

# **PROBE MINES LIMITED**

## **(A Development Stage Enterprise)**

Unaudited Financial Statements  
Three Months Ended July 31, 2006

### Responsibility for Financial Statements

The accompanying unaudited financial statements for Probe Mines Limited have been prepared by management in accordance with Canadian generally accepted accounting principles consistently applied. The most significant of these accounting principles have been set out in the April 30, 2006 audited financial statements. Only changes in accounting information have been disclosed in these financial statements. These statements are presented on the accrual basis of accounting. Accordingly, a precise determination of many assets and liabilities is dependent upon future events. Therefore, estimates and approximations have been made using careful judgment. Recognizing that the Company is responsible for both the integrity and objectivity of the financial statements, management is satisfied that these unaudited financial statements have been fairly presented.

### Auditors' involvement

The auditors of Probe Mines Limited have not performed a review of the unaudited financial statements for the three months ended July 31, 2006 and July 31, 2005.

# PROBE MINES LIMITED

(A Development Stage Enterprise)

## BALANCE SHEETS

(Unaudited)	July 31 2006	April 30 2006
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	\$ 678,955	\$ 822,723
Sundry receivable and prepaids	12,186	86,733
	691,141	909,456
<b>Equipment</b> (Note 3)	2,424	2,620
<b>Long-term investment</b>	46,000	46,000
<b>Interest in mineral properties and deferred exploration expenditures</b> (Note 4)	3,971,120	3,869,859
	\$ 4,710,685	\$ 4,827,935
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 72,377	\$ 153,258
<b>Future income tax liability</b>	603,500	603,500
<b>Shareholders' Equity</b>		
Capital stock (Note 5(b))	4,491,699	4,473,699
Share purchase warrants (Note 5(d))	1,133,129	1,133,129
Broker compensation warrants (Note 5(e))	31,253	31,253
Contributed surplus (Note 5(f))	1,156,534	1,084,038
Deficit	(2,777,807)	(2,650,942)
	4,034,808	4,071,177
	\$ 4,710,685	\$ 4,827,935

Going concern (Note 1)

See accompanying notes to unaudited financial statements

APPROVED ON BEHALF OF THE BOARD:

"David Palmer"  
Director

"Harry J. Hodge"  
Director

# PROBE MINES LIMITED

(A Development Stage Enterprise)

## STATEMENTS OF OPERATIONS AND DEFICIT

(Unaudited)	Three months ended July 31 2006	Three months ended July 31 2005	Cumulative Since Inception
<b>Operating Expenses</b>			
Stock-based compensation (Note 5(c))	\$ 72,496	\$ 6,250	\$ 554,541
Professional fees	22,723	9,480	185,659
Shareholder information	410	21,439	149,733
Transfer agent and filing fees	8,670	4,035	134,508
Office and general	15,886	3,760	60,603
Occupancy costs	8,241	3,450	47,432
Consulting fees	-	-	42,474
Travel and promotion	543	-	11,936
Advertising	-	-	11,062
Amortization	197	281	3,868
	<b>129,166</b>	<b>48,695</b>	<b>1,201,816</b>
<b>Loss before the undernoted items</b>	<b>(129,166)</b>	<b>(48,695)</b>	<b>(1,201,816)</b>
<b>Interest income</b>	<b>2,301</b>	<b>16</b>	<b>11,623</b>
<b>Write down of interest in mineral properties and deferred exploration expenditures</b>	<b>-</b>	<b>-</b>	<b>(50,022)</b>
<b>Loss before income taxes</b>	<b>(126,865)</b>	<b>(48,679)</b>	<b>(1,240,215)</b>
<b>Future income tax recovery</b>	<b>-</b>	<b>-</b>	<b>332,560</b>
<b>Net loss</b>	<b>(126,865)</b>	<b>(48,679)</b>	<b>(907,655)</b>
<b>Deficit, beginning of period</b>	<b>(2,650,942)</b>	<b>(2,343,130)</b>	<b>(1,870,152)</b>
<b>Deficit, end of period</b>	<b>\$ (2,777,807)</b>	<b>\$ (2,391,809)</b>	<b>\$ (2,777,807)</b>
<b>Net loss per share - basic and diluted</b>	<b>\$ 0.01</b>	<b>\$ 0.00</b>	
<b>Weighted average number of shares</b>	<b>22,863,192</b>	<b>17,977,515</b>	

See accompanying notes to unaudited financial statements

# PROBE MINES LIMITED

(A Development Stage Enterprise)

## STATEMENTS OF CASH FLOWS

(Unaudited)	Three months ended July 31 2006	Three months ended July 31 2005	Cumulative Since Inception
<b>Cash provided by (used in)</b>			
<b>Operations</b>			
Net loss	\$ (126,865)	\$ (48,679)	\$ (907,655)
Items not affecting cash			
Future income tax recovery	-	-	(332,560)
Amortization	197	281	3,868
Stock-based compensation (Note 5(c))	72,496	6,250	554,541
Write down of interest in mineral properties and deferred exploration expenditures	-	-	50,022
Net change in non-cash working capital			
Sundry receivable and prepaids	74,547	(130,179)	(11,400)
Accounts payable and accrued liabilities	(80,882)	(68,630)	89,521
	<b>(60,507)</b>	<b>(240,957)</b>	<b>(553,663)</b>
<b>Financing</b>			
Advances from shareholder	-	-	3,104
Exercise of options	-	-	70,000
Exercise of warrants	-	-	344,448
Private placement proceeds	-	1,880,000	4,396,516
Issuance of share purchase warrants	-	-	11,987
Subscriptions receivable	-	-	310,000
Share issue costs	-	(131,505)	(263,134)
	-	1,748,495	4,872,921
<b>Investing</b>			
Purchase of equipment	-	-	(6,291)
Interest in mineral properties and deferred exploration expenditures	(83,261)	(179,351)	(3,639,141)
	<b>(83,261)</b>	<b>(179,351)</b>	<b>(3,645,432)</b>
<b>Net change in cash</b>	<b>(143,768)</b>	<b>1,328,187</b>	<b>673,826</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>822,723</b>	<b>54,941</b>	<b>5,129</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 678,955</b>	<b>\$ 1,383,128</b>	<b>\$ 678,955</b>

See accompanying notes to unaudited financial statements

# PROBE MINES LIMITED

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## STATEMENTS OF INTEREST IN MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

July 31, 2006

(Unaudited)	Cumulative Since Inception	Tamarack- McFauld's Lake Property	Bristol Township	Victory Property	Double Eagle Property	Fancamp Property	Freewest Joint Venture	Greenlaw Property	Norway Lake Property	Total
<b>Property Acquisition Costs</b>										
Balance, April 30, 2006	\$ -	\$ 64,658	\$ 37,721	\$ 36,849	\$ 168,000	\$ 83,000	\$ 52,000	\$ -	\$ -	\$ 442,228
Option payments	379,101	-	-	-	-	-	-	17,000	17,500	34,500
Staking claims	107,127	-	-	-	-	-	-	-	-	-
Written off	(9,500)	-	-	-	-	-	-	-	-	-
Balance, July 31, 2006	476,728	64,658	37,721	36,849	168,000	83,000	52,000	17,000	17,500	476,728
<b>Deferred Exploration Expenditures</b>										
Balance, April 30, 2006	-	1,350,723	269,519	1,247,209	419,149	37,831	103,199	-	-	3,427,630
Geophysical	772,353	-	-	-	-	-	-	33,250	-	33,250
Assays, analysis	19,735	3,848	-	-	-	-	-	-	325	4,173
Geological	88,009	11,250	-	-	11,250	-	-	-	-	22,500
Geochemical	29,823	-	-	-	-	-	-	-	-	-
Drilling	2,123,445	555	-	-	-	-	-	-	-	555
Line cutting	31,023	-	-	-	-	-	-	-	-	-
Reports	37,470	-	-	-	-	-	-	-	-	-
Stock-based compensation	7,400	-	-	-	-	-	-	-	-	-
Transportation	225,680	-	-	-	-	-	-	-	-	-
Travel	17,354	-	-	-	-	-	-	-	-	-
Consulting	129,366	-	-	-	-	-	-	2,129	4,154	6,283
Other	47,255	-	-	-	-	-	-	-	-	-
Advance	6,000	-	-	-	-	-	-	-	-	-
Written off	(40,522)	-	-	-	-	-	-	-	-	-
Balance, July 31, 2006	3,494,391	1,366,376	269,519	1,247,209	430,399	37,831	103,199	35,379	4,479	3,494,391
Total, Active properties	\$ 3,971,119	\$ 1,431,034	\$ 307,240	\$ 1,284,058	\$ 598,399	\$ 120,831	\$ 155,199	\$ 52,379	\$ 21,979	\$ 3,971,119
Inactive properties	1									1
Total, July 31, 2006	\$ 3,971,120									\$ 3,971,120

See accompanying notes to unaudited financial statements

# PROBE MINES LIMITED

(A Development Stage Enterprise)

## NOTES TO FINANCIAL STATEMENTS

THREE MONTHS ENDED JULY 31, 2006

**(UNAUDITED)**

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### 1. NATURE OF OPERATIONS AND GOING CONCERN

Probe Mines Limited (the "Company" or "Probe") is in the process of exploring its resource properties for mineral resources and has not determined whether the properties contain economically recoverable reserves. The Company has not yet discovered any deposits, nor has it earned any income and it is therefore considered to be an enterprise in the development stage, in accordance with CICA Accounting Guideline 11. The recovery of the amounts shown for the resource properties and the related deferred expenditures is dependent upon the existence of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain necessary financing to complete the development, and upon future profitable production.

These unaudited financial statements have been prepared on the basis of accounting principles applicable to a going concern, which assume that the Company will be able to realize its assets and discharge its liabilities in the normal course of operations. The Company has suffered recurring losses from operations that raise substantial doubt about its ability to continue as a going concern. These unaudited financial statements do not include the adjustments to the amounts and classification of assets and liabilities that might be necessary should the Company be unable to continue as a going concern.

### 2. SIGNIFICANT ACCOUNTING POLICIES

These 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 unaudited financial statements required by Canadian generally accepted accounting principles for annual financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended July 31, 2006 may not necessarily be indicative of the results that may be expected for the year ending April 30, 2007.

The balance sheet at April 30, 2006 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 complete financial statements. The interim unaudited financial statements have been prepared by management in accordance with the accounting policies described in the Company's annual financial statements for the year ended April 30, 2006. For further information, refer to the audited financial statements and notes thereto for the year ended April 30, 2006.

### 3. EQUIPMENT

	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>July 31, 2006 Net</b>	<b>April 30, 2006 Net</b>
Computer equipment	\$ 6,291	\$ 3,867	\$ 2,424	\$ 2,620

# PROBE MINES LIMITED

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## NOTES TO FINANCIAL STATEMENTS

THREE MONTHS ENDED JULY 31, 2006

(UNAUDITED)

### 4. INTEREST IN MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

Descriptions of the Company's current properties can be found in Note 4 of the April 30, 2006 audited financial statements, with the exception of the following changes during the current period:

(a) On June 19, 2006, the Company reached an agreement to option the Greenlaw property in Greenlaw Township near Chapleau, Ontario. The Company has the right to earn a 100% interest in the property by making cash payments totaling \$35,000 (\$7,500 paid) and issuing 200,000 shares (50,000 issued and valued at \$9,500) over the three-year term of the agreement. The vendors maintain a 3% Net Smelter Royalty (NSR) interest on metals and a 2% gross overriding royalty (GORR) on diamonds and gemstones, while the Company retains an option to buy back 1.5% of the NSR for \$1,000,000 and 1% of the GORR for \$1,000,000.

(b) On June 26, 2006, the Company reached an agreement to option the Lumby Lake property in the Norway Lake area near Atikokan, Ontario. The Company has the right to earn a 100% interest in the property by making cash payments totaling \$39,000 (\$9,000 paid) and issuing 200,000 shares (50,000 issued and valued at \$8,500) over the three-year term of the agreement. The vendor maintains a 3% NSR interest on metals, while the Company retains an option to buy back 2% of the NSR for \$2,000,000 in 1% increments.

### 5. CAPITAL STOCK

#### (a) Authorized

Unlimited common shares

#### (b) Issued

22,914,973 common shares

Transactions during the periods are as follows:

	Number of shares	Amount
Balance, April 30, 2003	10,178,556	\$ 1,344,725
Common shares issued for interest in mineral properties	200,000	97,100
Common shares issued for services	25,000	11,500
Common shares issued pursuant to private placements	3,428,571	1,120,000
Exercise of warrants	1,198,667	131,854
Share issue costs	-	(144,771)
Balance, April 30, 2004	15,030,794	2,560,408
Exercise of options	321,430	77,015
Common shares issued pursuant to private placement	269,696	120,000
Warrants issued	-	(40,185)
Renunciation of flow-through expenditures	-	(259,360)
Share issue costs	-	(17,232)
Balance, April 30, 2005	15,621,920	\$ 2,440,646

# PROBE MINES LIMITED

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## NOTES TO FINANCIAL STATEMENTS

THREE MONTHS ENDED JULY 31, 2006

**(UNAUDITED)**

### 5. CAPITAL STOCK (Continued)

#### (b) Issued (Continued)

	Number of shares	Amount
Balance, April 30, 2005	15,621,920	\$ 2,440,646
Common shares issued pursuant to private placement	62,500	25,000
Common shares issued pursuant to private placement	3,715,277	1,655,000
Common shares issued pursuant to private placement	444,444	200,000
Warrant issue - Black-Scholes valuation	-	(872,163)
Cost of issue - compensation warrants (Black-Scholes valuation)	-	(19,409)
Renunciation of flow-through expenditures	-	(660,700)
Common shares issued pursuant to private placement	2,050,000	1,500,000
Warrant issue - Black-Scholes valuation	-	(264,479)
Cost of issue - compensation warrants (Black-Scholes valuation)	-	(6,612)
Exercise of stock options	100,000	40,000
Black-Scholes valuation - stock options	-	25,000
Exercise of warrants	320,832	224,581
Black-Scholes valuation - warrants	-	43,698
Shares issued for property	100,000	83,000
Shares issued for property	300,000	168,000
Shares issued for property	100,000	52,000
Cost of issues - cash	-	(159,863)
Balance, April 30, 2006	22,814,973	4,473,699
Shares issued for properties (Note 4(a)(b))	100,000	18,000
Balance, July 31, 2006	22,914,973	\$ 4,491,699

#### (c) Stock Options

A summary of changes in stock options is as follows:

	Number of Options	Weighted Average Exercise Price
Balance, April 30, 2006 and July 31, 2006	3,250,000	\$ 0.37

(i) On September 19, 2005, the Company granted 1,000,000 options to directors of the Company to acquire 1,000,000 shares of the Company at a price of \$0.45 per share. The fair value of these options at the date of grant was estimated using the Black-Scholes pricing model based on the following assumptions: dividend yield of 0%; risk-free interest rate of 3.5%; expected life of five years; and volatility of 82%. The fair value assigned to these options was \$219,427, of which \$24,309 (fiscal 2006 - \$100,996) was expensed to the statement of operations and deficit with a corresponding amount allocated to contributed surplus. The remaining portion of \$94,122 will be expensed in the statement of operations as services are rendered by the directors.

# PROBE MINES LIMITED

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## NOTES TO FINANCIAL STATEMENTS

THREE MONTHS ENDED JULY 31, 2006

**(UNAUDITED)**

### 5. CAPITAL STOCK (Continued)

#### (c) Stock Options (Continued)

(ii) On January 23, 2006, the Company granted 650,000 options to directors of the Company to acquire 650,000 shares of the Company at a price of \$0.75 per share. The fair value of these options at the date of grant was estimated using the Black-Scholes pricing model based on the following assumptions: dividend yield of 0%; risk-free interest rate of 3.9%; expected life of five years; and volatility of 74%. The fair value assigned to these options was \$313,027, of which \$48,187 (fiscal 2006 - \$63,034) was expensed to the statement of operations and deficit with a corresponding amount allocated to contributed surplus. The remaining portion of \$201,806 will be expensed in the statement of operations as services are rendered by the directors.

Total stock-based compensation for the period amounted to \$72,496 (July 31, 2005 - \$6,250).

As at July 31, 2006, the following stock options were outstanding:

<b>Expiry Date</b>	<b>Exercise Price (\$)</b>	<b>Options Outstanding</b>	<b>Black-Scholes Valuation</b>
November 7, 2008	0.10	800,000	\$ 61,000
January 5, 2010	0.40	800,000	200,000
September 19, 2010	0.45	1,000,000	125,305
January 23, 2011	0.75	650,000	111,221
		3,250,000	\$ 497,526

#### (d) Share Purchase Warrants

	<b>Number of Warrants</b>	<b>Weighted Average Exercise Price</b>
Balance, April 30, 2006 and July 31, 2006	6,171,085	\$0.92

As at July 31, 2006, the following warrants were outstanding:

<b>Expiry Date</b>	<b>Exercise Price (\$)</b>	<b>Warrants Outstanding</b>	<b>Black-Scholes Valuation</b>
March 31, 2007	1.00	11,364	\$ 784
May 26, 2007	0.70-1.00	3,493,055	728,918
May 26, 2007	0.70-1.00	222,222	46,315
July 25, 2007	0.70-1.00	444,444	92,633
September 30, 2006	1.25	1,000,000	115,043
March 31, 2007	1.50	1,000,000	149,436
		6,171,085	\$ 1,133,129

# PROBE MINES LIMITED

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## NOTES TO FINANCIAL STATEMENTS

THREE MONTHS ENDED JULY 31, 2006

(UNAUDITED)

### 5. CAPITAL STOCK (Continued)

#### (e) Broker Compensation Warrants

	Number of Compensation Warrants	Weighted Average Exercise Price
Balance, April 30, 2006 and July 31, 2006	149,886	\$0.76

As at July 31, 2006, the following broker compensation warrants were outstanding:

Expiry Date	Exercise Price (\$)	Compensation Warrants Outstanding	Black-Scholes Valuation
March 31, 2007	0.45	33,220	\$ 6,630
May 26, 2007	0.45	22,222	6,004
July 25, 2007	0.45	44,444	12,007
September 30, 2006	1.25	25,000	2,876
March 31, 2007	1.50	25,000	3,736
		149,886	\$ 31,253

#### (f) Contributed Surplus

A summary of contributed surplus is as follows:

Balance, April 30, 2006	\$ 1,084,038
Directors' stock-based compensation	72,496
Balance, July 31, 2006	\$ 1,156,534

### 6. RELATED PARTY TRANSACTIONS

During the period, the Company paid consulting fees of \$22,500 (2005 - \$17,500) and reimbursed a director and a company controlled by the director for out of pocket expenses that occurred on behalf of the Company. The Company also incurred legal fees of \$13,993 (2005 - \$50,600) to a corporation controlled by another director of the Company. 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 exceed the arm's length equivalent value for these services.