



**PROBE MINES LIMITED**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

**FOR THE THREE MONTHS ENDED**

**JULY 31, 2011**

## **Introduction**

The following management's discussion and analysis ("MD&A") of the financial condition and results of operations of Probe Mines Limited ("Probe" or the "Company") constitutes management's review of the factors that affected the Company's financial and operating performance for the three months ended July 31, 2011. This MD&A was written to comply with the requirements of National Instrument 51-102 – Continuous Disclosure Obligations. This discussion should be read in conjunction with the audited annual financial statements of the Company for the years ended April 30, 2011 and April 30, 2010, together with the notes thereto as well as the unaudited condensed interim financial statements for the three months ended July 31, 2011, together with the notes thereto. Results are reported in Canadian dollars, unless otherwise noted. In the opinion of management, all adjustments (which consist only of normal recurring adjustments) considered necessary for a fair presentation have been included. The results for the interim periods presented are not necessarily indicative of the results that may be expected for any future period. Information contained herein is presented as at October 17, 2011, unless otherwise indicated.

On May 1, 2011, Probe adopted International Financial Reporting Standards ("IFRS"). The unaudited condensed interim financial statements for the three months ended July 31, 2011, have been prepared in accordance with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"), using accounting policies consistent with IFRS. Accordingly, they do not include all of the information required for full annual financial statements required by IFRS as issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). Readers of this MD&A should refer to "Change in Accounting Policies" below for a discussion of IFRS and its effect on the Company's financial presentation.

The comparative financial information of fiscal year 2011 in this MD&A has been restated to conform to IFRS, unless otherwise stated.

For the purposes of preparing this MD&A, management, in conjunction with the board of directors, considers the materiality of information. Information is considered material if: (i) such information results in, or would reasonably be expected to result in, a significant change in the market price or value of the Company's common shares; or (ii) there is a substantial likelihood that a reasonable investor would consider it important in making an investment decision; or (iii) if it would significantly alter the total mix of information available to investors. Management, in conjunction with the Board of Directors, evaluates materiality with reference to all relevant circumstances, including potential market sensitivity.

Further information about the Company and its operations can be obtained from the offices of the Company or on SEDAR at [www.sedar.com](http://www.sedar.com).

## **Cautionary Note Regarding Forward-Looking Information**

This MD&A contains certain forward-looking information and forward-looking statements, as defined in applicable securities laws (collectively referred to herein as "forward-looking statements"). These statements relate to future events or the Company's future performance. All statements other than statements of historical fact are forward-looking statements. Often, but not always, forward-looking statements can be identified by the use of words such as "plans", "expects", "is expected", "budget", "scheduled", "estimates", "continues", "forecasts", "projects", "predicts", "intends", "anticipates" or "believes", or variations of, or the negatives of, such words and phrases, or state that certain actions, events or results "may", "could", "would", "should", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause actual results to differ materially from those anticipated in such forward-looking statements. The forward-looking statements in this MD&A speak only as of the date of this MD&A or as of the date

specified in such statement. Specifically, this MD&A includes, but is not limited to, forward-looking statements regarding: the potential of Probe's properties to contain economic precious and base metal deposits; the Company's ability to meet its working capital needs for the twelve-month period ending July 31, 2012; the plans, costs, timing and capital for future exploration and development of Probe's property interests, including the costs and potential impact of complying with existing and proposed laws and regulations; management's outlook regarding future trends; sensitivity analysis on financial instruments, which may vary from amounts disclosed; prices and price volatility for precious and base metals; and general business and economic conditions.

Inherent in forward-looking statements are risks, uncertainties and other factors beyond Probe's ability to predict or control. These risks, uncertainties and other factors include, but are not limited to, precious and base metal deposits, price volatility, changes in debt and equity markets, timing and availability of external financing on acceptable terms, the uncertainties involved in interpreting geological data and confirming title to the Company's properties, the possibility that future exploration results will not be consistent with Probe's expectations, increases in costs, environmental compliance and changes in environmental and other local legislation and regulation, interest rate and exchange rate fluctuations, changes in economic and political conditions and other risks involved in the precious and base metal and development industry, as well as those risk factors listed in the "Risks and Uncertainties" section below. Readers are cautioned that the foregoing list of factors is not exhaustive of the factors that may affect the forward-looking statements. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this MD&A. Such statements are based on a number of assumptions that may prove to be incorrect, including, but not limited to, assumptions about the following: the availability of financing for Probe's exploration and development activities; operating and exploration costs; the Company's ability to retain and attract skilled staff; timing of the receipt of regulatory and governmental approvals for exploration projects and other operations; market competition; and general business and economic conditions.

Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause Probe's actual results, performance or achievements to be materially different from any of its future results, performance or achievements expressed or implied by forward-looking statements. All forward-looking statements herein are qualified by this cautionary statement. Accordingly, readers should not place undue reliance on forward-looking statements. The Company undertakes no obligation to update publicly or otherwise revise any forward-looking statements, whether as a result of new information or future events or otherwise, except as may be required by law. If the Company does update one or more forward-looking statements, no inference should be drawn that it will make additional updates with respect to those or other forward-looking statements, unless required by law.

## **Description of Business**

Probe is a Canadian base and precious metal exploration company with approximately \$23.4 million in its treasury as of July 31, 2011 and a portfolio of highly prospective mineral properties. The Company is currently focused on the Borden Lake Project where it has made an interesting, early-stage gold discovery and on its McFaulds Lake properties comprising 875 claims covering approximately 14,000 hectares, including a 100% interest in the Black Creek chromite deposit. In addition, the Company has an option to acquire the Cree Lake gold property. Probe also maintains a 45% interest in a joint property with Lake Shore Gold Corp. on its Bristol Township gold project and a 5% net smelter royalty on a portion of Agnico-Eagle Mines Limited's Goldex Mine near Val d'Or, Quebec, which began production in 2008. As of October 17, 2011, the Company has 56,652,580 shares issued and outstanding, which trade on the TSX Venture Exchange under the symbol PRB.

The Company has no revenues, so its ability to ensure continuing operations is dependent on its completing the acquisition of its mineral property interests, the discovery of economically recoverable reserves, confirmation of its interest in the underlying mineral claims, and its ability to obtain necessary financing to complete the exploration activities, development and future profitable production.

## **Goal**

Probe's goal is to deliver superior returns to shareholders by concentrating on the acquisition of properties that have the potential to contain base and precious metals. The Company plans to focus on certain properties, as set out below under "Mineral Exploration Properties".

## **Outlook and Overall Performance**

The Company's focus has been on acquiring and exploring key properties with much of its current energy concentrated on the exploration of its holdings at Borden Lake. The Company is very encouraged by the results coming from the Borden Lake project and, though still early in the program, these results indicate the potential for a significant volume of mineralization. The Company's goal now is to determine the scale of the mineralization and quantify it through continued drilling.

The Board of Directors and management of Probe will continue to monitor the financial and commodity markets and their effect on Probe's business.

On September 7, 2011, Probe announced that it has entered into a Memorandum of Understanding ("MOU") with the Brunswick House, Chapeau Cree and Chapeau Ojibwe First Nations communities near Chapeau, Ontario. The MOU establishes a commitment by Probe to develop an ongoing relationship with the three communities in the area of the Company's Borden Lake project and provides the communities with an opportunity to participate in the benefits of the project through training, ongoing communication and business development. An Elders Committee (the "Committee") will be created to provide advice to the Company on traditional values and local cultural and environmental matters during the exploration phase. Probe has also agreed to negotiate an Impact Benefit Agreement with the communities should the project proceed to production.

In addition to Probe's commitment to training, communication and business development, the Company has also agreed to the issuance of 50,000 common shares of the Company to each of the three First Nations communities vesting over a period of 18 months, for an aggregate of 150,000 common shares. These share grants recognize the ongoing contributions of the First Nations communities and will allow each community to directly participate in any potential successes of Probe.

The Company expects to continue to explore its properties in a prudent manner. The Company expensed approximately \$1.9 million during the three months ended July 31, 2011 (three months ended July 31, 2010 - \$335,604) on exploration activities of its mineral properties.

At July 31, 2011, the Company had working capital of \$22,748,720 (April 30, 2011 - \$24,675,840). The Company had cash and short-term investments of \$23,368,421 (April 30, 2011 - \$25,249,695). Working capital and cash and short-term investments decreased during the three months ended July 31, 2011 due to expenditures incurred for the Company's exploration activities, as discussed above, and operating expenses.

The Company has sufficient cash to fund its discretionary exploration and operating activities for the twelve-month period ending July 31, 2012. A discretionary budget of approximately \$7.78 million has

been allocated to the Tamarack project, the Black Creek project, the McFaulds West project, the Victory project, the Cree Lake gold project, the Timmins West gold project and the Borden Lake gold property. Management may increase or decrease the budget depending on exploration results and ongoing volatility in the economic environment. See "Liquidity and Capital Resources" below.

The Company is well positioned, thanks to its significant working capital. Management and directors are currently reviewing opportunities that have developed as a result of present market conditions and the Company's strong cash position.

## **Trends**

The Company is a Canadian base and precious metal exploration company, focused on exploring its current property interests, and on acquisitions of other mineral exploration properties, should such acquisitions be consistent with its objectives and acquisition criteria. The Company has operations in Ontario, Canada. The Company's financial success will be dependent upon the extent to which it can make discoveries and on the economic viability of any such discoveries. The development of such assets may take years to complete and the resulting income, if any, is difficult to determine with any certainty. To date, the Company has not produced any revenues. The sales value of any minerals discovered by the Company is largely dependent upon factors beyond its control, such as the market value of the commodities produced.

There are significant uncertainties regarding the prices of base and precious metal and the availability of equity financing for the purposes of exploration and development. The future performance of the Company is largely tied to the development of its property interests and other prospective business opportunities and the overall financial markets. Financial markets are likely to be volatile, reflecting ongoing concerns about the stability of the global economy and weakening global growth prospects. Unprecedented uncertainty in the credit markets has also led to increased difficulties in borrowing and raising funds. Companies worldwide have been affected particularly negatively by these trends. As a result, the Company may have difficulties raising equity financing for the purposes of base and precious metal exploration and development, particularly without excessively diluting the interests of existing shareholders. These trends may limit the ability of the Company to develop and/or further explore its current mineral exploration properties and any other property interests that may be acquired in the future.

## **Mineral Exploration Properties**

(a) In addition to the mineral properties that it owns, the Company enters into exploration (option) and joint venture agreements with other companies whereby Probe may earn an interest in other mineral properties by issuing common shares, making cash payments and/or incurring expenditures in varying amounts by varying dates, all of which are at Probe's discretion. Failure by Probe to issue any such shares, make any such payments or incur any such expenditure when due will result in a reduction or loss of the Company's ability to earn or maintain an ownership interest. For the three months ended July 31, 2011, the Company expensed \$1,942,944, an increase of \$1,607,340 compared to \$335,604 in the comparative period.

**Statement of Exploration Activities to Date**

<b>Project</b>	<b>Year</b>	<b>Description</b>
Black Creek	2007	Soil geochemical program identifies base metal anomaly
Black Creek	2008	8-hole diamond drilling program, ultramafic rocks identified
Black Creek	2008	Airborne VTEM survey coverage over all claims
Black Creek	2009	20-hole diamond drilling program, discovery of Black Creek chromite deposit
Black Creek	2010	NI 43-101 (defined herein) compliant initial mineral resource estimate completed; 10-hole drilling program completed; update of NI 43-101 (defined herein) resource estimate completed
Tamarack	2004	Ground geophysics, 5-hole diamond drill program
Tamarack	2005	Airborne VTEM survey, 3-hole drill program, Cu-rich VMS discovery
Tamarack	2006	Ground geophysics, 15-hole diamond drill program
Victory	2005	Airborne GEOTEM airborne survey, full project coverage
Victory	2005	Phase I 13-hole diamond drill program, Phase II 6-hole drill program
Victory	2008	Phase III 9-hole drill program, ultramafic identified
McFaulds West	2010	Airborne VTEM survey completed
Bristol (Timmins West)	2004	Ground geophysics, ground geochemistry
Bristol (Timmins West)	2004	10-hole drill program, four gold-anomalous zones identified
Bristol (Timmins West)	2005	6-hole drill program targeting previous gold discoveries
Bristol (Timmins West)	2010	Lake Shore Gold vests 55% interest in project, joint venture formed; drilling planned for Q3-Q4 2011
Bristol (Timmins West)	2011	One-hole drill program totaling approximately 500m, results pending
Borden Lake	2010	Airborne VTEM survey completed, ground geophysical program completed; eight-hole diamond drilling program completed; results of drilling indicate significant potential on property; 5,000m Phase II drilling program commenced in December
Borden Lake	2011	Phase II airborne VTEM survey completed; ground geophysical program commenced; Phase II diamond drilling program ongoing, completed 115 holes totaling approximately 25,000 metres, to date
Cree Lake	2010	Six-hole diamond drill program completed
Cree Lake	2011	Five-hole diamond drill program completed

(b) Update for Borden Lake Project

Highlights:

- Borden Lake gold zone estimated to contain an Indicated Resource of 11,607,000 tonnes averaging 0.8 g/t gold for 305,000 ounces of gold and an additional Inferred Resource of 169,322,000 tonnes averaging 0.69 g/t gold for 3,755,000 ounces of gold

- Borden Lake zone also contains a resource of 323,000 ounces of silver in the indicated category, and 5,017,000 ounces of silver in the inferred category
- Three “satellite” gold zones identified which were not included in the Initial Resource Estimate

On August 23, 2011, the Company received the initial mineral resource estimate for its Borden Lake gold deposit from Micon International Limited (“Micon”). The resource estimate, which meets the guidelines for reporting mineral exploration programs as set out in National Instrument 43-101 (“NI 43-101”), was based on an initial 78 diamond drill holes that tested the gold horizon along approximately 1600 metres (m) of strike length and to a vertical depth of approximately 340 m at a spacing of between 50 m to 100 m. Mineralization at Borden Lake is comprised of a volcano-/meta-sedimentary horizon containing a thick, continuous and consistent zone of gold-bearing disseminated sulphide mineralization. As well, three additional gold zones were identified from the assay data, and will require further delineation before potentially being added to the resource. The deposit remains open in all directions.

The following two tables summarize the Borden Lake gold mineral resource estimate in the indicated and inferred resource categories, respectively, at various cut-off grades. The figures are cumulative for each successive cut-off grade. For the purpose of this MD&A, the Company is reporting the figures at the 0.3 g/t cut-off grade:

**Indicated Mineral Resource Estimate**

Cut-Off Au g/t	Cumulative Tonnes	Average Au g/t	Cumulative Au oz	Average Ag g/t	Cumulative Ag oz
2	478,000	3.22	50,000	1.2	19,000
1	2,635,000	1.68	142,000	1.1	93,000
0.75	4,628,000	1.33	197,000	1	156,000
0.5	7,426,000	1.06	253,000	1	227,000
0.3	11,607,000	0.82	305,000	0.9	323,000
0.25	13,388,000	0.74	320,000	0.8	354,000
0.2	15,056,000	0.69	332,000	0.8	386,000
0.1	18,596,000	0.58	350,000	0.8	450,000

**Inferred Mineral Resource Estimate**

Cut-Off Au g/t	Cumulative Tonnes <sup>1,2</sup>	Average Au g/t	Cumulative Au oz <sup>1,2</sup>	Average Ag g/t	Cumulative Ag oz <sup>1,2</sup>
2	2,424,000	2.41	188,000	1.3	103,000
1	30,888,000	1.42	1,406,000	0.9	890,000
0.75	52,771,000	1.19	2,012,000	0.9	1,567,000
0.5	92,665,000	0.94	2,796,000	0.9	2,794,000
0.3	169,322,000	0.69	3,755,000	0.9	5,017,000
0.25	193,039,000	0.64	3,965,000	0.9	5,857,000
0.2	215,763,000	0.6	4,130,000	0.9	6,439,000
0.1	253,427,000	0.53	4,317,000	0.9	7,171,000

1. Tonnes and ounces have been rounded to the nearest thousand
2. Figures/numbers for resource tonnes and ounces may not tally due to rounding

**PROBE MINES LIMITED**  
**Management's Discussion & Analysis**  
**Three Months Ended July 31, 2011**  
**Dated – October 17, 2011**

Mineral resources do not have demonstrated economic viability. The estimate of mineral resources may also be materially affected by other relevant factors or issues. There is no guarantee that the project will be placed into production. The NI 43-101 Technical Report prepared by Micon supporting the estimate was filed on SEDAR at [www.sedar.com](http://www.sedar.com) on October 7, 2011.

The mineral resource estimate was calculated using both Ordinary Kriging and Inverse Distance Cubed methods, which gave similar results. The reported figures are taken from the Inverse Distance Cubed modeling, which provides better definition of the higher grade portions. The mineralized material was classified into the Indicated or Inferred mineral resource category on the basis of a combination of the following factors: (a) confidence in the geological and mineralization continuity, (b) position of blocks in relation to the range of influence as defined by the variographic analysis and (c) and the search ellipse ranges. The Borden Lake gold deposit Indicated resource has been categorized taking into account the search parameters in relation to variographic results, and the observed geological and mineralization continuity based on sectional interpretation. The reported cut-off grade of 0.3 g/t Au is based on consideration of other gold deposits that show similarity in volume and grade to Borden Lake. The Company anticipates the commissioning of an updated resource estimate as the drilling progresses. Preliminary metallurgical investigations are already in progress and all future resource updates will be constrained within a pit shell.

Charley Murahwi, M.Sc., P.Geo., MAusIMM, was assisted by Ing. Alan San Martin, MAusIMM, in the preparation of the resource estimate. Both are employees of Micon and are independent of Probe. Charley Murahwi is a Qualified Person as defined in NI 43-101. Micon acknowledges that it has read the section "Update for Borden Lake Project" under subsection "Mineral Exploration Properties" in this MD&A and there are no errors contained herein.

(c) Project Expenditures

The following tables set out the expenditures, by major category, for each of the Corporation's significant projects.

**Borden property**

<b>Expenditures</b>	<b>Three Months Ended July 31, 2011 (\$)</b>	<b>Three Months Ended July 31, 2010 (\$)</b>
Labour costs	15,978	nil
Consulting	84,988	nil
Supplies, equipment, rentals	60,383	nil
Transportation, vehicles, fuel and freight	9,682	nil
Drilling	1,216,233	80,236
Assays, analyses, lab costs	384,379	292
Travel, accommodations	10,411	nil
Geophysical survey	75,500	59,047
Other	5,844	936
Infrastructure	59,011	nil
<b>Total Expenditures</b>	<b>1,922,409</b>	<b>140,511</b>

**Victory property**

Expenditures	Three Months Ended July 31, 2011 (\$)	Three Months Ended July 31, 2010 (\$)
Consulting	3,125	7,500
Other	300	2,116
Transportation	nil	215
Travel, accommodations	nil	362
<b>Total Expenditures</b>	<b>3,425</b>	<b>10,193</b>

**Black Creek**

Expenditures	Three Months Ended July 31, 2011 (\$)	Three Months Ended July 31, 2010 (\$)
Consulting	8,125	nil
Assays, analysis	nil	1,749
Geological	nil	26,269
Transportation	nil	6,819
Consulting	nil	26,250
<b>Total Expenditures</b>	<b>8,125</b>	<b>61,087</b>

**Cree Lake property**

Expenditures	Three Months Ended July 31, 2011 (\$)	Three Months Ended July 31, 2010 (\$)
Consulting	3,125	nil
Assays, analysis	nil	292
Other	nil	611
Drilling	nil	74,951
Travel, accommodations	nil	1,600
<b>Total Expenditures</b>	<b>3,125</b>	<b>77,454</b>

**Tamarack-McFauld's Lake property**

Expenditures	Three Months Ended July 31, 2011 (\$)	Three Months Ended July 31, 2010 (\$)
Consulting	3,125	nil
Transportation	nil	215
Travel	nil	361
Other	nil	2,016
<b>Total Expenditures</b>	<b>3,125</b>	<b>2,592</b>

**McFauld's West project**

Expenditures	Three Months Ended July 31, 2011 (\$)	Three Months Ended July 31, 2010 (\$)
Geophysical	nil	40,815
Geochemical	nil	2,952
<b>Total Expenditures</b>	<b>nil</b>	<b>43,767</b>

**Other**

Expenditures	Three Months Ended July 31, 2011 (\$)	Three Months Ended July 31, 2010 (\$)
Other	2,735	nil
<b>Total Expenditures</b>	<b>2,735</b>	<b>nil</b>

**Technical Information**

David Palmer, Ph.D., P.Geo., is the qualified person for all technical information in this MD&A except for the contents under section "Update for Borden Lake Project" under subsection "Mineral Exploration Properties" in this MD&A. David Palmer is the Chief Executive Officer of Probe.

Charley Murahwi, M.Sc., P.Geo., MAusIMM, was assisted by Ing. Alan San Martin, MAusIMM, in the preparation of the resource estimate for the Borden Lake Project. Both are employees of Micon and are independent of Probe. Charley Murahwi is a Qualified Person as defined in NI 43-101.

**Overall Objective**

The Company's business objective is to discover base and/or precious metal deposits on a property it has an interest in. Probe is in the process of exploring its mineral properties and has not yet determined whether these properties contain viable precious and/or base metal deposits. The recoverability of the amounts shown for interest in mineral properties and deferred exploration expenditures is dependent upon: the selling price of precious and base metals at the time the Company intends to mine its properties; the existence of economically recoverable reserves; the ability of the Company to obtain the necessary financing to complete exploration and development; government policies and regulations; and future profitable production or proceeds from disposition of such properties.

To date, Probe has not discovered an economic deposit. While discovery of ore-bearing structures may result in substantial rewards, it should be noted that few properties that are explored are ultimately developed into producing mines.

The Company may also seek to acquire additional mineral resource properties. The Company notes that although the exploration of its existing projects is positive, mineral exploration in general is uncertain. As a result, the Company believes that by acquiring additional mineral properties, it is able to better minimize overall exploration risk. In conducting its search for additional mineral properties, the Company may consider acquiring properties that it considers prospective based on criteria such as the exploration history of the properties, their location, or a combination of these and other factors. Risk factors to be considered in connection with the Company's search for and acquisition of additional mineral properties include the significant expenses required to locate and establish mineral reserves; the fact that expenditures made by the Company may not result in discoveries of commercial quantities of minerals; environmental risks; risks associated with land title; the competition faced by the Company; and the potential failure of the Company to generate adequate funding for any such acquisitions. See "Risks and Uncertainties" below.

### **Off-Balance-Sheet Arrangements**

As of the date of this filing, the Company does not have any off-balance-sheet arrangements that have, or are reasonably likely to have, a current or future effect on the results of operations or financial condition of the Company, including, and without limitation, such considerations as liquidity and capital resources.

### **Proposed Transactions**

There are no proposed transactions of a material nature being considered by Probe. However, Probe continues to evaluate properties that it may acquire in the future. See "Overall Objective" above.

### **Environmental contingency**

The Company's mining and exploration activities are subject to various government laws and regulations relating to the protection of the environment. These environmental regulations are continually changing and generally becoming more restrictive. As of July 31, 2011, the Company does not believe that there are any significant environmental obligations requiring material capital outlays in the immediate future.

### **Critical Accounting Estimates**

The preparation of the Company's unaudited condensed interim financial statements requires management to make certain estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of expenses during the reporting period. Actual outcomes could differ from these estimates. These unaudited condensed interim financial statements include estimates that, by their nature, are uncertain. The impact of such estimates are pervasive throughout the unaudited condensed interim financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### **Critical accounting estimates**

Significant assumptions about the future that management has made that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to, the following:

- all inputs used in the Black-Scholes model for determining the fair value of share based payment transactions in statement of loss and comprehensive loss;

**Critical accounting judgments**

- The Company's assumption of no material restoration, rehabilitation and environmental provisions, based on the facts and circumstances that existed during the period;
- The Company's position that there are no income tax considerations required within these unaudited condensed interim financial statements; and
- Going concern presentation of the financial statements which assumes that the Company will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations as they come due.

**Selected Quarterly Information**

For quarters ending after May 1, 2010, the quarterly results have been restated to reflect accounting policies consistent with IFRS. Quarterly results for quarters ended before May 1, 2010, have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP").

Three Months Ended	Accounting Policies	Total Revenue (\$)	Profit or loss		Total Assets (\$)
			Total (\$)	Per Share (\$)	
2011-July 31	IFRS	-	(3,392,831) <sup>(1)</sup>	(0.06)	23,774,315
2011-April 30	IFRS	-	(1,431,396) <sup>(2)</sup>	(0.04)	25,579,332
2011-January 31	IFRS	-	(2,703,318) <sup>(3)</sup>	(0.07)	3,142,092
2010-October 31	IFRS	-	(901,045) <sup>(4)</sup>	(0.02)	4,022,445
2010-July 31	IFRS	-	(407,916) <sup>(5)</sup>	(0.01)	4,385,092
2010-April 30	Canadian GAAP	-	(1,295,756) <sup>(6)</sup>	(0.03)	7,461,233
2010-January 31	Canadian GAAP	-	(31,038) <sup>(7)</sup>	(0.00)	8,641,611
2009-October 31	Canadian GAAP	-	(119,184) <sup>(8)</sup>	(0.01)	9,021,368

Notes:

- (1) Net loss of \$3,392,831 principally relates to exploration and evaluation expenditures of \$1,942,944 and general and administrative of \$1,498,542. These amounts were offset by interest income of \$48,655.
- (2) Net loss of \$1,431,396 principally relates to exploration and evaluation expenditures of \$1,288,243 and general and administrative of \$239,220. These amounts were offset by gain on sale of long-term investments of \$92,494 and interest income of \$3,573.
- (3) Net loss of \$2,703,318 principally relates to exploration and evaluation expenditures of \$1,094,525 and general and administrative of \$1,613,632. These amounts were offset by interest income of \$4,839.
- (4) Net loss of \$901,045 principally relates to exploration and evaluation expenditures of \$780,603 and general and administrative of \$124,373. These amounts were offset by interest income of \$3,931.
- (5) Net loss of \$407,916 principally relates to exploration and evaluation expenditures of \$335,604 and general and administrative of \$72,242. These amounts were offset by interest income of \$1,930.
- (6) Net loss of \$1,295,756 principally relates to stock-based compensation of \$186,526, professional fees of \$30,321, consulting fees of \$67,500 and write-down of interest in mineral properties and

deferred exploration expenditures of \$1,358,956. All other expenses related to general working capital purposes.

- (7) Net loss of \$31,038 principally relates to professional fees of \$27,002, costs of preparing information for shareholders of \$7,635 and consulting fees of \$7,500. All other expenses related to general working capital purposes.
- (8) Net loss of \$119,184 principally relates to professional fees of \$24,266, costs of preparing information for shareholders of \$19,722 and transfer agent and filing fees of \$18,094. All other expenses related to general working capital purposes.

## **Discussion of Operations**

The Company has chosen to expense its exploration and evaluation expenditures as incurred instead of capitalizing these costs to the statement of financial position. The Company has chosen this policy because management has not yet determined that there will be a future benefit from its exploration properties.

See "Mineral Exploration Properties", above.

### Three Months Ended July 31, 2011, compared with three months ended July 31, 2010

Probe's net loss totaled \$3,392,831 for the three months ended July 31, 2011, with basic and diluted loss per share of \$0.06. This compares with a net loss of \$407,916 with basic and diluted loss per share of \$0.01 for the three months ended July 31, 2010. The increase of \$2,984,915 in net loss was principally because:

- Exploration and evaluation expenditures increased by \$1,607,340 as work continued during the quarter. See "Mineral Exploration Properties", above.
- Salaries and benefits increased by \$1,347,779 for the three months ended July 31, 2011, compared to the three months ended July 31, 2010. The increase was as a result of the grant of 1,270,000 stock options to directors, officers, consultants of Probe at an exercise price of \$1.45 per share, expiring on May 26, 2016. In addition, the Company granted 150,000 stock options to select First Nations communities at an exercise price of \$1.45 per share, expiring May 16, 2016. Details of the option grants are as follows:
  - On May 16, 2011, Probe agreed to the issuance of 50,000 stock options of the Company to each of the three First Nations communities (Brunswick House, Chapleau Cree and Chapleau Ojibwe First Nations communities near Chapleau, Ontario) vesting over a period of 18 months, for an aggregate of 150,000 common shares at an exercise price of \$1.45 per share for a period of 5 years. Vesting of the stock options is as follows: 25% on the approval of the TSX Venture Exchange (September 13, 2011); 25% six months after May 16, 2011; 25% 12 months after May 16, 2011; and 25% 18 months after May 16, 2011. The grant date fair value of \$168,300 was assigned to the stock options as estimated by using the Black-Scholes valuation model with the following assumptions: expected dividend yield of 0%, expected volatility of 138%, risk-free rate of return of 2.20% and an expected maturity of 5 years. For the three months ended July 31, 2011, \$38,568 was expensed to general and administrative expenses.
  - On May 26, 2011, the Company has granted a total of 1,270,000 options to purchase common shares of Probe to directors, officers and consultants at an exercise price of

\$1.45 per share for a period of 5 years. 1,050,000 of these stock options vest immediately. 50,000 of these stock options vest as to: 12,500 after three months, 12,500 after six months, 12,500 after nine months and 12,500 after twelve months. 170,000 of these stock options vest as to: 56,666 vest immediately, 56,667 after twelve months and 56,667 after twenty for months. The grant date fair value of \$1,402,080 was assigned to the stock options as estimated by using the Black-Scholes valuation model with the following assumptions: expected dividend yield of 0%, expected volatility of 138%, risk-free rate of return of 2.04% and an expected maturity of 5 years. For the three months ended July 31, 2011, \$1,273,969 was expensed to general and administrative expenses.

- Shareholder information expense increased by \$6,181 for the three months ended July 31, 2011, compared to the three months ended July 31, 2010. The increase in shareholder information expense can be attributed to increased corporate activity with investor relations firms.
- Transfer agent and filing fees expense increased by \$9,982 for the three months ended July 31, 2011, compared to the three months ended July 31, 2010. The increase in transfer agent and filing fees expense can be attributed to increased corporate activity requiring news dissemination.
- Administrative expenses increased by \$7,417 for the three months ended July 31, 2011, compared to the three months ended July 31, 2010, and consisted of administrative costs such as telephone, insurance, postage, bank charges and office supplies. The increase in office and general expenses can be attributed to spending increases on overhead costs.
- Travel and promotion expense increased by \$11,373 for the three months ended July 31, 2011, compared to the three months ended July 31, 2010. The increase in travel and promotion expense can be attributed to increased travel during the current quarter for business development purposes.
- For the three months ended July 31, 2011, the above cost increases/decreases were offset by an interest income increase of \$46,725. As at July 31, 2011, the Company had a balance of \$1,257,500 in short-term investments that earned interest income.
- All other expenses related to general working capital purposes.

## **Liquidity and Financial Position**

The activities of the Company, principally the acquisition and exploration of properties that have the potential to contain base and precious metals, are financed through the completion of equity transactions such as equity offerings and the exercise of stock options and warrants. During the three months ended July 31, 2011, 15,000 stock options with a weighted average exercise price of \$0.15 were exercised for cash proceeds of \$2,250 and 266,665 warrants with a grant date fair value of \$48,000 were exercised for cash proceeds of \$128,888. There is no assurance that equity capital will be available to the Company in the amounts or at the times desired or on terms that are acceptable to the Company, if at all. See "Risks and Uncertainties" below.

Cash used in operating activities was \$2,067,795 for the three months ended July 31, 2011. The most significant item not affecting cash was share based payments of \$1,321,577. Operating activities were also affected by the net change in non-cash working capital balances of \$45,846 because of an increase in amounts receivable and other assets and an increase in accounts payable and other liabilities over the prior period.

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Cash provided by financing activities was \$148,916 for the three months ended July 31, 2011. This related to proceeds from the exercise of 15,000 stock options with a weighted average exercise price of \$0.15 and 266,665 warrants with a grant date fair value of \$48,000.

Cash provided by investing activities was \$34,084 for the three months ended July 31, 2011, which relates to \$45,134 in interest income which was offset by the purchase of property and equipment of \$11,050.

At April 30, 2011, Probe had \$23,368,421 in cash and short-term investments (April 30, 2011 - \$25,249,695).

Accounts payable and accrued liabilities increased to \$893,612 at July 31, 2011, compared to \$776,011 at April 30, 2011, primarily due to increased corporate and exploration payables due at July 31, 2011, compared to April 30, 2011. The Company's cash, short-term and long-term investment balances as at July 31, 2011, are sufficient to pay these liabilities.

The Company has no operating revenues and therefore must utilize its income from long-term and short-term investments, funds obtained from the exercise of warrants and stock options and other financing transactions to maintain its capacity to meet ongoing exploration and operating activities.

As of July 31, 2011, the Company had 56,615,080 common shares issued and outstanding, 12,026,753 share purchase warrants outstanding that would raise \$18,483,785 if exercised in full, and 4,736,666 options outstanding that would raise \$4,548,833 if exercised in full. The Company does not know when these securities will be exercised. See "Trends" above.

As of July 31, 2011, and to the date of this MD&A, the cash resources of Probe are held with the Royal Bank of Canada.

Following are the plans related to Probe's properties:

<b>Project / Property Name</b>	<b>Brief Description</b>	<b>Plans for Project</b>	<b>Planned Expenditures for fiscal 2012 (approx.)</b>
Black Creek <i>(formerly part of Noront Joint Venture)</i>	28 claim units 100%-owned by Probe <i>(formerly under a 50-50 joint venture between Probe and Noront)</i>	Drilling and further evaluation	\$100,000 <sup>(1)(2)</sup>
McFaulds West Project	46 claim units. The claims are 100%-owned by Probe and consist of six contiguous mineral licenses	no work planned	\$0 <sup>(1)</sup>
Tamarack Property	360 claim units. The Company maintains 100% ownership of the claims, which are free of any encumbrances.	Assessment expenditures	\$10,000 <sup>(1)(3)</sup>

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Victory Property	446 claim units. The Company maintains 100% ownership of the claims, which are free of any encumbrances.	Assessment expenditures	\$10,000 <sup>(1)(4)</sup>
Bristol Township	52 claim units (approximately 832 hectares) in two claim blocks	Diamond drilling (JV with Lake Shore Gold)	\$50,000 <sup>(1)</sup>
Cree Lake Property	Option to acquire up to a 70% interest in nineteen mining claims covering 4,032 hectares	Evaluation of Data	\$10,000 <sup>(1)(5)</sup>
Borden Property	Right to earn a 100% interest	Drilling and geophysics	\$7.6 million <sup>(1)(6)</sup>

- (1) All expenditures for mineral exploration are discretionary in nature and subject to day-to-day management decisions;  
(2) Amount spent as of July 31, 2011 - \$8,125;  
(3) Amount spent as of July 31, 2011 - \$3,125;  
(4) Amount spent as of July 31, 2011 - \$3,425;  
(5) Amount spent as of July 31, 2011 - \$3,125; and  
(6) Amount spent as of July 31, 2011 - \$1,922,409.

The Company has no debt and its credit and interest rate risk is minimal. Accounts payable and accrued liabilities are short-term and non-interest bearing.

The Company's liquidity risk with financial instruments is minimal as excess cash is invested in highly liquid, bank-backed guaranteed investment certificates.

The market value of the Company's investment in public companies as of July 31, 2011, was \$6,326. The Company can sell the securities to access funds to settle its obligations as they arise. However, management intends to maintain the Company's investment in public companies until it becomes advantageous to sell these shares or liquidity concerns necessitate such sale.

The Company's use of cash at present occurs, and in the future will occur, principally in two areas, namely, funding of its general and administrative expenditures and funding of its investment activities. Those investing activities include the cash components of the cost of acquiring and exploring its mineral claims. For fiscal 2012, the Company's expected operating expenses are estimated to be \$40,000 to \$70,000 per month for recurring operating costs, after interest income is taken into account, excluding future tax considerations. The Company also plans to incur approximately \$7.78 million on its property interests to advance the projects. See "Mineral Exploration Properties" above and the table under "Liquidity and Financial Position", also above.

Assuming that management is successful in developing a substantial base and/or precious metals deposit in Ontario, Canada, future work plans to develop the deposit will depend upon the Company's assessment of prior results, the condition of the Company financially and the then prevailing economic climate in general.

Regardless of whether or not the Company discovers a significant base or precious metals deposit, its working capital of \$22,748,720 at July 31, 2011, is anticipated to be adequate for it to continue operations for the twelve-month period ending July 31, 2012. However, to meet long-term business plans, developing a significant base and precious metals deposit in Ontario is an important component of the Company's financial success.

## **Change in Accounting Policies**

### ***Impact of Adopting IFRS on the Company's Accounting Policies***

Effective the first quarter of 2011, the Company began preparing its financial statements in accordance with IFRS. Reconciliations, descriptions and explanations of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the Company are provided in Note 19, "Conversion to IFRS" of the unaudited condensed interim financial statements. This note also includes reconciliations of equity and comprehensive loss for comparative periods reported under Canadian GAAP with amounts reported for those periods under IFRS.

The Company has changed certain accounting policies to be consistent with IFRS as it is expected to be effective or available on April 30, 2012, the Company's first annual IFRS reporting date. The changes to its accounting policies have resulted in certain changes to the recognition and measurement of assets, liabilities, equity, revenue and expenses within its financial statements.

The following summarizes the significant changes to the Company's accounting policies on adoption of IFRS.

#### **(a) Exploration and evaluation expenditures**

On transition to IFRS, the Company adopted a policy to expense exploration and evaluation expenditures as incurred. Previously, the Company's Canadian GAAP policy was to capitalize exploration and evaluation expenditures as incurred. As a result of this adoption, all previously capitalized mineral property costs were written off against accumulated deficit, and to the extent relating to cost incurred in the current period, against the statement of loss and comprehensive loss.

#### **(b) Flow-through shares**

On transition to IFRS, the Company has adopted a policy whereby proceeds from flow-through issuance are allocated between the offering of shares and the sale of tax benefits based on the difference between the quoted price of the existing shares and the amount the investor pays for the shares. A flow through share liability is recognized for this difference and is extinguished by recognizing an income tax recovery when the entity renounces the tax deductions. Previously, the Company's Canadian GAAP policy was to adopt the recommendations of Emerging Issues Committee ("EIC") 146 with respect to the accounting for flow-through shares. This resulted in the Company reducing the net proceeds of the flow-through share issuance by the future tax liability of the Company resulting from the renunciation of the exploration and development expenditures in favour of the flow-through share subscribers.

### ***Recent Accounting Pronouncements***

Certain pronouncements were issued by the IASB or the IFRIC that are mandatory for accounting periods after December 31, 2010 or later periods. Many are not applicable or do not have a significant impact to Probe and have been excluded from the table below. The following have not yet been adopted and are being evaluated to determine their impact on Probe.

(i) IFRS 9 – Financial instruments (“IFRS 9”) was issued by the IASB in October 2010 and will replace IAS 39 Financial Instruments: Recognition and Measurement (“IAS 39”). IFRS 9 uses a single approach to determine whether a financial asset is measured at amortized cost or fair value, replacing the multiple rules in IAS 39. The approach in IFRS 9 is based on how an entity manages its financial instruments in the context of its business model and the contractual cash flow characteristics of the financial assets. Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The new standard also requires a single impairment method to be used, replacing the multiple impairment methods in IAS 39. IFRS 9 is effective for annual periods beginning on or after January 1, 2013. The IASB has proposed to move the effective date of IFRS 9 to January 1, 2015.

(ii) IFRS 10 – Consolidated financial statements (“IFRS 10”) was issued by the IASB in May 2011. IFRS 10 is a new standard which identifies the concept of control as the determining factor in assessing whether an entity should be included in the consolidated financial statements of the parent company. Control is comprised of three elements: power over an investee; exposure to variable returns from an investee; and the ability to use power to affect the reporting entity's returns. IFRS 10 is effective for annual periods beginning on or after January 1, 2013. Earlier adoption is permitted.

(iii) IFRS 11 – Joint arrangements (“IFRS 11”) was issued by the IASB in May 2011. IFRS 11 is a new standard which focuses on classifying joint arrangements by their rights and obligations rather than their legal form. Entities are classified into two groups: parties having rights to the assets and obligations for the liabilities of an arrangement, and rights to the net assets of an arrangement. Entities in the former case account for assets, liabilities, revenues and expenses in accordance with the arrangement, whereas entities in the latter case account for the arrangement using the equity method. IFRS 11 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

(iv) IFRS 12 – Disclosure of interests in other entities (“IFRS 12”) was issued by the IASB in May 2011. IFRS 12 is a new standard which provides disclosure requirements for entities reporting interests in other entities, including joint arrangements, special purpose vehicles, and off balance sheet vehicles. IFRS 12 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

(v) IFRS 13 – Fair value measurement (“IFRS 13”) was issued by the IASB in May 2011. IFRS 13 is a new standard which provides a precise definition of fair value and a single source of fair value measurement considerations for use across IFRSs. The key points of IFRS 13 are as follows:

- fair value is measured using the price in a principal market for the asset or liability, or in the absence of a principal market, the most advantageous market;
- financial assets and liabilities with offsetting positions in market risks or counterparty credit risks can be measured on the basis of an entity's net risk exposure;
- disclosure regarding the fair value hierarchy has been moved from IFRS 7 to IFRS 13, and further guidance has been added to the determination of classes of assets and liabilities;
- a quantitative sensitivity analysis must be provided for financial instruments measured at fair value;
- a narrative must be provided discussing the sensitivity of fair value measurements categorized under Level 3 of the fair value hierarchy to significant unobservable inputs; and
- information must be provided on an entity's valuation processes for fair value measurements categorized under Level 3 of the fair value hierarchy.

IFRS 13 is effective for annual periods beginning on or after January 1, 2013. Earlier application is permitted.

(vi) IAS 1 – Presentation of financial statements (“IAS 1”) was amended by the IASB in June 2011 in order to align the presentation of items in other comprehensive income with US GAAP standards. Items in other comprehensive income will be required to be presented in two categories: items that might be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012.

### **Related Party Transactions**

Related parties include the Board of Directors, close family members and enterprises that are controlled by these individuals as well as certain persons performing similar functions.

Related party transactions conducted in the normal course of operations are measured at the exchange value (the amount established and agreed to by the related parties).

(a) Probe entered into the following transactions with related parties:

<b>Names</b>	<b>Three months ended July 31, 2011 \$</b>	<b>Three months ended July 31, 2010 \$</b>
Palmer and Associates <sup>(1)</sup>	37,500	37,500
Peterson Law Professional Corporation <sup>(2)</sup>	14,164	19,286
Marrelli CFO Outsource Syndicate Inc. <sup>(3)</sup>	4,500	4,500
Marrelli Support Services Inc. <sup>(3)</sup>	5,785	7,975
John B. Gammon <sup>(4)</sup>	6,000	2,000
Patrick Reid <sup>(4)</sup>	7,500	2,000
DSA Corporate Services Inc. (“DSA”) <sup>(3)</sup>	2,268	nil
<b>Total</b>	<b>77,717</b>	<b>73,261</b>

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(1) Palmer & Associates is a company controlled by David A. S. Palmer, the Chief Executive Officer and a director of Probe. As at July 31, 2011, Palmer and Associates was owed \$nil (April 30, 2011 - \$28,250) and this amount was included in accounts payable and accrued liabilities.

(2) Dennis H. Peterson, a director of Probe, controls Peterson Law Professional Corporation. As at July 31, 2011, Peterson Law Professional Corporation was owed \$nil (April 30, 2011 - \$94,488) and this amount was included in accounts payable and accrued liabilities.

(3) Marrelli CFO Outsource Syndicate Inc. is a company controlled by Carmelo Marrelli, the Chief Financial Officer of Probe. Carmelo Marrelli is the president of Marrelli Support Services Inc., a firm providing accounting services, an officer of DSA Corporate Services Inc., a firm providing corporate secretarial services, and an officer of D & R Filing Corp., a firm providing regulatory filing services to Probe. As at July 31, 2011, these firms were owed \$11,283 (April 30, 2011 - \$11,437) and these amounts were included in accounts payable and accrued liabilities.

(4) John B. Gammon and Patrick Reid are directors of Probe.

(5) As at July 31, 2011, the Company accrued in sundry receivables \$4,346 (April 30, 2011 - \$4,346) for expenses paid on behalf of Canstar Resources Inc. Canstar and Probe have two directors in common. This balance bears no interest and is due on demand.

(b) Remuneration of Directors and key management personnel, other than consulting fees, of the Company was as follows:

Three Months Ended July 31, 2011

<b>Salaries and benefits</b>	<b>Salaries and benefits \$</b>	<b>Share based payments \$</b>	<b>Total \$</b>
David Palmer, CEO	18,750	331,200	349,950
Patrick Reid, Director	nil	276,000	276,000
Dennis H. Peterson, Director	nil	276,000	276,000
John B. Gammon, Director	Nil	276,000	276,000
Marrelli Support Services Inc.	Nil	25,300	25,300
DSA Corporate Services Inc.	Nil	25,300	25,300
<b>Total</b>	<b>18,750</b>	<b>1,209,800</b>	<b>1,228,550</b>

Three Months Ended July 31, 2010

Salaries and benefits	Salaries and benefits \$	Share based payments \$	Total \$
n/a	nil	nil	nil
<b>Total</b>	<b>nil</b>	<b>nil</b>	<b>nil</b>

## **Financial Instruments**

### **Financial risk**

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign currency risk and commodity and equity price risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee and Board of Directors.

#### *(i) Credit risk*

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and amounts receivable. Cash is held with select major Canadian chartered banks, from which management believes the risk of loss to be minimal.

Amounts receivable consists of sales tax receivable from government authorities in Canada. Amounts receivable are in good standing as of July 31, 2011. Management believes that the credit risk with respect to financial instruments included in amounts receivable is minimal.

#### *(ii) Liquidity risk*

Liquidity risk is the risk that the Company will not have sufficient cash resources to meet its financial obligations as they come due. The Company's liquidity and operating results may be adversely affected if its access to the capital market is hindered, whether as a result of a downturn in stock market conditions generally or matters specific to the Company. The Company generates cash flow primarily from its financing activities. As at July 31, 2011, the Company had cash of \$22,110,921 (April 30, 2011 - \$23,995,716 and May 1, 2010 - \$1,870,050) to settle current liabilities of \$893,612 (April 30, 2011 - \$776,011 and May 1, 2010 - \$49,751). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as liquidity. The Company's ability to continually meet its obligations and carry out its planned exploration activities is uncertain and dependent upon the continued financial support of its shareholders and securing additional financing.

#### *(iii) Market risk*

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates and commodity and equity prices.

(a) Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in high yield savings accounts and guaranteed investment certificates issued by a Canadian chartered bank with which it keeps its bank accounts. The Company periodically monitors the investments it makes and is satisfied with the creditworthiness of its Canadian chartered bank.

(b) Foreign currency risk

The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars. As a result, the Company's exposure to foreign currency risk is minimal.

(c) Commodity and equity price risk

The Company is exposed to price risk with respect to commodity prices. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices, as they relate to precious and base metals and other minerals, and the stock market to determine the appropriate course of action to be taken by the Company.

Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depend upon the world market price of precious and base metals and other minerals. Precious and base metals and other mineral prices have fluctuated widely in recent years. There is no assurance that, even if commercial quantities of precious and base metals and other minerals are produced in the future, a profitable market will exist for them. As of July 31, 2011, the Company was not a precious minerals, base metals and other minerals producer. Even so, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

### **Sensitivity analysis**

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are reasonably possible over a three month period:

(i) Cash is subject to floating interest rates. The Company has no debt and receives low interest rates on its cash balances. As such, the Company does not have significant interest rate risk.

(ii) The Company does not hold balances in foreign currencies to give rise to exposure to foreign exchange risk.

(iii) Sensitivity to a plus or minus 100% change in the closing bid price of the Company's investments in public companies with all other variables held constant would not affect comprehensive loss by a material amount.

## **Capital Management**

The Company manages its capital with the following objectives:

- to ensure sufficient financial flexibility to achieve the ongoing business objectives including funding of future growth opportunities, and pursuit of accretive acquisitions; and
- to maximize shareholder return through enhancing the share value.

The Company monitors its capital structure and makes adjustments according to market conditions in an effort to meet its objectives given the current outlook of the business and industry in general. The Company may manage its capital structure by issuing new shares, repurchasing outstanding shares, adjusting capital spending, or disposing of assets. The capital structure is reviewed by management and the Board of Directors on an ongoing basis. As discussed in note 1, the Company's ability to continue to carry out its planned exploration activities is uncertain and dependent upon the continued financial support of its shareholders and securing additional financing.

The Company considers its capital to be equity, which comprises share capital, reserves and deficit, which at July 31, 2011, totaled \$22,880,703 (April 30, 2011 - \$24,803,321 and May 1, 2010 - \$3,788,196).

The Company manages capital through its financial and operational forecasting processes. The Company reviews its working capital and forecasts its future cash flows based on operating expenditures, and other investing and financing activities. The forecast is updated based on activities related to its mineral properties. Selected information is provided to the Board of Directors of the Company.

The Company is not subject to any capital requirements imposed by a lending institution.

## **Share Capital**

As of the date of this MD&A, the Company had 56,652,580 issued and outstanding common shares.

Warrants outstanding for the Company at the date of this MD&A were as follows:

<b>Warrants</b>	<b>Expiry Date</b>	<b>Exercise Price</b>
500,000	February 2, 2012	\$0.75
1,155,553	June 3, 2012	\$0.75
9,260,000	April 21, 2013	\$1.70
1,111,200	April 21, 2013	\$1.35
<b>12,026,753</b>		

Stock options outstanding for the Company at the date of this MD&A were as follows:

<b>Options</b>	<b>Expiry Date</b>	<b>Exercise Price</b>
200,000	November 28, 2011	\$0.20
200,000	November 15, 2012	\$0.74

200,000	December 3, 2012	\$0.74
66,666	December 14, 2012	\$0.74
150,000	January 28, 2013	\$0.61
691,600	October 16, 2013	\$0.15
600,000	April 12, 2015	\$0.38
1,200,000	November 11, 2015	\$1.40
150,000	May 16, 2016	1.45
1,256,666	May 26, 2016	1.45
<b>4,714,932</b>		

## Risks and Uncertainties

An investment in the securities of the Company 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 that have affected, and which in the future are reasonably expected to affect, the Company and its financial position. Please refer to the section entitled "Risks and Uncertainties" in the Company's management's discussion and analysis for the fiscal year ended April 30, 2011, available on SEDAR at [www.sedar.com](http://www.sedar.com). There have been no significant changes to such risk factors since the date thereof.

## Disclosure of Internal Controls

Management has established processes to provide them sufficient knowledge to support representations that they have exercised reasonable diligence that (i) the unaudited condensed interim financial statements do not contain any untrue statement of material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it is made, as of the date of and for the periods presented by the unaudited condensed interim financial statements and (ii) the unaudited condensed interim financial statements fairly present in all material respects the financial condition, results of operations and cash flow of the Company, as of the date of and for the years presented.

In contrast to the certificate required for non-venture issuers under National Instrument 52-109, Certification of Disclosure in Issuers' Annual and Interim Filings (NI 52-109), the Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109. In particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

- (i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

- (ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP (IFRS).

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in the certificate. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

### **Subsequent event**

On September 7, 2011, Probe announced that it has entered into a MOU with the Brunswick House, Chapleau Cree and Chapleau Ojibwe First Nations communities near Chapleau, Ontario. The MOU establishes a commitment by Probe to develop an ongoing relationship with the three communities in the area of the Company's Borden Lake Gold Project and provides the communities with an opportunity to participate in the benefits of the project through training, ongoing communication and business development. An Elders Committee will be created to provide advice to the Company on traditional values and local cultural and environmental matters during the exploration phase. Probe has also agreed to negotiate an Impact Benefit Agreement with the communities should the project proceed to production.