

## **PROBE MINES LIMITED**

### **MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE SIX MONTHS ENDED OCTOBER 31, 2007**

This Management Discussion and Analysis ("MD&A") should be read in conjunction with the financial statements of the Corporation for the six months ended October 31, 2007 (audited) 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 December 17, 2007.

Additional information relating to the Corporation is on the System for Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://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 McFauld's West Project, comprised of 87 claims covering 1,392 hectares in the McFauld's Lake volcanic Belt. The property is adjacent to, and along strike of, the August 2007 high-grade nickel discovery of Noront Resources.
- the Tamarack Project (formerly named the McFauld's Lake Project), comprised of a 100% interest in 360 claims covering 5,760 hectares in the McFauld's Lake area of the James Bay Lowlands of Northern Ontario, currently under option to Mantis Mineral Corp. The property hosts a high-grade copper discovery and is adjacent the Cu-Pb-Zn-Au/Ag volcanogenic massive sulphide (VMS) occurrences of Spider Resources Inc.
- the 100%-owned Victory Project, comprising 484 claims totaling 7,744 hectares and covering at least 34 airborne electromagnetic conductors within a new and previously unexplored greenstone belt southeast of the Tamarack Project
- the Bristol Township Project, which is comprised of 52 claims, totaling 832 hectares, currently under option to West Timmins Mining (formerly Sydney Resource Corporation). The property is located adjacent to the Holmer Gold Deposit of Lake Shore Gold Corp., approximately 15 kilometres west of Timmins, Ontario.
- the Greenlaw claims, comprised of a 100% interest in four mineral licenses, comprising 24 claim units (384 ha) in the Greenlaw Township area. The

Greenlaw Project was written off in fiscal 2007, and no further work has been contemplated for the property.

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 current 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
McFauld's West Project	87 / 1,392	Nickel, copper, platinum, palladium, gold, zinc	100% owned <sup>(1)</sup>
Tamarack Project (formerly named the McFauld’s Lake Project), Ontario	300 / 4,800	Copper, zinc, gold, silver	100% owned <sup>(2)</sup>
Victory Project, Ontario.	484 / 7,744	Copper, zinc, gold, silver	100% owned <sup>(3)</sup>
Bristol Township Project, Timmins Ontario	52 / 832	Gold	100% owned <sup>(4)</sup>
Greenlaw Claims	24 / 384	Zinc-lead-copper-gold	100% owned <sup>(5)</sup>

Notes:

- (1) This interest was acquired by staking from December 2005 to February 2006
- (2) This interest was acquired by staking in December 2003. The property is subject to an option joint and joint venture agreement with Mantis Mineral Corp (formerly Avenue Financial Corporation). Under the terms of the agreement Mantis may earn an undivided 51% interest in the property by incurring exploration expenditures of \$500,000 on the property within three years, \$100,000 of which must be spent in the first year, and \$200,000 of which must be spent in the second year; and making share payments totaling 2,000,000 shares over the three-year term of the agreement.
- (3) This interest was acquired by staking in April 2005.
- (4) This property is subject to an option and joint venture agreement with West Timmins Mining “WTM” (formerly Sydney Resource Corporation). The original option agreement, dated December 31, 2005, was amended on March 21, 2007 and under the new terms of the agreement, WTM may earn an initial 55% interest in the project by making cash payments totaling \$25,000, issuing 325,000 common shares over three years and completing \$1,000,000 in exploration expenditures on the project over a four year period. Once vested at 55%, WTM 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.
- (5) This interest was acquired by staking in October 2006

## ***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 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 360 claim units covering approximately 4,800 hectares, and was acquired by staking from December 2003 to November 2005. The Corporation maintains 100% ownership of the claims, which are free of any encumbrances. On May 21, 2007 the Corporation formalized an option agreement on the Tamarack claims with Mantis Minerals Corp “Mantis” (formerly Avenue Financial Corp). The terms of the purchase are: a.) 2,000,000 Mantis shares over a 3-year term (the “Consideration Shares”) for the Property, subject to regulatory approval, and b.) the completion of a \$500,000 work program over three years, of which \$100,000 is required for the initial year.

Interest in the McFauld’s Lake area was initiated by the discovery of at least eight 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. In 2005, Probe Mines discovered a high-grade copper VMS occurrence during drilling on the Tamarack Project. 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*

When acquired, the project represented grass roots exploration, and no previous industry work had 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. 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. In late 2005, the Corporation conducted a ground-based InfiniTEM geophysical survey on the project, centred over the A-zone.

In the 2006 winter drilling program, fifteen holes were drilled on the company's 100% - owned Tamarack Project, totalling 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.

Mantis is currently compiling and evaluating exploration results and has completed a small airborne geophysical survey on previously unsurveyed claims.

### *The Victory Project*

In April 2005, the Corporation acquired a 100% interest, by staking, in 500 claims totaling 8,000 hectares 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"). Sixteen claim units were allowed to lapse, bringing the current total to 484 (7,744 ha). No expenditures were made on the 16-claim unit and, therefore, no assessment could be filed to maintain the claims in good standing. The Victory claim blocks are immediately adjacent to the McFauld's Lake volcanic belt, which is host to Spider Resources' important high-grade copper-zinc-gold-silver volcanogenic massive sulphide (VMS) discoveries.

#### *(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 test the conductors. The drilling, conducted between July and August 2005, 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. .

All 13 holes 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.

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. 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.

During the six months ended October 31, 2007 no exploration was conducted on the property, however, \$18,746 was credited to the project from the sale of jet fuel from the Corporations cache and rental of the facility to a third party and \$13,000 in consulting expenses were made for property maintenance and evaluation.

### *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. 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 equivalent terms, excepting the cash payment, which was \$6,000.

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. On September 14, 2006 Sydney Resources merged with Band Ore Resources to form West Timmins Mining "WTM", a TSX-listed company. Accordingly, all agreements are now with WTM. On March 21, 2007 it was mutually agreed upon to amend the option agreement with the following terms: WTM may earn an initial 55% interest in the project by making cash payments totaling \$25,000; issuing 325,000 common shares over three years; and completing \$1,000,000 in exploration expenditures on the project over a four year period. WTM will commit to fund a minimum of \$125,000 in exploration during the first 12 months of the agreement. Share payments of 75,000 shares at the first and second anniversary dates are value limited to \$150,000 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.

Anniversary dates for the agreement are now: 1<sup>st</sup> - June 30, 2007; 2<sup>nd</sup> - June 30, 2008; and 3<sup>rd</sup> - June 30, 2009. All payments and expenditures have been made up to, and including, the first anniversary.

#### *(i) Exploration Programs and Results*

Work on the Bristol Township Project commenced with a ground geophysical program covering seven grids contracted to Exsics Geophysics of Timmins, Ontario and was 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. Between October and November 2004 a drilling program comprising ten drill holes totaling approximately 1,100 metres 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.

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.

Owing to the Joint Venture agreement with West Timmins Mining, no exploration expenditures have been incurred by Probe Mines during the six months ended October 31, 2007.

#### *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 – Six Months ended October 31, 2007 and Twelve Months Ended April 30, 2007, 2006 and 2005 (audited)*

	October 31, 2007 (\$)	April 30, 2007 (\$)	April 30, 2006 (\$)	April 30, 2005 (\$)
Current Assets	508,678	291,326	909,456	105,301
Current Liabilities	26,875	62,860	153,258	196,654
Working Capital (Deficit)	481,803	228,466	756,198	(91,353)
Total Assets	3,664,063	3,327,348	4,827,935	1,348,845
Interest in Mineral Properties and Deferred Exploration Expenditures	2,916,760	2,988,188	3,869,859	1,239,801
Shareholders' Equity	3,134,666	2,778,988	4,071,177	1,069,191
Deficit	(4,190,884)	(4,004,717)	(2,650,942)	(2,343,130)

*Consolidated Statement of Operations and Deficit Data - Six Months ended October 31, 2007 and Twelve Months Ended April 30, 2007, 2006 and 2005 (audited)*

	October 31, 2007 (\$)	April 30, 2007 (\$)	April 30, 2006 (\$)	April 30, 2005 (\$)
Expenses	186,167	542,952	454,396	380,033
Net Loss	(186,167)	(1,353,775)	(307,812)	(201,174)
Net Loss (Per Share)	(0.01)	(0.06)	(0.01)	(0.01)
Net Loss (Per Share, Fully Diluted)	(0.01)	(0.06)	(0.01)	(0.01)

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 October 31, 2007 were comparable to the same period in the prior year, due to funds received from the exercise of options. Current liabilities as at October 31, 2007 were lower than that for the same period in the prior year, and are at anticipated levels for the current level of activity.

Assets and working capital as at April 30, 2007 were significantly lower than as at April 30, 2006, due to a decrease in cash levels following exploration on a number of the Corporations properties and decreased financing activity by the Corporation. Liabilities as at April 30, 2007 were also lower as at the same period in the prior year, and were at anticipated levels for the level of activity.

Assets and working capital as at April 30, 2006 were substantially higher than as at April 30, 2005, due to an increase in cash levels following the completion of various private placement financings by the Corporation. Liabilities as at April 30, 2006 were approximately the same as at the same period in the prior year, and were at anticipated levels for the 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 2007 are consistent with those in 2006, reflecting the Corporation's ongoing exploration activities. Overall expenses as at October 31, 2007, were considerably lower

than the same period in the prior year. A substantial decrease in stock-based compensation expenses, professional fees and office and general expenses for the current period, as compared to the same period in the prior year contributed to the lower expenses.

## ***RESULTS OF OPERATIONS***

### *Six Months Ended October 31, 2007*

During the six months ended October 31, 2007, the Corporation incurred expenses of \$125,436 (2006 - \$253,310), of which \$39,899 (2006 - \$5,380) were due to shareholder information, \$18,624 (2006 - \$33,845) to professional fees, \$78,991 (2006 - \$144,993) to stock-based compensation, \$19,179 (2006 - \$22,541) to transfer agent and filing fees, \$8,427 (2006 - \$15,702) to occupancy costs, \$8,501 (2006 - \$22,159) to office and general expenses, \$2,751 (2006 - \$7,366) to advertising and \$283 (2006 - \$393) to amortization. Expenses are lower than for the same period in the prior year due to decreasing stock-based compensation, professional fees and general office costs. An increase in shareholder information expenses for the period, as compared to the same period in the prior year was recorded, however, had little effect on the decrease in expenses.

During the six months ended October 31, 2007, the Corporation had deferred exploration costs in the amount of \$23,572, after \$18,746 was brought in for rental of the Victory Lake camp to a third party. Exploration expenses were comprised predominantly of consulting expenses and transportation to the McFauld's West property. During the same period in the prior year, \$327,423 in deferred exploration expenditures was made, reflecting a higher level of exploration activity for this period. Exploration costs for each project during the three months ended October 31, 2007 are detailed in the table set forth below.

### *Twelve Months Ended April 30, 2007*

During the twelve months ended April 30, 2007, the Corporation incurred expenses of \$542,952 (2006 - \$454,396), of which \$36,301 (2006 - \$63,691) were due to shareholder information, \$85,947 (2006 - \$90,265) to professional fees, \$309,486 (2006 - \$182,780) to stock-based compensation, \$34,389 (2006 - \$51,913) to transfer agent and filing fees, \$13,338 (2006 - \$2,851) to consulting fees, \$26,804 (2006 - \$20,064) to occupancy costs, \$23,770 (2006 - \$31,825) to office and general expenses, \$9,867 (2006 - \$8,551) to advertising and \$786 (2006 - \$1,123) to amortization. The increase in expenses over the same period in the prior year is mostly due to stock-based compensation, which was balanced by reductions in transfer agent and filing fees and shareholder information expenses. The \$309,486 in stock-based compensation was derived from the September 19, 2005 and January 23, 2006 stock option issue as well as the grant of 200,000 incentive options for an investor relations consultant on November 30, 2006. Remaining balances of \$21,192, \$57,245 and \$8,301, respectively, 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 twelve months ended April 30, 2007, the Corporation had deferred exploration costs in the amount of \$477,403, after \$1,056,074 in exploration costs were written off for the Double Eagle, Fancamp, Freewest JV, Greenlaw and Norway Lake projects. Exploration costs were directed mainly towards drilling of the Norway Lake and Greenlaw projects, as well as geophysical surveys on the Greenlaw property. During the same period in the prior year, \$2,387,791 in deferred exploration expenditures was made. The reduction is due to

several property write-offs, which resulted in a lower total number of exploration programs. Exploration costs for each project during the twelve months ended April 30, 2007 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 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.

**Deferred Exploration costs for the six months ended October 31, 2007**

<b>DEFERRED EXPLORATION COSTS</b>	Tamarack Project (\$)	Victory Project (\$)	Bristol Township Project (\$)	McFaulds West (\$)	Total (\$)
Balance, beginning of period	1,336,929	1,242,511	269,519	0	2,848,959
Incurred during the period:					
- geophysical	-	-	-	-	-
- geochemical	1,564	-	-	-	1,564
- drilling	-	-	-	-	-
- stock based compensation	-	-	-	-	-
- transportation	-	(726)	-	12,865	12,139
- travel	-	-	-	-	-
- consulting	14,463	13,000	-	-	27,463
- other	-	1,152	-	-	1,152
- advance	-	-	-	-	-
- camp Rental	-	(18,746)	-	-	(18,746)
Written off during the period	-	-	-	-	-
Balance, end of period	1,351,392	1,223,765	269,519	12,865	2,872,531

Deferred Exploration costs for the twelve months ended April 30, 2007

<b>DEFERRED EXPLORATION COSTS</b>	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	-	-	-	-	-	-	35,000	-	-	35,000
- assays, analysis	3,849	-	-	-	-	-	-	21,540	-	25,389
- geological	11,250	11,250	-	-	-	-	9,848	13,583	-	45,931
- geochemical	-	-	-	-	-	-	-	-	-	-
- drilling	(12,153)	4,115	-	-	(2,400)	-	92,854	239,420	-	321,836
- line cutting	-	-	-	-	-	-	-	-	-	-
- reports	-	-	-	-	-	-	-	-	-	-
- stock based compensation	-	-	-	-	-	-	-	-	-	-
- transportation	-	-	-	-	-	-	-	-	-	-
- travel	(6,190)	-	-	-	(2,298)	-	6,827	-	-	(1,661)
- consulting	-	-	-	-	-	-	1,548	1,020	-	2,568
- other	-	-	-	-	-	-	17,129	28,164	-	45,293
- advance	3,047	-	-	-	-	-	-	-	-	3,047
	-	-	-	-	-	-	-	-	-	-
Written off during the period	(13,597)	(434,514)	(103,199)	(37,831)	-	-	(163,206)	(303,727)	-	(1,056,074)
Balance, end of period	1,336,929	-	-	-	1,242,511	269,519	-	-	1	2,862,557

## ***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	2007	2007	2007	2006
Quarter	October 31	July 31	April 30	January 31
Income (interest)	nil	nil	nil	25
Working Capital (Deficit)	481,803	196,977	228,466	442,992
Interest in Mineral Properties and Deferred Exploration Expenditures	2,916,760	2,983,905	2,988,188	3,518,501
Expenses	125,436	60,731	165,498	124,144
Net (Loss)	(125,436)	(60,731)	(240,859)	(1,110,195)
Net (Loss) (per share)	(0.01)	(0.00)	(0.06)	(0.05)

Year	2006	2006	2006	2006
Quarter	October 31	July 31	April 30	January 31
Income (interest)	nil	2,301	4,473	493
Working Capital (Deficit)	323,152	618,764	756,198	349,840
Interest in Mineral Properties and Deferred Exploration Expenditures	4,215,282	3,971,120	3,869,859	2,864,084
Expenses	124,144	129,166	190,820	136,390
Net (Loss)	124,144	(126,865)	(46,131)	(135,897)
Net (Loss) (per share)	(0.01)	(0.005)	(0.01)	0.00

## ***LIQUIDITY***

As at October 31, 2007, the Corporation had cash in the amount of \$492,470 compared to \$425,918 for the same period in the previous year. Working capital for the current period of \$481,803 was lower than in the same period in the prior year (2006 - \$618,764) due to decreased financing activity and continued exploration and corporate expenses.

As at April 30, 2007, the Corporation had cash in the amount of \$257,182, compared to \$822,723 as at April 30, 2006. Working capital was \$228,466 as at April 30, 2007, compared to working capital of \$756,198 as at April 30, 2006. The Corporation's working capital position was lower at April 30, 2007, compared to the same period in the prior year as a result of continuing exploration expenditures and reduced financing activities.

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 twelve months ended April 30, 2007 the Corporation engaged in one financing. On December 21, 2006, the corporation completed a non-brokered, private placement in the amount of \$200,000 through the issuance of 1,000,000 common shares of the Corporation at a price of \$0.20. No fees, commissions or warrants were paid in conjunction with this financing.

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. The Corporation is currently assessing its exploration strategy for the properties in the McFauld's Lake area (Tamarack and Victory). 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 and Six Months Ended October 31, 2007*

For the three and six months ended October 31, 2007, the Company paid consulting fees of \$19,500 and \$32,500 respectively (three and six months ended October 31, 2006 - \$22,500 and \$45,000 respectively) to a company controlled by a director. For the three and six months ended October 31, 2007, the Company incurred legal fees of \$nil (three and six months ended October 31, 2006 - \$nil and \$13,993 respectively) to a corporation controlled by a former director of the Company who was re-appointed subsequent to October 31, 2007.

These transactions were in the normal course of operations and were measured at the exchange amount of consideration established by and agreed to by the related parties and did not differ from the arm's length equivalent value for these services.

*Twelve Months Ended April 30, 2007*

During the period, the Company paid consulting fees of \$91,900 (fiscal 2006 - \$76,667) and reimbursed a director and a company controlled by the director in the amount of \$64,656 (fiscal 2006 - \$205,548) for expenses paid on behalf of the Company. The Company incurred legal fees of \$13,993 (fiscal 2006 - \$17,746) to a corporation controlled by a former director of the Company. As at April 30, 2007, the Company accrued in sundry receivable \$7,850 (fiscal 2006 - \$nil) for expenses paid on behalf of a company controlled by a director. This balance bears no interest and is due on demand.

These transactions were in the normal course of operations and were measured at the exchange amount of consideration established by and agreed to by the related parties and did not differ from the arm's length equivalent value for these services.

*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**

No Fourth Quarter transactions were recorded

**PROPOSED TRANSACTIONS**

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

### ***SUBSEQUENT EVENTS***

1) Subsequent to October 31, 2007, Probe closed a non-brokered private placement financing for gross proceeds of \$3,500,000 consisting of the sale of 4,667,000 Units sold at \$0.75 per Unit. Each Unit consists of one common share and one-half of one common share purchase warrant. Each whole common share purchase warrant entitles the holder to acquire one common share for \$1.00 from November 6, 2007 (the "Closing Date") until November 6, 2009 (the "Warrant Term") provided, however, that should the closing price at which the common shares trade, equal or exceed \$1.75 for 20 consecutive trading days following the date that is four months and one day after the Closing Date, Probe may accelerate the Warrant Term to the date which is 30 days following the date a press release is issued by Probe announcing the reduced Warrant Term.

All securities were issued in conjunction with the offering are subject to a hold period, which expires on March 7, 2008. In conjunction with this financing, a cash payment in the amount of U.S. \$150,000 and 200,000 finder warrants were issued to finders. Each whole finder's warrant entitles the holder to acquire one common share for U.S. \$0.75 per share until November 6, 2009.

2) Subsequent to October 31, 2007, Probe granted the following stock options:

(a) 200,000 incentive stock options to a director. The incentive stock options are exercisable at a price of \$0.74 per share with an expiry date of November 15, 2012.

(b) 200,000 incentive stock options to a director. The incentive stock options are exercisable at a price of \$0.74 per share with an expiry date of December 3, 2012.

3) Subsequent to October 31, 2007, the Company issued 750,000 common shares for total proceeds of \$391,250. The common shares were issued as a result of the exercise of the following stock options:

(a) 275,000 stock options with an exercise price of \$0.40 and expiry date of January 5, 2010;

(b) 250,000 stock options with an exercise price of \$0.45 and expiry date of September 19, 2010;

(c) 225,000 stock options with an exercise price of \$0.75 and expiry date of January 23,

4) Subsequent to the period ending October 31, 2007 the Company completed and airborne geophysical survey on its McFauld's West property in the James Bay Lowlands of Ontario.

### ***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 that 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 that 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 unaudited financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and notes to the financial statements required by Canadian generally accepted accounting principles for annual financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the three months ended October 31, 2007 may not necessarily be indicative of the results that may be expected for the year ended April 30, 2008.

The balance sheet at April 30, 2007 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by Canadian generally accepted accounting principles for annual financial statements. The interim financial statements have been prepared by management in accordance with the accounting policies described in the Company's annual audited financial statements for the year ended April 30, 2007, except as noted below. For further information, refer to the audited financial statements and notes thereto for the year ended April 30, 2007.

#### *Accounting Changes*

Section 1506, "Accounting Changes". This section prescribes the criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors. The Company has adopted these new standards effective May 1, 2007.

#### *Financial instruments, comprehensive income (loss) and hedges*

In January 2005, the Canadian Institute of Chartered Accountants ("CICA") issued Handbook Sections 3855, "Financial Instruments – Recognition and Measurement", 1530, "Comprehensive Income", and 3865, "Hedges". These new standards are effective for interim

and annual financial statements relating to fiscal years commencing on or after October 1, 2006 on a prospective basis; accordingly, comparative amounts for prior periods have not been restated. The Company has adopted these new standards effective May 1, 2007.

(1) Financial instruments - recognition and measurement

Section 3855 prescribes when a financial instrument is to be recognized on the balance sheet and at what amount. It also specifies how financial instrument gains and losses are to be presented. This Section requires that:

- All financial assets be measured at fair value on initial recognition and certain financial assets to be measured at fair value subsequent to initial recognition;
- All financial liabilities be measured at fair value if they are classified as held for trading purposes. Other financial liabilities are measured at amortized cost using the effective interest method; and
- All derivative financial instruments be measured at fair value on the balance sheet, even when they are part of an effective hedging relationship.

(2) Comprehensive income (loss)

Section 1530 introduces a new requirement to temporarily present certain gains and losses from changes in fair value outside net income. It includes unrealized gains and losses, such as: changes in the currency translation adjustment relating to self-sustaining foreign operations; unrealized gains or losses on available-for-sale investments; and the effective portion of gains or losses on derivatives designated as cash flow hedges or hedges of the net investment in self-sustaining foreign operations.

(3) Hedges

Section 3865 provides alternative treatments to Section 3855 for entities which choose to designate qualifying transactions as hedges for accounting purposes. It replaces and expands on Accounting Guideline 13 "Hedging Relationships", and the hedging guidance in Section 1650 "Foreign Currency Translation" by specifying how hedge accounting is applied and what disclosures are necessary when it is applied.

(4) Impact upon adoption of Sections 1530, 3855 and 3865

The primary impact on the financial statements resulting from the adoption of sections 1530 and 3855 is as follows:

(a) The Company's long-term investment is classified as "available-for-sale" and is measured at fair value. Changes in fair value are recognized in other comprehensive income until their disposition, at which time they are transferred to net income. Investments in securities having quoted market values and which are publicly traded on a recognized securities exchange and for which no sales restrictions apply are recorded at values based on the current bid prices. As at April 30, 2007, the Company's long-term investment is carried at cost.

(b) The Company has recorded the following transition adjustments in its financial statements as at May 1, 2007 resulting from the adoption of sections of 1530 and 3855:

- (i) an increase of \$14,000, representing a fair value adjustment to the value of the Company's long-term investment; and
- (ii) an increase in accumulated other comprehensive income of \$11,472, representing the fair value adjustment to the Company's long-term investment of \$14,000, net of taxes of \$2,528.

(c) The Company has evaluated the impact of section 3865 on its financial statements and determined that no adjustments are currently required.

(d) The adoption of these Handbook Sections had no impact on opening deficit.

#### *Future accounting changes*

#### Capital Disclosures and Financial Instruments – Disclosures and Presentation

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535, Capital Disclosures, Handbook Section 3862, Financial Instruments – Disclosures, and Handbook Section 3863, Financial Instruments – Presentation. These new standards are effective for interim and annual financial statements for the Company's reporting period beginning on May 1, 2008.

Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

The new Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments — Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Company is currently assessing the impact of these new accounting standards on its financial statements.

#### ***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 and internal controls over financial reporting for the issuer, 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 and the design of internal controls over financial reporting as of April 30, 2007, have concluded that the Company's disclosure controls and procedures and the design of internal controls over financial reporting 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:	30,744,473 common shares
Fully Diluted Shares Outstanding:	35,215,474 common shares
Head Office:	2 Toronto Street, Suite 306 Toronto, Ontario M5C 2B6
Transfer Agent:	Equity Transfer & Trust Company 200 University Avenue, Suite 400 Toronto ON M5H 4H1
Auditor:	Smith Nixon & Co., LLP 390 Bay Street, Suite 1900 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 John Gammon, Ph.D., Director Dennis Peterson, Director