
<tr>
<td>Natural gas (Mcf)</td>
<td>347,953</td>
<td>656,194</td>
</tr>
<tr>
<td>Total (Mcfe)(^{(1)})</td>
<td>357,409</td>
<td>679,078</td>
</tr>
<tr>
<td>Natural Gas (Mcfe/day)(^{(1)})</td>
<td>1,975</td>
<td>3,752</td>
</tr>
<tr>
<td><strong>Average pricing</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oil ($/Bbl)</td>
<td>$113.64</td>
<td>$86.20</td>
</tr>
<tr>
<td>Natural gas ($/Mcf)</td>
<td>$4.07</td>
<td>$4.57</td>
</tr>
<tr>
<td><strong>Operating Revenue</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Oil</td>
<td>$179,105</td>
<td>$328,755</td>
</tr>
<tr>
<td>Natural Gas</td>
<td>$1,414,820</td>
<td>$2,997,092</td>
</tr>
<tr>
<td>Total</td>
<td>$1,593,925</td>
<td>$3,325,847</td>
</tr>
<tr>
<td><strong>Expenses</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Lease operating expense</td>
<td>$674,329</td>
<td>$1,137,920</td>
</tr>
<tr>
<td>Lease operating expense per Mcfe</td>
<td>$1.89</td>
<td>$1.68</td>
</tr>
</tbody>
</table>

\(^{(1)}\) Oil volumes are converted to Mcfe on the basis of 1 barrel per 6 Mcfe.
Summary Quarterly Results

The following is a summary of selected quarterly information that has been derived from the unaudited financial statements of the Company. This summary should be read in conjunction with unaudited financial statements of the Company.

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Total revenues</td>
<td>666</td>
<td>928</td>
<td>1,046</td>
<td>1,586</td>
<td>1,682</td>
<td>1,644</td>
<td>1,951</td>
<td>2,254</td>
</tr>
<tr>
<td>Net income (loss)</td>
<td>(1,403)</td>
<td>(903)</td>
<td>(798)</td>
<td>(777)</td>
<td>(2,151)</td>
<td>(3,038)</td>
<td>(4,809)</td>
<td>(4,505)</td>
</tr>
<tr>
<td>Net income (loss) per share – basic</td>
<td>(0.00)</td>
<td>(0.00)</td>
<td>(0.00)</td>
<td>(0.00)</td>
<td>(0.02)</td>
<td>(0.03)</td>
<td>(0.05)</td>
<td>(0.04)</td>
</tr>
<tr>
<td>Net income (loss) per share – diluted</td>
<td>(0.00)</td>
<td>(0.00)</td>
<td>(0.00)</td>
<td>(0.00)</td>
<td>(0.02)</td>
<td>(0.03)</td>
<td>(0.05)</td>
<td>(0.04)</td>
</tr>
</tbody>
</table>

OPERATIONS

Production sales

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil (Bbl)</td>
<td>744</td>
<td>832</td>
<td>1,015</td>
<td>1,677</td>
<td>1,561</td>
<td>2,253</td>
<td>2,648</td>
<td>4,168</td>
</tr>
<tr>
<td>Natural gas (Mcf)</td>
<td>159,052</td>
<td>188,901</td>
<td>181,675</td>
<td>258,573</td>
<td>312,721</td>
<td>343,727</td>
<td>343,192</td>
<td>462,880</td>
</tr>
<tr>
<td>Total (Mcfe)</td>
<td>163,516</td>
<td>193,894</td>
<td>187,765</td>
<td>328,635</td>
<td>356,993</td>
<td>359,079</td>
<td>510,995</td>
<td></td>
</tr>
</tbody>
</table>

Average pricing

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Oil ($/Bbl)</td>
<td>$112.44</td>
<td>$114.70</td>
<td>$124.31</td>
<td>$139.30</td>
<td>$91.07</td>
<td>$82.02</td>
<td>$73.68</td>
<td>$74.81</td>
</tr>
<tr>
<td>Natural gas ($/Mcf)</td>
<td>3.66</td>
<td>4.40</td>
<td>5.03</td>
<td>5.13</td>
<td>4.92</td>
<td>4.24</td>
<td>5.12</td>
<td>4.00</td>
</tr>
<tr>
<td>Combined ($/Mcfe)</td>
<td>4.08</td>
<td>4.78</td>
<td>5.54</td>
<td>5.81</td>
<td>5.22</td>
<td>4.60</td>
<td>5.69</td>
<td>4.64</td>
</tr>
</tbody>
</table>

Expenses

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Lease operating expense</td>
<td>465</td>
<td>209</td>
<td>382</td>
<td>666</td>
<td>602</td>
<td>536</td>
<td>762</td>
<td>563</td>
</tr>
<tr>
<td>LOE per Mcfe</td>
<td>2.84</td>
<td>1.08</td>
<td>2.03</td>
<td>2.48</td>
<td>1.87</td>
<td>1.50</td>
<td>2.12</td>
<td>1.16</td>
</tr>
</tbody>
</table>

(1) These amounts have been restated in accordance with IFRS.

(2) These figures are reported in accordance with Canadian GAAP, and have not been restated in accordance with IFRS, as the Company’s date of transition from GAAP to IFRS was September 1, 2010.

Quarter to Quarter Variations

The significant decrease in oil and gas revenues from the three months ended February 28, 2011 to February 29, 2012, was attributable to both a 49% reduction in gas production (Mcfe) volumes and a 26% decrease in gas prices. Net Loss improved by 35% from the three months ended February 28, 2011 to February 29, 2012, due to lower depletion expense, interest charges and administrative expenses.

Lease Operating Expenses decreased by 23% from the three months ended February 28, 2011 to February 29, 2012 as the Company made a concerted effort to reduce costs at each field since the Reorganization became effective. Included in Lease Operating Expenses during the current quarter is $0.2 million in expenditure for corrosion repair on the Vermillion 22 platform.
The Company incurred Business Combination Expenses during the three months ended February 29, 2012 in the amount of $0.2 million. These expenses were related solely to the announced merger arrangement with Canco.

In general, the Company’s business is not subject to seasonal factors and trends, although adverse weather conditions may result in temporary declines in production volumes and revenues and resulting decreases in profitability. In particular, operations in the Gulf of Mexico expose the Company to hurricane and tropical storm risks (which are presently uninsured by the Company) and, less often, cold weather risks that may result in declines in production associated with temporary cessations of production during such weather events and extended cessations of production associated with damage to facilities arising from such risks.

**Liquidity**

Since the acquisition of the principal properties in 2008, the Company has not operated profitably and has consistently produced negative operating cash flows. For the six months ended February 29, 2012, the Company had a net decrease of $0.9 million in cash from its operating activities and, at period end, had negative working capital of $1.5 million. In order to support operations and development plans, in both the short-term and the long-term, the Company must attract additional investment and increase profitability from increasing revenues or decreasing expenses, or a combination thereof.

The Company is currently reviewing its development opportunities and is dependent upon principal lenders and shareholders to provide funding to support any program undertaken. There is no assurance that funding will be provided to support the same or that such efforts will ultimately improve production levels, revenues or profitability to a level that will sustain future operations, or at all.

At February 29, 2012, the Company had $15 million of outstanding notes payable and $0.5 million owing under the Company’s Advancing Loan Facility. The notes payable and Advancing Loan Facility bear interest at 15% and are payable in full by April 2014. The notes payable are subordinated to amounts owing under the Advancing Loan Facility.

While the Plan of Reorganization has reduced the level of debt and has allowed the Company to reduce operating expenses, management expects to continue to operate at a loss until such time as the Company can substantially increase production volumes; and therefore will be dependent upon our principal lenders and shareholders to fund operating losses. We have no firm commitment from our principal lenders and shareholders, or others, to provide additional funding if needed.

In addition to the amounts owed at February 29, 2012, the Company has an ongoing liability with respect to the plugging and abandonment (P&A) of wells. At February 29, 2012, P&A liability totaled $3.1 million. The timing and amount of settling such P&A liability is based on management’s best estimate at this time. In the event of an abandonment of a well or other unforeseen developments, the Company may be required to incur P&A costs sooner than otherwise anticipated and in amounts exceeding the P&A liability recorded on the balance sheet.
At February 29, 2012, principal contractual obligations requiring fixed payments consisted of the following:

<table>
<thead>
<tr>
<th>Payments Due by Period</th>
<th>Total</th>
<th>Less than 1 Year</th>
<th>1 – 3 Years</th>
<th>4 – 5 Years</th>
<th>After 5 Years</th>
</tr>
</thead>
<tbody>
<tr>
<td>Long Term Debt (1)</td>
<td>$14,949,000</td>
<td>-</td>
<td>14,949,000</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Advancing Loan Facility (2)</td>
<td>526,774</td>
<td>526,774</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>$15,475,774</td>
<td>526,774</td>
<td>14,949,000</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
</tbody>
</table>

(1) Long term debt at February 29, 2012 consists of a note payable in the amount of $14,949,000 (US $15,000,000) which is payable in full in April 2014.
(2) Advancing Loan Facility at February 29, 2012 consists of new note payable in the amount of $526,774 (US $528,571) which is payable on demand.

**Capital Expenditures and Resources**

During the six months ended February 29, 2012, the Company had $0.25 million in capital expenditures compared to $1.62 million in the six months ended February 28, 2011. Capital expenditures during the six months ended February 29, 2012 related principally to ST 214 #A-6 ST1 well, for the purpose of attempting to re-establish production from the well. The effort was unsuccessful as the well was loaded up with fluid and would not flow gas.

**Off-Balance Sheet Arrangements**

At February 29, 2012 the Company is not party to, and not presently party to, any off-balance sheet arrangements.

**Financial Instruments and Other Instruments**

During the six months ended February 29, 2012 the Company did not engage in, and is not currently engaged in, any hedging or similar activities. At February 29, 2012, the Company did not have, and presently does not have, any derivative securities, financial or other instruments.

**Transactions with Related Parties**

During the six months ended February 29, 2012 and February 28, 2011, respectively, the Company was party to the following transactions with related parties:

- Wages and benefits paid to officers of the company and 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:
Directors fees $ 41,023 $ 8,400
Operating fees 304,050 -
Officers’ wages 179,593 18,085
Officers’ benefits 10,540 -
$ 535,206 $ 26,485

The wages, benefits and fees paid were based on rates consistent with market comparables.

- Accounts payable and accrued liabilities to directors, or entities associated with directors, totaled $nil at February 29, 2012 and $nil at August 31, 2011.

**Critical Accounting Estimates**

The Company’s significant accounting policies are disclosed in notes to the financial statements. Certain accounting policies require that management make appropriate decisions with respect to the formulation of estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses. Management reviews its estimates on a periodic basis. The emergence of new information and changed circumstances may result in actual results or changes to estimated amounts that differ materially from current estimates.

We view the following estimates as critical:

**Oil and Natural Gas Properties**

All costs of exploring for and developing oil and natural gas reserves are initially capitalized. Such costs include land acquisition costs, lease rentals, geological and geophysical expenses, carrying charges on non-producing properties, costs of drilling and overhead charges directly related to acquisition and exploration activities.

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

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

Proceeds from the sale of oil and natural gas properties are recognized in net earnings. The amount of gain or loss is determined by comparing the proceeds from disposal with the corresponding carrying amount.
At each reporting date the carrying amounts of the Company’s long-lived assets are reviewed to determine whether there is any indication that those assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use, which is the present value of future cash flows expected to be derived from the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in the profit or loss for the period.

For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs. Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

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

The Company makes various critical estimates including, among others, future development costs and operating costs. Variations in those estimates could result in changes in capitalized costs, depletion expense, and impairment charges, among others.

Asset Retirement Obligations

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

In accounting for asset retirement obligations, the Company makes critical estimates as to the amount and timing of incurrence of actual costs. Variations in those estimates could result in changes in capitalized costs, depletion expense and impairment charges, among others.

Changes in Accounting Policies including Initial Adoption

The Canadian Accounting Standards Board (“AcSB”) required the adoption of IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company’s transition date of September 1, 2010 required the restatement for comparative purposes of amounts reported by the Company for the year ended August 31, 2011.
All comparative figures have been restated to be in accordance with IFRS.

The Company’s IFRS conversion plan addressed matters including changes in accounting policies, IT and data systems, restatement of comparative periods, organizational and internal controls and any required changes to business processes. To facilitate this process and ensure the full impact of the conversion is understood and managed reasonably, the Company has retained an IFRS conversion consultant. Through in-depth training and analysis of IFRS standards, the Company’s accounting personnel has obtained a thorough understanding of IFRS and possesses sufficient financial reporting expertise to support the Company’s future needs. The Company has also reviewed its internal and disclosure control processes and believes they will not need significant modification as a result of the conversion to IFRS. Further, the Company has assessed the impact on IT and data systems and has concluded there will be no significant impact to applications arising from the transition to IFRS.

**Significant Impacts on Transition to IFRS**

The Company’s financial statements were prepared in accordance with Canadian GAAP until August 31, 2011. While IFRS uses a conceptual framework similar to Canadian GAAP, there are significant differences in recognition, measurement and disclosures. For a description of the significant accounting policies the Company has adopted under IFRS, including the estimates and judgments we consider most significant in applying those accounting policies, please refer to Note 2 of the November 30, 2011 condensed consolidated interim financial statements.

The adoption of IFRS resulted in some changes to the consolidated balance sheets and income statements of the Company previously reported under Canadian GAAP. To help users of the financial statements better understand the impact of the adoption of IFRS on the Company, we have provided reconciliations from Canadian GAAP to IFRS for total assets, liabilities, and equity, as well as net loss and comprehensive loss for the comparative reporting periods. Please refer to Note 16 of the November 30, 2011 condensed consolidated interim financial statements for the reconciliations between IFRS and Canadian GAAP.

**IFRS 1 First-Time Adoption of International Financial Reporting Standards**

Adoption of IFRS requires the application of IFRS 1, *First-time Adoption of International Financial Reporting Standards*, which provides guidance for an entity’s initial adoption of IFRS. IFRS 1 gives entities adopting IFRS for the first time a number of optional exemptions and mandatory exceptions, in certain areas, to the general requirement for full retrospective application of IFRS. Please refer to Note 16 of the November 30, 2011 condensed consolidated interim financial statements for a detailed description of the IFRS 1 exemptions we elected to apply.

**Outstanding Share Data**

The Company is authorized to issue an unlimited number of common shares and an unlimited number of preferred shares issuable in series. As of the date hereof, and after giving effect to the issuance of the New Common Shares pursuant to the Plan of Reorganization, the issued share capital consisted of 3,546,106,667 common shares.
Pursuant to the Plan of Reorganization, all previously issued and outstanding warrants and stock options were cancelled and there are presently no warrants, stock options or other securities convertible into common shares outstanding.

**Forward Looking Statements**

This MD&A may contain forward looking information related to planned drilling program, production, revenue, commodity prices, royalties, capital expenditures and commitments, operating costs, general and administrative expenses, funds flow from operations, financing plans, liquidity and capital resources and debt settlement. Forward-looking information is based on expectations and estimates as of the date of this document, and is information that is subject to known and unknown risks and other factors that may cause future actions, conditions or events to differ materially from the anticipated actions, conditions or events expressed or implied by such forward-looking information. Forward-looking information is information that does not relate strictly to historical or current facts, and can be identified by the use of the future tense or other forward-looking words such as “believe”, “expect”, “anticipate”, “intend”, “plan”, “estimate”, “should”, “could” “may”, “objective”, “projection”, “forecast”, “continue”, “strategy”, “position” or the negative of those terms or other variations of them or comparable terminology.

Further examples of such forward-looking information in this document include but are not limited to the following, each of which is subject to significant risks and uncertainties and is based on a number of assumptions, which may prove to be incorrect including: the amounts recorded for depletion, depreciation and accretion, the provision for asset retirement obligations and the ceiling test, which are based on estimates of reserves, production rates, petroleum and natural gas prices, future costs and other relevant assumptions. Stock-based compensation expense is based upon estimates using the Black-Scholes option pricing model. Risks include, but are not limited to, the availability and costs of financing, general economic conditions, storm weather risks, and risks associated with the oil and gas industry (e.g., operational risks in development, exploration and production; delays or changes in plans with respect to exploration or development projects or capital expenditures; the financial health of joint venture partners; health, safety and environmental risks; and the uncertainty of dealing with government and obtaining regulatory approvals).

At this time, the most significant risk relates to the uncertainty of the Company’s ability to finance development plans and ongoing operations, the results of any such development operations and future oil and gas prices and the current volatility in these markets. Revenues and funds flow from operations will be impacted positively or negatively depending on the ultimate variance to our forecast assumptions. Furthermore, the outcome of commodity price changes are expected to impact our capital spending plans and the ability of joint venture partners and other sources of capital funding to provide financing for projects.

Operations may be unsuccessful or delayed as a result of competition for services, supplies and equipment, mechanical and technical difficulties, ability to attract and retain employees on a cost effective basis, commodity and marketing risk and seasonality. The company is subject to significant drilling risk and uncertainties including the ability to find oil and gas reserves on an economic basis, and is also exposed to risks relating to the inability to obtain timely regulatory approvals, surface access, access to third party gathering and processing facilities, transportation and other third party related operational risks.
Financial risks that the Company is exposed to include, but are not limited to, access to debt or equity markets and fluctuations in commodity prices, interest rates and the Canadian/US dollar exchange rate.

It is anticipated that subsequent events and developments may cause a change to the assumptions made by us. The Company does not have an intention to update this forward-looking information, except as required by applicable securities laws. This forward-looking information represents the Company’s views as of the date of this document and such information should not be relied upon as representing its views as of any date subsequent to the date of this document. Highlighted here are important factors that could cause actual results, performance or achievements to vary from those current expectations or estimates expressed or implied by the forward-looking information. However, there may be other factors that cause results, performance or achievements not to be as expected or estimated and that could cause actual results, performance or achievements to differ materially from current expectations.

**There can be no assurance that forward-looking information will prove to be accurate, as actual results and future events could differ materially from those expected or estimated in such statements. Accordingly, readers should not place undue reliance on forward-looking information.** These factors are not intended to represent a complete list of factors that could affect the Company.

**Date**

This MD&A is dated April 27, 2012.

**Additional Information**

Additional information regarding the Company is available at SEDAR [www.sedar.com](http://www.sedar.com).