

PROBE MINES LIMITED

MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE THREE MONTHS ENDED JULY 31, 2006

This Management Discussion and Analysis ("MD&A") should be read in conjunction with the financial statements of the Corporation for the three months ended July 31, 2006 (unaudited) and the related notes. The Corporation's reporting currency is the Canadian dollar and all amounts in this MD&A are expressed in Canadian dollars. The Corporation reports its financial position, results of operations and cash flows in accordance with Canadian generally accepted accounting principles ("Canadian GAAP"). This MD&A is made as of September 14, 2006.

Additional information relating to the Corporation is on the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

DESCRIPTION OF THE BUSINESS

Probe Mines Limited (the "Corporation") is a junior resource company focused on the acquisition and exploration of base and precious metal mineral properties, with activities currently centered in the Province of Ontario. The Corporation is a reporting issuer in Ontario, Quebec, British Columbia and Alberta, and trades on the TSX Venture Exchange under the symbol "PRB".

The Corporation currently has interests in several exploration projects, as follows:

- the Norway Lake Base Metal Project, comprised of the right to earn a 100% interest in 22 claim units covering approximately 352 hectares located in the Norway Lake area near Atikokan, Ontario, approximately 40 kilometres north of the town of Sapawe in northwestern Ontario. The property hosts a newly discovered base metal showing and numerous gold and base metal occurrences throughout
- the Greenlaw Base Metal Project, comprised of the right to earn a 100% interest in 37 claim units covering approximately 592 hectares located in Greenlaw Township near Chapleau, Ontario, approximately 135 kilometres southwest of Timmins, Ontario. The property is within the Shunsky Volcanic Belt, which is host to numerous volcanogenic massive sulphide (VMS) occurrences, including at least two base-metal zones discovered within the Corporation's claim boundaries
- the Tamarack Project (formerly named the McFauld's Lake Project), comprised of a 100% interest in 300 claims covering 4,800 hectares in the McFauld's Lake area of the James Bay Lowlands of Northern Ontario and adjacent to the recent Cu-Pb-Zn-Au/Ag volcanogenic massive sulphide (VMS) discoveries of Spider Resources Inc.
- the Double Eagle Joint Venture, comprised of an option to earn a 50% interest in 533 claims covering 8,528 hectares located near the Corporation's Tamarack Project

- the Canstar Joint Venture (formerly named the McFauld’s Lake Joint Venture), comprised of 32 claims covering approximately 512 hectares located approximately 10 kilometres south of the Corporation’s Tamarack Project
- the Freewest Muketei River Joint Venture, comprised of an option to earn a 60% interest in 4 claims covering 992 hectares in the McFauld’s Lake area of the James Bay Lowlands of Northern Ontario
- the Fancamp Option, comprised of an option to earn a 100% interest in 4 claims covering 1,024 hectares, located near the Corporation’s Tamarack Project
- the Victory Project, comprised of 493 claims totaling 7,888 hectares and covering at least 34 airborne electromagnetic conductors within the new and previously unexplored greenstone belt east of the Tamarack Project
- the Bristol Township Project, comprised of 52 claims totaling 832 hectares, which is currently under option to Sydney Resource Corporation and is located adjacent to the Timmins West Gold Property of Lake Shore Gold Corp., approximately 15 kilometres west of Timmins, Ontario.

In addition to its property interests, the Corporation has a net smelter royalty (“NSR”) on 10 claims covering part of Agnico-Eagle’s Goldex Mine Property in Val d’Or, Quebec (the “Goldex Royalty”).

The following table contains a brief description of the Corporation’s projects, which are the primary focus of the Corporation’s exploration initiatives. Further details with respect to the properties are also provided in this document under the section entitled “Overall Performance”.

Property	Claims/Area (ha)	Target Mineralization	Ownership Interest
Norway Lake Base Metal Project, Ontario.	22 / 352	Copper, zinc, gold, silver	Option to earn a 100% interest ⁽¹⁾
Greenlaw Base Metal Project, Ontario	37 / 592	Copper, zinc, gold, silver	Option to earn a 100% interest ⁽²⁾
Tamarack Project (formerly named the McFauld’s Lake Project), Ontario	300 / 4,800	Copper, zinc, gold, silver	100% owned ⁽³⁾
Double Eagle Joint Venture, Ontario	533 / 8,528	Copper, zinc, gold, silver	Option to earn a 50% interest ⁽⁴⁾
Canstar Joint Venture (formerly named the McFauld’s Lake Joint Venture), Ontario.	32 / 512	Copper, zinc, gold, silver	50% interest ⁽⁵⁾
Freewest Muketei River Joint Venture, Ontario.	4 / 992	Copper, zinc, gold, silver	Option to earn a 60% interest ⁽⁶⁾
Fancamp Joint Venture, Ontario.	4 / 64	Copper, zinc, gold, silver	Option to earn a 100% interest ⁽⁷⁾
Victory Project, Ontario.	493 / 7,888	Copper, zinc, gold, silver	100% owned ⁽⁸⁾
Bristol Township Project, Timmins Ontario	52 / 832	Gold	100% owned ⁽⁹⁾

Notes:

- (1) The initial option on 14 claims was acquired in June 2006. Under the terms of the agreement, the Corporation has the right to earn a 100% interest in the property by making cash payments totaling \$39,000 and issuing 200,000 shares over the three-year term of the agreement. The vendor

- maintains a 3% Net Smelter Royalty (NSR) interest, which is subject to an option by the Corporation to purchase 2% of the NSR for \$2,000,000 in 1% increments. Subsequently, an additional eight claims were optioned in August 2006 for a cash payment of \$1,000 and 10,000 shares over a three-year term. The vendor of the eight claims maintains a 0.5% NSR, which is subject to an option by the Corporation to purchase 0.5% of the NSR for \$500,000.
- (2) This option was acquired in June 2006. Under the terms of the agreement, the Corporation has the right to earn a 100% interest in the property by making cash payments totaling \$35,000 and issuing 200,000 shares over the three-year term of the agreement. The vendors maintain a 3% Net Smelter Royalty (NSR) interest on metals and a 2% gross overriding royalty (GORR) on diamonds and gemstones, while Probe Mines retains an option to buy back 1.5% of the NSR for \$1,000,000 and 1% of the GORR for \$1,000,000.
 - (3) This interest was acquired by staking in December 2003.
 - (4) This property is subject to a joint venture agreement with Noront Resources Ltd. (“Noront”). Under the terms of the joint venture agreement, the Corporation has the right to earn a 50% interest in Noront’s Double Eagle property by incurring expenditures of \$2,000,000 by September 1, 2007, \$750,000 of which must be spent by June 30, 2006, and issuing 300,000 common shares of the Corporation upon execution of the agreement and 200,000 common shares on the first anniversary of the agreement.
 - (5) This property is subject to a joint venture agreement with Canstar Resources Inc. (“Canstar”), with the Corporation and Canstar each owning a 50% interest in the property. Under the terms of the agreement, the Corporation is the operator of the joint venture and is responsible for 50% of the acquisition and exploration costs. As initial operator, the Corporation is entitled to charge the joint venture a 10% fee.
 - (6) This property is subject to a joint venture agreement with Freewest Resources Canada Inc. (“Freewest”) and Noront. Under the terms of the agreement, the Corporation has the right to earn a 60% interest in the property, with the first 50% to be earned by incurring exploration expenditures of \$850,000 by November 11, 2007 and issuing 100,000 common shares of the Corporation to Noront and the remaining 10% interest to be earned by delivering a feasibility study on the property. The property is also subject to net smelter return royalties totaling 3%, of which a 1.5% net smelter return royalty may be purchased from the holders at any time for \$1,500,000.
 - (7) This option was acquired in January 2006. Under the terms of the agreement, the Corporation may earn its interest in the property by incurring exploration expenditures of \$100,000 over two years, \$30,000 of which must be spent prior to March 31, 2006, and issuing 100,000 common shares of the Corporation upon signing of the agreement and 100,000 common shares on the first anniversary of the agreement.
 - (8) This interest was acquired by staking in April 2005.
 - (9) This property is subject to an option and joint venture agreement with Sydney Resource Corporation (“Sydney”). Under the terms of the agreement, Sydney may earn an initial 55% interest in the project by making cash payments totaling \$55,000, issuing 400,000 common shares over three years and completing \$2,000,000 in exploration expenditures on the project over a four year period. Once vested at 55%, Sydney may increase its interest to 70% by making an additional cash payment of \$50,000, issuing an additional 50,000 common shares within 60 days of vesting and delivering a resource report to the standards required by National Instrument 43-101.

OVERALL PERFORMANCE

The Corporation is currently engaged in mineral exploration in Ontario. The Corporation’s exploration activities are at an early stage, and it has not yet been determined whether its properties contain recoverable ore. As a result, the Corporation has no current sources of revenue other than interest earned on cash and short-term and money market instruments all of which were derived from issuances of share capital. There are no known deposits of minerals on any of the mineral exploration properties of the Corporation and any activities of the Corporation thereon will constitute exploratory searches for minerals. See “Risks and Uncertainties”.

The Norway Lake Base Metal Project

The Norway Lake Base Metal Project is located in the Norway Lake area near Atikokan, Ontario, approximately 40 kilometres north of the town of Sapawé in northwestern Ontario. It is comprised of 22 claim units covering approximately 352 hectares. The property was acquired in two separate transactions, an initial 14-unit claim block and an additional 8-unit claim. The Corporation has the right to earn a 100% interest in the 14-unit property by making cash payments totaling \$39,000 and issuing 200,000 shares over the three-year term of the agreement. The vendor maintains a 3% Net Smelter Royalty (NSR) interest which is subject to an option by the Corporation to purchase 2% of the NSR for \$2,000,000 in 1% increments. Terms for the right to earn 100% interest in the 8-unit block are a single cash payment of \$1,000 and the issuance of 10,000 shares over the three year term of the agreement. The vendor maintains a 0.5% Net Smelter Royalty (NSR) interest which is subject to an option by the Corporation to purchase 0.5% of the NSR for \$500,000

The Norway Lake property is underlain by a mixed sequence of volcanic and sedimentary rocks, which are host to a newly discovered base metal showing and numerous gold and base metal occurrences throughout the property. The new sulphide occurrence was uncovered during recent trenching by the property owner along a 500m long induced polarization (IP) conductor, and is untested by drilling. Representative sampling of the seven meter wide mineralized exposure by Probe Mines returned values of up to 1.1% Cu, 7.7% Zn, 6.5% Pb, 36 g/t Ag and 0.5 g/t Au over one metre sections of the outcrop. Neither the footwall nor hangingwall were identified in the trench. A number of other gold and base metal occurrences have been identified on the property through limited drilling and trenching. Historical results include up to 10.5g/t Au and 2.6% Cu over one metre in drilling and up to 6.9% Cu in grab samples.

A drilling program commenced in August 2006 to target the newly discovered base metal showing. Mineralization occurs as base metal sulphides hosted by a mixed sequence of volcanic and sedimentary rocks. The base metal zone is associated with an induced polarization (IP) conductor, which has been traced for 500m along strike. This program represents the first drilling of this zone. The program consisted of 1065 metres, in ten holes, and tested the mineralized zone along strike and at depth. Two "fanned" holes were drilled from five setups, spaced at 50m intervals parallel to the strike direction. This allowed both horizontal and vertical testing of the steeply dipping sheet in the most cost effective manner. Results will be released as soon as they have been received.

A number of other gold and base metal occurrences have been identified on the property, and will be the focus of future programs. Historical results include up to 10.5g/t Au and 2.6% Cu over one metre in drilling and up to 6.9% Cu in grab samples.

Acquisition costs totaled \$17,500 for the period, while exploration costs totaled \$4,479 and comprised geochemical assay costs (\$325) and geological consulting costs (\$4,154) incurred during geological investigations and sampling.

Greenlaw Base Metal Project

The Greenlaw Base Metal Project is located approximately 135 kilometres southwest of the town of Timmins in northwestern Ontario. It is comprised of 37 claim units covering approximately 592 hectares. The Corporation has the right to earn a 100% interest in the property

by making cash payments totaling \$35,000 and issuing 200,000 shares over the three-year term of the agreement. The vendors maintain a 3% Net Smelter Royalty (NSR) interest on metals and a 2% gross overriding royalty (GORR) on diamonds and gemstones, while Probe Mines retains an option to buy back 1.5% of the NSR for \$1,000,000 and 1% of the GORR for \$1,000,000.

The Greenlaw Property falls within the Shunby Volcanic Belt, which is host to numerous volcanogenic massive sulphide (VMS) occurrences, including at least two base-metal zones discovered within the Corporation's claim boundaries. Previous work on the property, including limited diamond drilling, resulted in drill intersections of up to 0.27% Cu, 5.73% Pb, 2.17% Zn and 0.32 oz/t Ag over a width of 4.8m and the discovery of a separate base-metal zone, exposed in trenching, which has not been representatively sampled or drilled. In addition, numerous untested conductors occur on the property, including two that are considered high-priority.

The VMS mineralization and untested geophysical targets will be the focus of an upcoming exploration program, which will comprise geophysics and diamond drilling. A geophysical program was completed in July, 2006, and comprised an electromagnetic and magnetic survey designed to identify geophysical anomalies for diamond drilling.

Acquisition costs for the period ending July 31, 2006 totaled \$17,000, and the cost of the geophysical survey was \$33,250. Consulting costs for the period were \$2,129, and were incurred during geological investigations of the property.

The Tamarack Project

The Tamarack Project (formerly named the McFauld's Lake Project) is located in the McFauld's Lake area of the James Bay Lowlands of Northern Ontario, approximately 300 kilometres north of the town of Nakina. It is comprised of 300 claim units covering approximately 4800 hectares, and was acquired by staking in December 2003. The Corporation maintains 100% ownership of the claims, which are free of any encumbrances. The McFauld's Lake area is currently the center of significant exploration activity by a number of companies, initiated by the discovery of at least four volcanogenic massive sulphide deposits by Spider Resources Inc. since 2002. The mineralization comprises Cu-Pb-Zn-Au/Ag-bearing massive sulphides (>60% sulphide) similar to deposits being mined in Noranda, Quebec, Timmins, Ontario and Bathurst, New Brunswick. The deposits are hosted by the Sachigo Volcanic Belt, which stretches for approximately 100 kilometres, and is composed of inter-layered mafic and felsic volcanic units and sedimentary rocks, the typical host rocks for these deposits.

(i) Exploration Program and Results

The project represents grass roots exploration, and no previous industry work has been completed within the claim boundaries. A first-phase program of exploration was completed on the project during the 2004 fiscal year, and was comprised of airborne and ground geophysical surveys, as well as a five-hole diamond drilling campaign. Airborne geophysical data covering the area of the project was purchased in January 2004, at a cost of \$30,298. In April 2004, a ground geophysical survey was completed on the properties, comprising seven grids of cut lines, while a drill program, totaling 940 metres of drilling, was concluded in September 2004. Owing to the success of the drilling program, a high-resolution VTEM airborne geophysical survey was flown over selected portions of the property in January 2005.

In September and October, 2005, the Corporation completed a drill program to test two of the geophysical targets identified in the January 2005 survey with two drill holes. Drill hole M6 encountered massive sulphide mineralization at a vertical depth of 50 metres consisting of a 7.8 metre section of chalcopyrite mineralization grading 3.1% Cu. Drill Hole M7, collared 50 metres west and down dip of M6, intersected the zone at 97 metres vertical depth with an average grade of 2.4% Cu over six metres, including 3.4% Cu over 2.5m. Anomalous zinc and precious metal values are also present, including up to 800ppm zinc, 0.3g/t Au and 9 g/t Ag

Airborne electromagnetic surveys completed over the property indicate the presence of numerous untested high-priority targets in the vicinity of the discovery. In late 2005, the Corporation conducted a ground-based InfiTEM geophysical survey on the project, centred over the A-zone. Results indicate the A-zone has a strike length of at least 500 metres. In addition, two high-priority targets have been delineated 600 metres to the south and 1,200 metres to the north of the A-zone. These new targets comprise bedrock conductors coincident with strong magnetic anomalies. The southern anomaly consists of a 400-metre long horizon displaying stronger conductivity than the A-zone, while the northern zone extends for over 600 metres in length. The two new anomalies lie within the same stratigraphic horizon as the A zone, indicating potential for similar style VMS mineralization. The discovery of copper-rich VMS mineralization on the project is confirmation that identification and drilling of geophysical anomalies is an excellent exploration technique in the McFauld's Lake area.

The Corporation completed a 2006 winter drilling program in the McFaulds Lake area of Northern Ontario. Thirty holes, totaling approximately 4541 meters, were drilled to investigate selected electromagnetic conductors on four of the five projects the Corporation has in the area, including the 100%-owned Tamarack project, the Double Eagle Joint Venture project with Noront Resources, the Fancamp Option property of Fancamp Exploration Ltd. and the Muketei River Joint Venture project with Freewest Resources. Five new base metal-bearing sulphide zones were identified, showing highly anomalous values of copper, zinc, gold and silver in sulphide-mineralized horizons distributed throughout the volcanic belt. The results confirm that the potential for significant mineralization is widespread in the McFauld's area, with the new base metal occurrences located over a distance of 31 kilometers within the 49 kilometer-long project area. Numerous untested geophysical targets remain along the entire strike length.

In the 2006 winter drilling program, fifteen holes were drilled on the company's 100% - owned Tamarack Project, totaling 2334m, testing the recently discovered A-zone copper mineralization, and two new conductors identified in the winter ground geophysical program. A-zone mineralization was intersected in four of the seven holes drilled on the target, over a strike length of a minimum of 100m, to the south and west of the initial discovery, while a new zone of massive sulphide mineralization was intersected 900m to the south of the A-zone and corresponds to one of the two new conductors. The new mineralization represents a significant sulphide intersection, comprising a continuous 35 meters zone approximately one kilometer to the south, along the same horizon, in diamond drill hole (DDH) M17.

Probe is currently compiling and evaluating these results with a view to assessing exploration strategy for its McFauld's Lake properties.

During the three months ended July 31, 2006, deferred exploration expenditures on the project totaled \$15,653, comprised mostly of geological consulting costs and geochemical analyses resulting from the winter drilling program

During the twelve months ended April 30, 2006, deferred exploration expenditures on the project totaled \$852,750, comprised mostly of diamond drilling, geophysical surveying costs, geological analysis and consulting fees.

During the twelve months ended April 30, 2005, deferred exploration expenditures on the project totaled \$552,365 and were comprised mostly of geophysical data acquisition and analysis, remote transportation costs, drilling and consulting fees.

The Double Eagle Joint Venture

In December 2005, the Corporation entered into an agreement, in principle, with Noront Resources Ltd. ("Noront") to option Noront's Double Eagle property in the McFauld's Lake area of the James Bay Lowlands of Northern Ontario (the "Double Eagle Joint Venture"). Noront's Double Eagle property is comprised of 533 claims over 8,528 hectares within the Sachiago Volcanic Belt along strike of, and proximal to, at least nine volcanogenic massive sulphide discoveries, including the Corporation's recent intersection of 7.8 metres of high-grade copper mineralization at the Tamarack Project.

In accordance with the terms of the agreement to be entered into with Noront, the Corporation has the right to earn 50% of the Double Eagle property by incurring expenditures of \$2,000,000 by September 1, 2007, \$750,000 of which must be spent prior to June 30, 2006, and issuing 300,000 common shares of the Corporation upon execution of the agreement and 200,000 common shares on the first anniversary of the agreement. On July 20, 2006, owing to ongoing interpretation of results from winter drilling, a six (6)-month time extension was granted to Probe by Noront on the June 30, 2006 deadline. Probe now has until December 31, 2006 to complete the \$750,000 work commitment.

Previous airborne and ground geophysical surveys conducted on the property have identified at least 45 drill-ready conductors characteristic of VMS-type mineralization, which have yet to be drill-tested.

In the 2006 winter drilling program, ten conductors were tested with 11 holes, totaling 1585m, on the Double Eagle property. Three of the holes intersected sulphide mineralization, containing visible chalcopyrite, hosted by felsic volcanic rocks similar to those in the area of the Corporation's and Spider Resources' (TSX-V: SPQ) discoveries. In addition to the volcanic-hosted sulphides, two zones of intense faulting and hydrothermal alteration in ultramafic rocks were delineated and represent the potential for possible gold mineralization in the area.

During the three months ended July 31, 2006, deferred exploration expenditures on the project totaled \$11,250, and were for consulting fees relating to the winter drilling program.

During the twelve months ended April 30, 2006, deferred exploration expenditures on the project totaled \$419,149, comprised mostly of diamond drilling, geophysical surveying costs, geological analysis and consulting fees.

The Canstar Joint Venture

During the fourth quarter of 2004, the Corporation entered into the Canstar Joint Venture (formerly named the McFauld's Lake Joint Venture), which is located approximately 10 kilometres south of the Corporation's Tamarack Project, and is comprised of 32 claims covering approximately 512 hectares. The property is 50% owned by the Corporation, the operator of the

joint venture, with the remaining 50% owned by Canstar Resources Inc. (“Canstar”). Under the terms of the agreement, Canstar is responsible for 50% of the acquisition and exploration costs. As initial operator of the joint venture, the Corporation is entitled to charge the joint venture a 10% fee.

The Freewest Muketei River Joint Venture

In March 2006, the Corporation entered into an agreement with Freewest Resources Canada Inc. (“Freewest”) and Noront to option 4 claims covering 992 hectares in the McFauld’s Lake area of the James Bay Lowlands of Northern Ontario (the “Freewest Muketei River Joint Venture”). The claims are contiguous with the Corporation’s Double Eagle Joint Venture. Under the terms of the agreement, the Corporation has the right to earn a 60% interest in the property. The first 50% may be earned by incurring exploration expenditures of \$850,000 by November 11, 2007 and issuing 100,000 common shares of the Corporation to Noront within five business days of receiving regulatory approval. A further 10% interest may be earned by delivering a feasibility study on the property to Freewest. The Freewest Muketei River Joint Venture is subject to net smelter return royalties totaling 3%, of which a 1.5% net smelter return royalty may be purchased from the holders at any time for \$1,500,000.

Prior ground geophysical surveys on the property have identified several conductive anomalies similar in character to those associated with known volcanogenic massive sulphide mineralization in the McFauld’s Lake area.

In the 2006 winter drilling program, three conductors were drilled, for a total of 450m, on the recently acquired Freewest Muketei River Joint Venture, with only one conductor explained. Mineralization in this hole, DDH F3, consists of banded sulphides, including chalcopyrite, and graphite in felsic volcanic rocks.

During the three months ended July 31, 2006, no exploration expenditures were made on this property.

During the twelve months ended April 30, 2006, deferred exploration expenditures on the project totaled \$103,199, comprised mostly of diamond drilling.

The Fancamp Joint Venture

In January 2006, the Corporation acquired an option to earn a 100% interest in the Fancamp property, comprised of 4 claims covering 1,024 hectares, located near the Corporation’s Tamarack Project in the McFauld’s Lake area of the James Bay Lowlands in Northern Ontario (the “Fancamp Joint Venture”). Under the terms of the agreement, the Corporation may earn its interest in the property by incurring exploration expenditures of \$100,000 over two years, \$30,000 of which must be spent prior to March 31, 2006, and issuing 100,000 common shares of the Corporation upon execution of the agreement and 100,000 common shares on the first anniversary of the agreement. The Fancamp Joint Venture property contains numerous targets identified from both airborne and ground geophysical surveys. Initial drill-testing on the property commenced in February 2006 in conjunction with the Corporation’s 2006 exploration program in the McFauld’s Lake area.

In the 2006 winter drilling program, one hole of 171m was drilled on the recently acquired joint venture property with Fancamp Exploration Ltd. (TSX-V: FNC). A thick section of highly altered felsic volcanics containing sulphide mineralization were intersected suggesting

the presence of a large mineralizing system with the potential for significant base and/or precious metal mineralization nearby. Assays returned some anomalous base and precious metal values, reaching up to 744ppm Cu and 85ppb Au.

No exploration expenditures were made during the three months ended July 31, 2006.

During the twelve months ended April 30, 2006, deferred exploration expenditures on the project totaled \$37,831, comprised mostly of diamond drilling.

The Victory Project

In April 2005, the Corporation acquired a 100% interest, by staking, in 493 claims totaling 19,500 acres covering at least 34 airborne electromagnetic (EM) conductors, within a new and previously unexplored greenstone belt in the James Bay Lowlands of Northern Ontario (the "Victory Project"). The claims are immediately adjacent to the McFauld's Lake Belt, which is host to Spider Resources' important high-grade copper-zinc-gold-silver volcanogenic massive sulphide (VMS) discoveries, which include drill intersections of up to 19 metres grading 8.08% copper.

(i) Exploration Program and Results

An airborne geophysical program was completed by Fugro Airborne Surveys in April 2005, which concluded that at least 34 conductors with volcanogenic massive sulphide potential exist within the property. The Corporation subsequently entered into a drilling contract with Norex Drilling of Porcupine, Ontario, in order to obtain direct geological information of the subsurface. The drilling, which represents the first program of its kind within the Victory volcanic belt, tested 13 of 34 priority conductors in thirteen holes totaling 2,301 metres. Prior to commencing the diamond drilling program, a ground geophysical survey was completed by Exsics Geophysics of Timmins, Ontario. The ground geophysical survey was designed to ground-locate selected airborne targets previously identified in the volcanic belt and resulted in the delineation of 16 conductors on 14 grids. The anomalies represented strong to moderate bedrock responses, and are similar to those associated with massive sulphide deposits.

The first phase of drilling on the property commenced during the month of July 2005 and was completed in August 2005. All 13 holes drilled as part of the first phase of drilling successfully intercepted sulphides, consisting of pyrrhotite and pyrite with minor chalcopyrite and sphalerite, in altered felsic to intermediate volcanic rocks, predominantly fragmental tuffs and breccias. The host rocks, alteration and sulphides in the project area are indicative of the type of Archean volcanic centers with which VMS deposits are associated and are markedly similar to the adjacent Spider/KWG deposits. Assay results from the first phase of drilling indicate highly anomalous values of copper and zinc in 8 of the 13 mineralized zones. This suggests that the volcanic system in the area is fertile and has the potential to generate base metal-rich VMS deposits similar to those in the nearby McFauld's Lake belt. Drill holes V2A-1, V2B-1, V3-1, V6-1, V10-1, V11-1, V14-1 and V15-1 all contained intersections of highly anomalous base metal mineralization, with values reaching up to 1,700 ppm combined Cu-Zn. The highest and most consistent values tend to occur in holes proximal to the recent AEROTEM survey, which provides additional support for the presence of a vent structure in the area.

A second phase of exploration was initiated in September 2005, comprised of a high-resolution, helicopter-borne geophysical AEROTEM survey and a second phase of diamond drilling. In addition to better delineation of known conductors, the survey identified three

conductors that were not evident in initial geophysical data, two of which now represent the highest priority drill targets in the survey area. Six drill holes were completed on the project, which targeted a number of AeroTEM airborne anomalies. Massive sulphides were intersected in four of the six holes, and are associated with coarse fragmental volcanic rocks representing a potentially productive volcanic horizon. The AEROTEM survey was flown by Aeroquest Ltd. over an area of property believed to represent vent facies lithologies. These rocks consist of sulphide-bearing, coarse fragmental volcanic units, and are similar to those typically associated with base metal VMS deposits. In addition to better delineation of known conductors, the survey has also identified three conductors that were not evident in initial geophysical data.

During the three months ended July 31, 2006, there were no exploration costs for the property

During the twelve month period ended April 30, 2006, there were no property acquisition costs on the project and deferred exploration expenditures during the same period totaled \$964,246, comprised mainly of drilling, geochemical and geophysical expenditures, as well as consulting fees.

During the twelve months ended April 30, 2005, property acquisition costs on the Victory Project totaled \$36,849, in connection with the staking of claims for the project. Deferred exploration expenditures during the same period totaled \$282,963, comprised mainly of geophysical surveying.

(ii) *Future Developments*

The Corporation is currently assessing its exploration strategy for its land holdings in the Victory Belt. Future work will include interpretation of airborne and ground surveys and drilling of potential sulphide targets.

The Bristol Township Project

The Bristol Township Project is located in the prolific gold-producing Timmins mining camp of Northern Ontario, approximately 15 kilometres southwest of the town of Timmins. It is comprised of 52 claim units (approximately 832 hectares) in two claim blocks, which are situated between, and immediately adjacent to, the Lake Shore Gold Corp. property to the west, Tom Exploration Inc.'s property to the east; and the Band-Ore Red Porphyry property to the south. The location is strategic, as all neighbouring companies have intersected significant gold mineralization in recent diamond drilling. Reinterpretation of historical work suggests that the property has the potential to host gold mineralization. The properties contain a significant strike length of the gold-bearing structure that hosts the known mineralization to the west and east, and geophysical surveys confirmed the presence of numerous anomalies similar to those associated with gold-bearing sulphide mineralization.

The Bristol Township properties were acquired from two separate parties, resulting in the Corporation's 100% ownership of the claims. The first 27 claim units were purchased in consideration for 100,000 shares of the Corporation, a cash payment of \$5,000 and a grant to the vendors of a 3% Net Smelter Royalty (NSR), 2% of which can be bought by the Corporation for a payment of \$1,500,000. During the fourth quarter of 2004, the remaining 25 claim units were purchased from another vendor on identical terms.

On November 8, 2005, the Corporation announced that it entered into an option and joint-venture agreement (the "Sydney Agreement") with Sydney Resource Corporation (TSX-V: SYR) ("Sydney"). Under the terms of the Sydney Agreement, Sydney may earn an initial 55% interest in the Bristol Project by making cash payments totaling \$55,000, issuing 400,000 common shares over three years and completing \$2,000,000 in exploration expenditures on the project over a four year period. Sydney will commit to fund a minimum of \$250,000 in exploration during the first 12 months of the agreement. Share payments of 100,000 shares at each of the first and second anniversary dates are value limited to \$200,000 based on the 10 day trading average of Sydney common shares preceding the date of issue. Having vested at 55%, Sydney may increase its interest to 70% by making an additional cash payment of \$50,000 and issuing an additional 50,000 common shares within 60 days of vesting and delivering a resource report to the standards required by National Instrument 43-101 on a resource developed within the bounds of the properties within 2 years of having vested.

On August 22, 2006 Probe Mines granted a time extension of six months to Sydney Resources on the first year anniversary commitments.

(i) Exploration Programs and Results

Work on the Bristol Township Project commenced with a ground geophysical program covering seven grids, which was contracted to Exsics Geophysics of Timmins, Ontario and completed in July 2004. The program consisted of Induced Polarization (IP) and magnetic surveys to test for potential gold-bearing sulphide mineralization. Final results of the survey, interpreted by Exsics, identified numerous prospective IP anomalies on all grids surveyed and, based on these results, numerous conductors of high priority were selected for further evaluation.

A Mobile Metal Ion (MMI) geochemical sampling program was completed over selected grid lines containing geophysical anomalies, and was intended to independently evaluate the conductors for their gold potential. The MMI program was successful in delineating numerous gold anomalies in unconsolidated surficial material that indicate potential bedrock sources. Many of the anomalies were coincident with the IP responses they were designed to test. These coincident MMI-IP anomalies were given the highest priority for the diamond-drilling program that ran between October and November 2004. The drilling program was comprised of ten drill holes totaling approximately 1,100 metres and tested ten IP anomalies throughout the seven grids. Geochemical results for diamond drill core analyses were very encouraging with four of the ten holes containing highly anomalous gold intersections, and two of these containing intervals of potential economic significance. The latter consist of a six-metre intersection averaging 2.4 g/t Au (the "A" zone), with three samples containing between 5 and 6g/t Au in hole BT04-05; and an 11 metre section of 1.9g/t Au in drill hole BT04-02 (the "B" zone), including five samples (5m) ranging between 2.71 and 4.15 g/t Au.

Three additional gold-bearing zones were identified. Drill hole BT04-06 returned numerous, highly anomalous samples in a 9 metre section with values of up to 0.66 g/t Au. Two highly anomalous zones were identified in drill hole BT04-10, comprising separate intervals of 9 metres and 3 metres, respectively, with samples grading up to 0.6 g/t Au in both zones.

A second-phase drill program, comprising six holes and totaling 770 metres of drilling, was carried out in January 2005 and was designed to define the two new gold zones discovered in previous drilling in late 2004. Results have expanded the gold-bearing, sulphide-mineralized "A" zone, at least 100 metres along strike, and to a depth of over 100 metres. The zone is still open in all directions.

Results from the “B” zone, located approximately one kilometre west of the “A” zone, indicated anomalous gold values over narrow widths. The “B” zone mineralization appears to be associated with lensoid pods of talc schist, which may be locally discontinuous. Given this setting, further exploration will require high density drilling to properly define the zone. The newly-discovered “C” zone, located 45 kilometres north of the “A” zone, contains highly anomalous concentrations of copper, zinc and lead, with low gold values.

Gold mineralization identified thus far indicates similarities to both the adjacent Holmer Gold Deposit, containing 724,000 ozs. Au, and Tom Exploration’s (TSX-V: TUM) gold-bearing zones to the east.

Owing to the Joint Venture agreement with Sydney Resources, no exploration expenditures have been incurred by Probe Mines during the three months ended July 31, 2006.

During the twelve months ended April 30, 2006, the Corporation incurred \$10,616 in geophysical and geological costs and consulting fees on the property. These expenses were offset by an earn-in in the amount of \$71,000 received on the property from Sydney under the terms of the Sydney Agreement.

During the twelve months ended April 30, 2005, deferred exploration expenditures on the Bristol Township Project totaled \$367,623, comprised of drilling and consulting fees, as well as costs relating to assays, analysis and transportation.

The Goldex Mine Royalty

The Corporation maintains a 5% net smelter royalty (NSR) on 10 unpatented mining claims in Dubuisson Township, located approximately five kilometres from Val d’Or, Quebec. The claims form part of the Goldex Mine property owned by Agnico-Eagle Mines Ltd. (“Agnico-Eagle”), which was originally discovered in the 1960’s. As the Corporation maintains only a royalty interest in the 10 claims, the Corporation is not responsible for any exploration work that is carried out on the property.

Initial feasibility studies of the Goldex Mine were completed in 2004 and results from a recent bulk-sampling program have been announced by Agnico-Eagle. An 18,213 ton sample taken from three raises spanning 1,000 feet with a vertical distance of 650 feet returned a grade of 0.081 ounces of gold per ton, exceeding that of an earlier bulk sample taken in 1996, which returned 0.074 ounces per ton. In response to these results, Agnico-Eagle proceeded with a final feasibility study and announced on October 27, 2005 that a new mine would be built at Goldex. The Goldex Mine was approved for construction by Agnico’s Board, with an expected production date in 2008, and an annual production rate of 170,000 ounces of gold at total cash costs of \$240 per ounce.

As the 10 unpatented mining claims of the Goldex Mine Royalty only form part of the Goldex Mine project, and as the Corporation is not currently aware whether any part of these claims will be mined under the current mine plan, it is not possible to determine at the present time to what extent royalty payments, if any, might be received by the Corporation pursuant to the terms of the Goldex Mine Royalty. The Corporation will continue to watch for future developments regarding the Goldex Mine from Agnico-Eagle, as the royalty interest has the potential of generating revenues that will help finance exploration on existing and future projects of the Corporation.

SELECTED ANNUAL AND QUARTERLY INFORMATION

Consolidated Balance Sheet Data – Twelve Months Ended April 30, 2006, 2005 and 2004 (audited) and three months ended July 31, 2006 (unaudited)

	July 31, 2006 (\$)	April 30, 2006 (\$)	April 30, 2005 (\$)	April 30, 2004 (\$)
Current Assets	691,141	909,456	105,301	983,070
Current Liabilities	72,377	153,258	196,654	124,605
Working Capital (Deficit)	618,764	756,198	(91,353)	858,465
Total Assets	4,710,685	4,827,935	1,348,845	1,287,065
Interest in Mineral Properties and Deferred Exploration Expenditures	3,971,120	3,869,859	1,239,801	298,648
Shareholders' Equity	4,034,808	4,071,177	1,069,191	1,162,460
Deficit	(2,777,807)	(2,650,942)	(2,343,130)	(2,141,956)

Consolidated Statement of Operations and Deficit Data - Twelve Months Ended April 30, 2006, 2005 and 2004 (audited) and three months ended July 31, 2006 (unaudited)

	July 31, 2006 (\$)	April 30, 2006 (\$)	April 30, 2005 (\$)	April 30, 2004 (\$)
Expenses	129,166	454,396	380,033	197,856
Net Loss	(126,865)	307,812	201,174	247,439
Net Loss (Per Share)	0.01	0.01	0.01	0.02
Net Loss (Per Share, Fully Diluted)	0.01	0.01	0.01	0.02

Notes: Net loss per share on a fully diluted basis is the same as net loss per share on an undiluted basis, as all factors which were considered in the calculation are anti-dilutive.

Current assets and working capital as at July 31, 2006 were lower than as at the same period in the prior year, due to significant exploration costs in the McFauld's Lake area and on the Norway Lake Project, and property acquisition costs. Current liabilities as at July 31, 2006 were slightly lower than at the same period in the prior year, and are at anticipated levels for the current level of activity.

Current assets and working capital as at April 30, 2006 were substantially higher than as at the same period in the prior year, due to an increase in cash levels following the completion of various private placement financings by the Corporation. Current liabilities as at April 30, 2006 were approximately the same as at the same period in the prior year, and are at anticipated levels for the current level of activity.

Proceeds from any financings completed by the Corporation in the current or prior periods are being used to conduct exploration activities and for general working capital. Exploration expenditures in 2006 are consistent with those in 2005, reflecting the Corporation's ongoing exploration activities. Overall expenses were higher as at July 31, 2006, compared to the same period in the prior year, mostly due to stock-based compensation in the form of directors stock options. Office expenses also increased, and were required to support the Corporation's exploration activity.

RESULTS OF OPERATIONS

Three Months Ended July 31, 2006

During the three months ended July 31, 2006, the Corporation had interest income of \$2,301 and incurred expenses of \$129,166, of which \$410 (2005 - \$21,439) were due to shareholder information, \$22,723 (2005 - \$9,480) to professional fees, \$72,496 (2005 - \$6,250) to stock-based compensation, \$8,670 (2005 - \$4,035) to transfer agent and filing fees, \$8,241 (2004 - \$3,450) to occupancy costs, \$15,886 (2005 - \$2,030) to office and general expenses, \$Nil (2005 - \$1,730) to government fees, \$197 (2005 - \$281) to amortization. The increase in expenses over the same period in the prior year is mostly due to stock-based compensation, as well as higher professional and transfer agent and filing fees, all of which reflect an increase in the overall exploration activities of the Corporation. The \$72,496 in stock-based compensation was derived from the December 19, 2005 and January 23, 2006 stock option issue. A remaining balance of 295,928 will be expensed in future periods. The Corporation's expenses are also expected to rise in the next year as the Corporation's operations and shareholder base continue to expand.

During the three months ended July 31, 2006, the Corporation had deferred exploration costs in the amount of \$83,261, relating mostly to geophysical surveys on the Norway Lake Project and geological consulting on the Norway Lake and Greenlaw properties, compared to \$179,351 for the three months ended July 31, 2004. Deferred exploration costs for each project during the three months ended July 31, 2005 are detailed in the table set forth below.

Twelve Months Ended April 30, 2006

During the twelve months ended April 30, 2006, the Corporation had interest income of \$6,384 and incurred expenses of \$454,396, of which \$63,691 (2005 - \$75,725) were due to shareholder information, \$56,385 (2005 - \$11,409) to professional fees, \$90,265 (2005 - \$36,695) to stock-based compensation, \$51,913 (2005 - \$27,722) to transfer agent and filing fees, \$20,064 (2005 - \$14,475) to occupancy costs, \$31,825 (2005 - \$5,476) to office and general expenses, \$8,551 (2005 - \$2,511) to advertising, \$2,851 (2005 - \$nil) to consulting fees, \$1,333 (2005 - \$1,560) to travel and promotion, and \$1,123 (2005 - \$1,604) to amortization. The increase in expenses over the same period in the prior year is mostly due to increased professional fees and office and general expenses necessary to support the higher levels of exploration activity. Also during the period, options for the purchase of 1,850,000 common shares, exercisable at a weighted average price of \$0.57 per share for five-year terms, were granted to directors of the Corporation. The Corporation's expenses are expected to rise if the Corporation's operations and shareholder base continue to expand.

During the twelve months ended April 30, 2006, the Corporation had deferred exploration expenditures in the amount of \$2,387,791, compared to \$597,611 for the twelve months ended April 30, 2005. Property acquisition costs during the period were \$242,266. Deferred exploration expenditures for each project during the twelve months ended April 30, 2006 are detailed in the table set forth below.

Deferred Exploration costs for the three months ended July 31, 2006

DEFERRED EXPLORATION COSTS	Tamarack Project (\$)	Double Eagle Joint Venture (\$)	Freewest Joint Venture (\$)	Fancamp Joint Venture (\$)	Victory Project (\$)	Bristol Township Project (\$)	Greenlaw Property (\$)	Norway Lake Project (\$)	Goldex Mine (\$)	Total (\$)
Balance, beginning of period	1,350,723	419,149	103,199	37,831	1,247,209	269,519	-	-	1	3,427,631
Incurred during the period										
- geophysical	-	-	-	-	-	-	33,250	-	-	33,250
- assays, analysis	3,848	-	-	-	-	-	-	325	-	4,173
- geological	11,250	11,250	-	-	-	-	-	-	-	22,500
- geochemical	-	-	-	-	-	-	-	-	-	-
- drilling	555	-	-	-	-	-	-	-	-	555
- line cutting	-	-	-	-	-	-	-	-	-	-
- reports	-	-	-	-	-	-	-	-	-	-
- stock based compensation	-	-	-	-	-	-	-	-	-	-
- transportation	-	-	-	-	-	-	-	-	-	-
- travel	-	-	-	-	-	-	-	-	-	-
- consulting	-	-	-	-	-	-	2,129	4,154	-	6,283
- other	-	-	-	-	-	-	-	-	-	-
- advance	-	-	-	-	-	-	-	-	-	-
Written off during the period	-	-	-	-	-	-	-	-	-	-
Balance, end of period	1,366,376	430,399	103,199	37,831	1,247,209	269,519	35,379	4,479	1	3,494,392

Deferred exploration costs for the twelve months ending April 30, 2006

DEFERRED EXPLORATION COSTS	Tamarack Project (\$)	Double Eagle Joint Venture (\$)	Freewest Joint Venture (\$)	Fancamp Joint Venture (\$)	Victory Project (\$)	Bristol Township Project (\$)	Goldex Mine (\$)	Total (\$)
Balance, beginning of period	497,973	-	-	-	282,963	258,903	1	1,039,840
Incurred during the period								
- geophysical	303,205	3,375	-	-	101,782	3,325	-	411,867
- assays, analysis	1,070	-	-	-	-	-	-	1,070
- geological	28,029	31,150	-	1,122	3,750	1,458	-	65,509
- geochemical	-	-	-	-	29,823	-	-	29,823
- drilling	500,405	384,625	103,199	36,709	805,071	-	-	1,830,008
- line cutting	-	-	-	-	-	-	-	-
- reports	-	-	-	-	-	-	-	-
- stock based compensation	-	-	-	-	-	-	-	-
- transportation	-	-	-	-	454	-	-	454
- travel	-	-	-	-	-	-	-	-
- consulting	13,301	-	-	-	23,333	5,833	-	42,467
- other	740	-	-	-	33	-	-	773
- advance	6,000	-	-	-	-	-	-	6,000
Written off during the period	-	-	-	-	-	-	-	-
Balance, end of period	1,350,723	419,149	103,199	37,831	1,247,209	269,519	1	3,427,811

Deferred exploration expenditures for the twelve months ended April 30, 2006 were significantly higher than for the same period in the prior year due to the Corporation's increased exploration activity. The amount of exploration costs incurred in subsequent periods will depend on the availability of funds and actual exploration results as the Corporation pursues exploration on its existing properties and embarks on new exploration initiatives. It is anticipated that most of the exploration work in the coming year will be focused on new projects.

The Corporation has incurred losses in each of the last five years, due mainly to mineral property write-downs and general and administrative expenses. The Corporation anticipates losses will continue given the nature of its business.

Twelve Months Ended April 30, 2005

During the twelve months ended April 30, 2005, the Corporation had interest income of \$2,499 and incurred expenses of \$380,033, of which \$214,265 were due to stock-based compensation, \$36,695 to professional fees, \$27,722 to transfer agent and filing fees, \$1,560 to travel and promotion, \$75,725 to shareholder information, \$14,475 to occupancy costs, \$5,476 to office and general expenses, \$2,511 to advertising and \$1,604 to amortization. The overall increase in expenses during the period is mostly due to the increased exploration activities of the Corporation.

During the period, the Corporation had total net property acquisition costs in the amount of \$36,849, in connection with the staking of the Victory Project claims. Also during the period,

options for the purchase of 800,000 common shares, exercisable at a price of \$0.40 per share for a five-year term, were granted to directors of the Corporation. In addition, pursuant to an agreement entered into between the Corporation and an investor relations firm, options for the purchase of up to 100,000 common shares, exercisable at a price of \$0.40 per share, were granted to the firm in consideration for investor relations and corporate communications services. The options are subject to certain vesting conditions and are valid for a period equal to the lesser of 30 days after termination of the agreement and five years.

During the twelve months ended April 30, 2005, the Corporation had deferred exploration costs in the amount of \$904,304, which were expended on the Tamarack, Bristol Township and Victory Projects, compared to an amount of \$135,535 during the twelve months ended April 30, 2004. Deferred exploration costs for each project during the twelve months ended April 30, 2005 are detailed in the table set forth below.

DEFERRED EXPLORATION COSTS	Goldex Mine (\$)	Tamarack Project (\$)	Bristol Township Project (\$)	Victory Project (\$)	Total (\$)
Balance, beginning of period	-	126,335	9,200	-	135,535
Incurred during the period					
- geophysical	-	-	-	-	-
- assays, analysis	-	25,457	-	230,506	255,963
- reports	-	-	14,492	-	14,492
- drilling	-	5,200	3,139	-	8,339
- transportation	-	93,968	175,111	-	269,079
- travel	-	168,367	11,203	45,656	225,226
- consulting	-	391	5,149	6,801	12,341
- other	-	38,688	35,000	-	73,688
	-	39,567	5,609	-	45,176
Written off during the period	-	-	-	-	-
Balance, end of period	-	497,973	258,903	282,963	1,039,839

Deferred exploration costs for the twelve months ended April 30, 2005 were significantly higher than for the prior year due to the Corporation's increased exploration activity on the Tamarack, Bristol Township and Victory Projects.

SUMMARY OF QUARTERLY RESULTS

The following table sets out selected quarterly results of the Corporation for the eight quarters prior to the effective date of this report. The information contained herein is drawn from the interim financial statements of the Corporation for each of the aforementioned eight quarters.

Year	2006	2006	2006	2005
Quarter	July 31	April 30	January 31	October 31
Income (interest)	2,301	4,473	493	1,402
Working Capital (Deficit)	618,764	756,198	349,840	609,556
Interest in Mineral Properties and Deferred Exploration Expenditures	3,971,120	3,869,859	2,864,084	2,215,125
Expenses	129,166	190,820	136,390	78,491
Net (Loss)	(126,865)	(46,131)	(135,897)	(77,089)
Net (Loss) (per share)	(0.01)	(0.005)	(0.005)	0.00

Year	2005	2005	2005	2004
Quarter	July 31	April 30	January 31	October 31
Income (interest)	16	2,499	-	1,401
Working Capital (Deficit)	1,435,643	(91,353)	171,226	452,937
Interest in Mineral Properties and Deferred Exploration Expenditures	1,419,152	1,239,801	892,260	643,501
Expenses	48,695	59,869	254,779	32,279
Net (Loss)	(48,695)	(59,689)	(254,364)	(30,878)
Net (Loss) (per share)	0.00	0.01	(0.02)	0.00

LIQUIDITY

As at July 31, 2006, the Corporation had cash in the amount of \$678,955, compared to \$1,383,128 as at July 31, 2005. Working capital deficit was \$618,764 as at July 31, 2006, compared to working capital of \$1,435,643 as at July 31, 2005. The Corporation's working capital position was significantly lower as at the three months ended July 31, 2006, compared to the same period in the prior year as a result of higher exploration expenditures incurred as a result of its more active exploration activities

As at April 30, 2006, the Corporation had cash in the amount of \$822,723 and working capital in the amount of \$756,198, compared to \$54,941 and \$(91,353) as at April 30, 2005. The Corporation's cash and working capital positions were significantly higher as at April 30, 2006 due to a series of private placement financings completed by the Corporation during the period. The proceeds of the private placements were used by the Corporation to fund its mineral exploration activities on the Tamarack Project, the Double Eagle, Fancamp and Freewest Muketei River Joint Ventures, and for general working capital purposes. Details of property acquisition costs and deferred exploration costs for the current period and the twelve months ended April 30, 2006 and 2005 are provided under "Results of Operations".

Most of the Corporation's requirements for capital to maintain its ownership level in its properties, as well as pay for exploration expenditures and administrative expenses have been met through the completion of private placements. Typically, these monies have come from institutional and high net worth investors and the amounts raised have been a function of the level of market interest in the junior resource industry as well as the general level of interest in the equity and mineral commodity markets. The Corporation will have to rely on further equity financings in order to maintain an adequate liquidity base with which to support its general operations and exploration and development mandate.

The mineral exploration business is risky and most exploration projects will not become mines. The Corporation may offer other mining companies the opportunity to acquire interests in any of its properties in return for funding by such companies of all or part of the exploration and development of such properties. For the funding of any property acquisitions or exploration conducted by the Corporation, the Corporation depends on the issue of shares from treasury to investors. Such financing will depend, in turn, on various factors, such as a positive mineral exploration climate, positive stock market conditions, a company's track record and the experience of management. If such financing is unable for any reason, the Corporation may become unable to retain its mineral interests and carry out its business plan.

The Corporation's exploration operations are subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes and labour standards. In addition, the profitability of any prospect is directed by the market

for minerals, which is influenced by many factors including changing production costs, supply and demand, inflation, and the political environment. The Corporation's success is also dependent on the knowledge and expertise of its management and employees and their ability to identify and advance attractive exploration projects and targets. The competition for highly qualified personnel is strong and there is no guarantee that the Corporation will be able to retain or attract such personnel.

Other than as discussed herein, the Corporation is not aware of any trends, demands, commitments, events or uncertainties that may result in the Corporation's liquidity or capital resources either materially increasing or decreasing at present or in the foreseeable future. Material increases or decreases in the Corporation's liquidity and capital resources will be substantially determined by the success or failure of the Corporation's exploration programs on its mineral properties and its ability to obtain equity financing.

CAPITAL RESOURCES

During the three months ended July 31, 2006 the Corporation did not engage in any financings.

During the twelve months ended April 30, 2006, the Corporation completed a total of four private placements for total gross proceeds of \$3,380,000.

The first private placement financing, for total gross proceeds of \$1,555,000, was comprised of 3,493,055 Units, of which 3,155,555 were sold on a flow-through basis, at a price of \$0.45 per Unit, for gross proceeds of \$1,420,000 and 337,500 were sold on a hard dollar basis, at a price of \$0.40 per Unit, for gross proceeds of \$135,000. Each Unit consists of one common share and one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at a price of \$0.70 until May 26, 2006, and thereafter for \$1.00 until May 26, 2007, at which time the warrants expire. The warrants underlying the Units are subject to the further condition that if the 20 day weighted average trading price of the common shares exceeds \$1.00 in the first year or \$1.30 in the second year (an "Acceleration Event"), the exercise period of the warrants is accelerated such that the holder of the warrant has 20 days from notice of an acceleration event to exercise the warrants, after which the warrants expire. All securities issued in conjunction with the offering were subject to a four-month hold period, which expired on September 27, 2005. In conjunction with this financing, cash finders' fees totalling \$81,783 were paid, and compensation warrants were issued to acquire a total of 55,442 Units exercisable at a price of \$0.45 per Unit until May 26, 2007.

The second private placement financing, for total gross proceeds of \$100,000, was comprised of 222,222 flow-through Units, at a price of \$0.45 per Unit. Each Unit consists of one common share and one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share at a price of \$0.70 until May 26, 2006, and thereafter for \$1.00 until May 26, 2007, at which time the warrants expire. The warrants underlying the Units are subject to the further condition that if the 20 day weighted average trading price of the common shares exceeds \$1.00 in the first year or \$1.30 in the second year (an "Acceleration Event"), the exercise period of the warrants is accelerated such that the holder of the warrant has 20 days from notice of an acceleration event to exercise the warrants, after which the warrants expire. All securities issued in conjunction with the offering were subject to a four-month hold period, which expired on September 27, 2005.

The third private placement financing, for total gross proceeds of \$200,000, was comprised of 444,444 Units, sold on a flow-through basis, at a price of \$0.45 per Unit. Each Unit consists of one common share and one common share purchase warrant. Each whole warrant entitles the holder to acquire one common share for \$0.70 until July 25, 2006, and thereafter for \$1.00 until July 25, 2007, at which time the warrants expire. All securities issued in connection with the offering were subject to a four-month hold period, which expired on November 26, 2005. In connection with this financing, cash finders' fees totalling \$10,000 were paid, and compensation warrants were issued to acquire a total of 44,444 Units exercisable at \$0.45 per Unit until July 25, 2007.

The fourth private placement financing, for total gross proceeds of \$1,500,000, was comprised of the sale of 1,090,000 blended Units, at a price of \$0.75 per blended Unit, for total proceeds of \$817,500, 848,000 flow-through Units, at a price of \$0.75 per flow-through Unit, for total proceeds of \$636,000 and 62,000 hard dollar Units, at a price of \$0.75 per hard dollar Unit, for total proceeds of \$46,500. Each Unit consists of one common share, one-half of one series A common share purchase warrant and one-half of one series B common share purchase warrant. Each whole series A warrant entitles the holder to acquire one common share for \$1.25 until September 30, 2006. Each whole series B warrant entitles the holder to acquire one common share for \$1.50 until March 31, 2007. The series B warrants may not be exercised until the corresponding series A warrant is exercised. The blended Units consist of multiples of five Units, of which four are issued on a flow-through basis. In conjunction with the financing, a finder was issued 50,000 Units on the same terms as the Units sold to the private placement subscribers.

In addition to the private placement financings completed during the period, the Corporation also raised proceeds of \$264,581 upon exercise of previously issued stock options and warrants.

Proceeds from the Corporation's recent financings and warrant and option exercises were used to fund exploration on the Tamarack Project, the Double Eagle, Fancamp and Freewest Muketei River Joint Ventures, and for general working capital purposes. Remaining funds will be applied to general working capital purposes and the exploration of new projects, being the Norway Lake Base Metal Project and the Greenlaw Base Metal Project. The Corporation is currently assessing its exploration strategy for the properties in the McFauld's Lake area. The Corporation intends to fund all future commitments with cash on hand, or through any other financing alternative it may have available to it at the time in question.

OFF-BALANCE SHEET ARRANGEMENTS

The Corporation does not have any off-balance sheet arrangements.

TRANSACTIONS WITH RELATED PARTIES

Three Months Ended July 31, 2006

During the period, the Corporation paid no consulting fees (2005 - \$Nil) and paid professional fees to a director and a company controlled by a director in the amount of \$22,723 (2005 - \$9,480). Any transactions with related parties occur in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to

by the related parties.

Twelve Months Ended April 30, 2006

During the period, the Corporation paid consulting fees in the amount of \$76,667 (2005 - \$119,520) to a director and a company controlled by the director. The Corporation also incurred legal fees of \$58,247 (2005 - \$17,746) to a corporation controlled by another director of the Corporation. Any transactions with related parties occur in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

FOURTH QUARTER

In March 2006, the Corporation acquired its interest in the Freewest Muketei River Joint Venture. See “Overall Performance – Freewest Muketei River Joint Venture”.

PROPOSED TRANSACTIONS

The Corporation has not entered into and has no plans to enter into any asset or business acquisitions or dispositions.

RISKS AND UNCERTAINTIES

An investment in the securities of the Corporation is highly speculative and involves numerous and significant risks and should be undertaken only by investors whose financial resources are sufficient to enable them to assume such risks and who have no need for immediate liquidity in their investment. Prospective investors should carefully consider the risk factors described below.

Development Stage Corporation and Exploration Risks

The Corporation is a junior resource company focused primarily on the acquisition and exploration of mineral properties located in Canada. The properties of the Corporation have no established reserves. There is no assurance that any of the projects can be mined profitably. Accordingly, it is not assured that the Corporation will realize any profits in the short to medium term, if at all. Any profitability in the future from the business of the Corporation will be dependent upon developing and commercially mining an economic deposit of minerals, which in itself is subject to numerous risk factors. The exploration and development of mineral deposits involve a high degree of financial risk over a significant period of time of which even a combination of careful evaluation, experience and knowledge of management may not eliminate. While discovery of ore-bearing structures may result in substantial rewards, few properties that are explored are ultimately developed into producing mines. Major expenses may be required to establish reserves by drilling and to construct mining and processing facilities at a particular site. It is impossible to ensure that the current exploration, development and production programs of the Corporation will result in profitable commercial mining operations. The profitability of the Corporation's operations will be, in part, directly related to the cost and success of its exploration and development programs which may be affected by a number of factors. Substantial expenditures are required to establish reserves which are sufficient to commercially mine some of the Corporation's properties and to construct, complete and install mining and processing facilities in those properties that are actually mined and developed.

No History of Profitability

The Corporation is a development stage company with no history of profitability. There can be no assurance that the operations of the Corporation will be profitable in the future. The Corporation has limited financial resources and will require additional financing to further explore, develop, acquire, retain and engage in commercial production on its property interests and, if financing is unavailable for any reason, the Corporation may become unable to acquire and retain its mineral concessions and carry out its business plan.

Government Regulations

The Corporation's exploration operations are subject to government legislation, policies and controls relating to prospecting, development, production, environmental protection, mining taxes and labour standards. In order for the Corporation to carry out its mining activities, the Corporation's exploitation licences must be kept current. There is no guarantee that the Corporation's exploitation licences will be extended or that new exploitation licences will be granted. In addition, such exploitation licences could be changed and there can be no assurances that any application to renew any existing licences will be approved. The Corporation may be required to contribute to the cost of providing the required infrastructure to facilitate the development of its properties. The Corporation will also have to obtain and comply with permits and licences which may contain specific conditions concerning operating procedures, water use, waste disposal, spills, environmental studies, abandonment and restoration plans and financial assurances. There can be no assurance that the Corporation will be able to comply with any such conditions.

Market Fluctuation and Commercial Quantities

The market for minerals is influenced by many factors beyond the control of the Corporation such as changing production costs, the supply and demand for minerals, the rate of inflation, the inventory of mineral producing corporations, the international economic and political environment, changes in international investment patterns, global or regional consumption patterns, costs of substitutes, currency availability and exchange rates, interest rates, speculative activities in connection with minerals, and increased production due to improved mining and production methods. The metals industry in general is intensely competitive and there is no assurance that, even if commercial quantities and qualities of metals are discovered, a market will exist for the profitable sale of such metals. Commercial viability of precious and base metals and other mineral deposits may be affected by other factors that are beyond the Corporation's control including particular attributes of the deposit such as its size, quantity and quality, the cost of mining and processing, proximity to infrastructure and the availability of transportation and sources of energy, financing, government legislation and regulations including those relating to prices, taxes, royalties, land tenure, land use, import and export restrictions, exchange controls, restrictions on production, as well as environmental protection. It is impossible to assess with certainty the impact of various factors which may affect commercial viability so that any adverse combination of such factors may result in the Corporation not receiving an adequate return on invested capital.

Mining Risks and Insurance

The Corporation is subject to risks normally encountered in the mining industry, such as unusual or unexpected geological formations, cave-ins or flooding. The Corporation may become

subject to liability for pollution, damage to life or property and other hazards of mineral exploration against which it or the operator if its exploration programs cannot insure or against which it or such operator may elect not to insure because of high premium costs or other reasons. Payment of such liabilities would reduce funds available for acquisition of mineral prospects or exploration and development and would have a material adverse affect on the financial position of the Corporation.

Environmental Protection

The mining and mineral processing industries are subject to extensive governmental regulations for the protection of the environment, including regulations relating to air and water quality, mine reclamation, solid and hazardous waste handling and disposal and the promotion of occupational health and safety, which may adversely affect the Corporation or require it to expend significant funds.

Capital Investment

The ability of the Corporation to continue exploration and development of its property interests will be dependent upon its ability to raise significant additional financing hereafter. There is no assurance that adequate financing will be available to the Corporation or that the terms of such financing will be favourable. Should the Corporation not be able to obtain such financing, its properties may be lost entirely.

Conflicts of Interest

Certain of the directors and officers of the Corporation may also serve as directors and officers of other companies involved in natural gold and precious metal resource exploration and development and consequently, the possibility of conflict exists. Any decisions made by such directors involving the Corporation will be made in accordance with the duties and obligations of directors to deal fairly and in good faith with the Corporation and such other companies. In addition, such directors declare, and refrain from voting on any matters in which such directors may have a conflict of interest.

CRITICAL ACCOUNTING ESTIMATES

Critical accounting estimates used in the preparation of the financial statements include the Corporation's estimate of recoverable value of its mineral properties and related deferred exploration expenditures as well as the value of stock-based compensation. Both of these estimates involve considerable judgment and are, or could be, affected by significant factors that are out of the Corporation's control.

The factors affecting stock-based compensation include estimates of when stock options and compensation warrants might be exercised and stock price volatility. The timing for exercise of options is out of the Corporation's control and will depend on a variety of factors, including the market value of the Corporation's shares and financial objectives of the stock-based instrument holders. The Corporation used historical data to determine volatility in accordance with the Black-Scholes model. However, the future volatility is uncertain and the model has its limitations.

The Corporation's recoverability of its recorded value of its mineral properties and associated deferred exploration expenses is based on current market conditions for minerals,

underlying mineral resources associated with the properties and future costs that may be required for ultimate realization through mining operations or by sale. The Corporation operates in an industry that is dependent on a number of factors including environmental, legal and political risks, the existence of economically recoverable reserves, the ability of the Corporation and its subsidiaries to obtain necessary financing to complete the development, and future profitable production or the proceeds of disposition thereof.

CHANGES IN ACCOUNTING POLICIES

The Corporation has not changed its accounting policies.

DISCLOSURE CONTROLS

The Company's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining the Company's disclosure controls and procedures, including adherence to the Disclosure Policy adopted by the Company. They are assisted in this responsibility by the Chairperson of the Audit Committee who serves as an independent director of the Company. All three individuals sit on the Company's Disclosure Policy Committee ("DPC"). The Disclosure Policy requires all staff to keep the DPC fully apprised of all material information affecting the Company so that they may evaluate and discuss this information and determine the appropriateness and timing for public release. Access to such material information by the DPC is facilitated by the small size of the Company's senior management and the location of all senior management staff in one corporate office.

The Chief Executive Officer and Chief Financial Officer, after evaluating the effectiveness of the Company's disclosure controls and procedures as of April 30, 2006, have concluded that the Company's disclosure controls and procedures were adequate and effective to ensure that material information relating to the Company and its subsidiaries would have been known to them.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The information provided in this report, including the financial statements, is the responsibility of management. In the preparation of these statements, estimates are sometimes necessary to make a determination of future values for certain assets or liabilities. Management believes such estimates have been based on careful judgments and have been properly reflected in the financial statements.

Management maintains a system of internal controls to provide reasonable assurance that the Corporation's assets are safeguarded and to facilitate the preparation of relevant and timely information.

CAUTION REGARDING FORWARD-LOOKING STATEMENTS

Statements contained in this document, which are not historical facts are forward looking statements that involve risks, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by such forward looking statements. Factors that could cause differences include, but are not limited to, are volatility and sensitivity to market prices for base metals, environmental and safety issues, changes in government regulations and policies and significant changes in the supply-demand fundamentals for base metals that could negatively affect prices. Although the Corporation believes that the assumptions used are

reasonable, these statements should not be heavily relied upon. The Corporation disclaims any intention or obligation to update or revise any forward-looking statements whether as a result of new information, future events or otherwise.

CORPORATE INFORMATION

TSX Venture Exchange:	Trading Symbol: PRB
Authorized Capital:	Unlimited number of common shares
Shares Outstanding:	22,814,973 common shares
Fully Diluted Shares Outstanding:	32,385,944 common shares
Head Office:	Suite 306 2 Toronto Street Toronto, Ontario M5C 2B6
Transfer Agent:	Equity Transfer Services Inc. Suite 420 120 Adelaide Street West Toronto, Ontario M5H 4C3
Auditor:	Smith Nixon & Co., LLP Suite 1900 390 Bay Street Toronto, Ontario M5H 2Y2
Officers/ Directors:	Patrick Reid, B.A., Chairman of the Board and director David Palmer, Ph.D., P.Geo., President, CEO and director Harry Hodge, B.Sc., P.Eng., Director