

---

**PROBE MINES LIMITED**  
**(A Development Stage Enterprise)**

Interim Financial Statements  
Three Months Ended July 31, 2010  
(Expressed in Canadian Dollars)  
(Unaudited)

---

## **Management's Responsibility for Financial Statements**

The accompanying unaudited interim financial statements of Probe Mines Limited (A development stage enterprise as defined by the Canadian Institute of Chartered Accountants Accounting Guideline 11) were prepared by management in accordance with Canadian generally accepted accounting principles. The most significant of these accounting principles have been set out in the April 30, 2010 audited financial statements. Only changes in accounting policies have been disclosed in these unaudited interim financial statements. Management acknowledges responsibility for the preparation and presentation of the unaudited interim financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

Management has established processes which are in place to provide it sufficient knowledge to support management representations that it has exercised reasonable diligence that (i) the unaudited 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 interim financial statements and (ii) the unaudited interim financial statements fairly present in all material respects the financial condition, results of operations and cash flows of the Company, as of the date of and for the periods presented by the unaudited interim financial statements.

The Board of Directors is responsible for reviewing and approving the unaudited interim financial statements together with other financial information of the Company and for ensuring that management fulfills its financial reporting responsibilities. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the financial reporting process and the unaudited interim financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the unaudited interim financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

(signed)  
David Palmer  
President and Chief Executive Officer

(signed)  
Carmelo Marrelli  
Chief Financial Officer

September 24, 2010

### **Notice to Reader**

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these unaudited interim financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

**PROBE MINES LIMITED**  
**(A Development Stage Enterprise)**  
**BALANCE SHEETS**  
**(Unaudited)**  
**(Expressed in Canadian Dollars)**

	July 31, 2010	April 30, 2010
<b>Assets</b>		
<b>Current assets</b>		
Cash	\$ 2,381,592	\$ 1,870,050
Short-term investments	1,753,452	1,751,522
Sundry receivables and prepaid expenses (Note 9)	73,031	31,602
	<b>4,208,075</b>	<b>3,653,174</b>
<b>Equipment (Note 5)</b>	<b>2,292</b>	<b>2,478</b>
<b>Long-term investments (Note 6)</b>	<b>174,725</b>	<b>182,295</b>
<b>Interest in mineral properties and deferred exploration expenditures (Notes 7 and 9)</b>	<b>3,958,890</b>	<b>3,623,286</b>
	<b>\$ 8,343,982</b>	<b>\$ 7,461,233</b>
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (Note 9)	\$ 62,048	\$ 49,751
<b>Future income tax liability</b>	<b>308,600</b>	<b>340,000</b>
<b>Shareholders' Equity</b>		
Capital stock (Note 8(b))	9,435,721	8,811,547
Warrants (Note 8(d))	421,544	131,500
Broker compensation warrants (Note 8(e))	30,222	-
Contributed surplus	4,353,140	4,347,246
Deficit	(6,277,077)	(6,236,165)
Accumulated other comprehensive income	9,784	17,354
	<b>7,973,334</b>	<b>7,071,482</b>
	<b>\$ 8,343,982</b>	<b>\$ 7,461,233</b>

Nature and continuance of operations (Note 1)  
Commitment (Note 10)  
Subsequent events (Note 11)

See accompanying notes to unaudited interim financial statements

Approved by the Board of Directors:

"David Palmer"  
\_\_\_\_\_  
Director

"Dennis H. Peterson"  
\_\_\_\_\_  
Director

**PROBE MINES LIMITED**  
**(A Development Stage Enterprise)**  
**STATEMENTS OF OPERATIONS**  
**(Unaudited)**  
**(Expressed in Canadian Dollars)**

<b>Three Months Ended July 31,</b>	<b>2010</b>	<b>2009</b>	<b>Cumulative Since Inception</b>
<b>Operating Expenses</b>			
Stock-based compensation	\$ 7,944	\$ 7,094	\$ 1,606,244
Professional fees (Note 9)	23,634	25,269	623,699
Shareholder information	11,161	6,512	378,904
Transfer agent and filing fees	12,406	11,511	277,993
Office and general	6,905	19,184	185,055
Occupancy costs	4,284	4,284	121,937
Consulting fees (Note 9)	7,500	3,750	173,270
Advertising	-	2,964	61,423
Travel and promotion	222	-	27,488
Amortization	186	265	7,184
	<b>74,242</b>	<b>80,833</b>	<b>3,463,197</b>
<b>Loss before the undernoted items</b>	<b>(74,242)</b>	<b>(80,833)</b>	<b>(3,463,197)</b>
Joint venture management fee	-	17,124	33,166
Foreign exchange gain	-	-	36,836
Interest income	1,930	11,126	142,952
Gain on sale of long-term investments	-	-	17,150
Write down of interest in mineral properties and deferred exploration expenditures	-	-	(2,806,027)
<b>Loss before income taxes</b>	<b>(72,312)</b>	<b>(52,583)</b>	<b>(6,039,120)</b>
Future income tax recovery	31,400	-	1,656,560
<b>Net loss</b>	<b>\$ (40,912)</b>	<b>\$ (52,583)</b>	<b>\$ (4,382,560)</b>
<b>Net loss per share - basic and diluted</b>	<b>\$ (0.00)</b>	<b>\$ (0.00)</b>	
<b>Weighted average number of shares</b>	<b>35,742,300</b>	<b>33,516,472</b>	

See accompanying notes to unaudited interim financial statements

**PROBE MINES LIMITED**  
**(A Development Stage Enterprise)**  
**STATEMENT OF COMPREHENSIVE LOSS**  
**(Unaudited)**  
**(Expressed in Canadian Dollars)**

Three Months Ended July 31,	2010	2009	Cumulative Since Inception
<b>Net loss</b>	<b>\$ (40,912)</b>	<b>\$ (52,583)</b>	<b>\$ (4,382,560)</b>
<b>Other comprehensive (loss) income</b>			
Unrealized (loss) gain on available-for-sale securities, net of tax	<b>(7,570)</b>	36,338	(32,467)
Reclassification of loss on available-for-sale securities, net of tax	-	-	30,780
<b>Total comprehensive loss</b>	<b>\$ (48,482)</b>	<b>\$ (16,245)</b>	<b>\$ (4,384,247)</b>

See accompanying notes to unaudited financial statements

**PROBE MINES LIMITED**  
(A Development Stage Enterprise)  
**STATEMENT OF DEFICIT**  
(Unaudited)  
(Expressed in Canadian Dollars)

Three Months Ended July 31,	2010	2009	Cumulative Since Inception
Net loss	\$ (40,912)	\$ (52,583)	\$ (4,382,560)
Deficit, beginning of period	(6,236,165)	(4,737,604)	(1,894,517)
Deficit, end of period	\$ (6,277,077)	\$ (4,790,187)	\$ (6,277,077)

See accompanying notes to unaudited interim financial statements

**PROBE MINES LIMITED**  
**(A Development Stage Enterprise)**  
**STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY**  
**(Unaudited)**  
**(Expressed in Canadian Dollars)**

	Capital Stock	Share Purchase Warrants	Broker Compensation Warrants	Contributed Surplus	Deficit	Accumulated Other Comprehensive Income	Total Shareholders' Equity
Balance, April 30, 2009	\$ 8,611,208	\$ 1,226,169	\$ 188,262	\$ 2,742,866	\$ (4,737,604)	\$ (23,940)	\$ 8,006,961
Net loss for the period	-	-	-	-	(52,583)	-	(52,583)
Stock-based compensation	-	-	-	7,094	-	-	7,094
Unrealized gain on available-for-sale securities, net of taxes	-	-	-	-	-	36,338	36,338
<b>Balance, July 31, 2009</b>	<b>\$ 8,611,208</b>	<b>\$ 1,226,169</b>	<b>\$ 188,262</b>	<b>\$ 2,749,960</b>	<b>\$ (4,790,187)</b>	<b>\$ 12,398</b>	<b>\$ 7,997,810</b>
Net loss for the period	-	-	-	-	(1,445,978)	-	(1,445,978)
Shares issued pursuant to private placements	250,000	-	-	-	-	-	250,000
Share issue cost	(3,511)	-	-	-	-	-	(3,511)
Shares issued for mineral property	73,750	-	-	-	-	-	73,750
Warrants issued	(131,500)	131,500	-	-	-	-	-
Expiry of warrants	-	(1,226,169)	(188,262)	1,414,431	-	-	-
Exercise of options	11,600	-	-	(4,100)	-	-	7,500
Stock-based compensation	-	-	-	186,955	-	-	186,955
Unrealized gain on available-for-sale securities, net of taxes	-	-	-	-	-	4,956	4,956
<b>Balance, April 30, 2010</b>	<b>\$ 8,811,547</b>	<b>\$ 131,500</b>	<b>\$ -</b>	<b>\$ 4,347,246</b>	<b>\$ (6,236,165)</b>	<b>\$ 17,354</b>	<b>\$ 7,071,482</b>
Net loss for the period	-	-	-	-	(40,912)	-	(40,912)
Shares issued pursuant to private placements	1,000,000	-	-	-	-	-	1,000,000
Finder's fee	40,000	-	-	-	-	-	40,000
Share issue cost	(101,360)	-	-	-	-	-	(101,360)
Warrants issued	(320,266)	290,044	30,222	-	-	-	-
Exercise of options	5,800	-	-	(2,050)	-	-	3,750
Stock-based compensation	-	-	-	7,944	-	-	7,944
Unrealized loss on available-for-sale securities, net of taxes	-	-	-	-	-	(7,570)	(7,570)
<b>Balance, July 31, 2010</b>	<b>\$ 9,435,721</b>	<b>\$ 421,544</b>	<b>\$ 30,222</b>	<b>\$ 4,353,140</b>	<b>\$ (6,277,077)</b>	<b>\$ 9,784</b>	<b>\$ 7,973,334</b>

See accompanying notes to unaudited interim financial statements

# PROBE MINES LIMITED

(A Development Stage Enterprise)

## STATEMENTS OF CASH FLOWS

(Unaudited)

(Expressed in Canadian Dollars)

Three Months Ended July 31,	2010	2009	Cumulative Since Inception
<b>Cash (used in) provided by:</b>			
<b>Operating Activities</b>			
Net loss	\$ (40,912)	\$ (52,583)	\$ (4,382,560)
Items not affecting cash:			
Future income tax recovery	(31,400)	-	(1,656,560)
Amortization	186	265	7,184
Stock-based compensation	7,944	7,094	1,606,244
Gain on sale of long-term investments	-	-	(17,150)
Write down of interest in mineral properties and deferred exploration expenditures	-	-	2,806,027
Net change in non-cash working capital:			
Due from joint venture partner	-	(291,320)	-
Sundry receivables and prepaid expenses	(41,429)	(47,988)	(23,661)
Exploration advance	-	-	(44,292)
Accounts payable and accrued liabilities	12,297	408,655	72,895
	<b>(93,314)</b>	24,123	(1,631,873)
<b>Financing Activities</b>			
Exercise of options proceeds	3,750	-	858,125
Exercise of warrants proceeds	-	-	344,448
Private placement proceeds	1,000,000	-	11,260,250
Subscriptions receivable	-	-	310,000
Share issue costs	(61,360)	-	(653,051)
	<b>942,390</b>	-	12,119,772
<b>Investing Activities</b>			
Purchase of equipment	-	-	(9,475)
Net purchase and sale of short-term investments	(1,930)	(11,126)	(1,753,452)
Proceeds on sale of long-term investments	-	-	170,648
Interest in mineral properties and deferred exploration expenditures	(335,604)	(238,049)	(6,560,926)
	<b>(337,534)</b>	(249,175)	(8,153,205)
<b>Net increase (decrease) in cash</b>	<b>511,542</b>	<b>(225,052)</b>	<b>2,334,694</b>
<b>Cash, beginning of period</b>	<b>1,870,050</b>	<b>466,251</b>	<b>46,898</b>
<b>Cash, end of period</b>	<b>\$ 2,381,592</b>	<b>\$ 241,199</b>	<b>\$ 2,381,592</b>
<b>Supplemental cash information</b>			
Shares received as payment for mineral properties	\$ -	\$ 129,000	\$ 276,500
Shares and warrants issued as shares issue costs	\$ -	\$ -	\$ 79,000
Common shares issued for mineral properties	\$ -	\$ -	\$ 91,750

See accompanying notes to unaudited interim financial statements

# PROBE MINES LIMITED

(A Development Stage Enterprise)

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

(Unaudited)

(Expressed in Canadian Dollars)

	Cumulative Since Inception	Tamarack- McFauld's Lake Property	Bristol Township	Victory Property	McFauld's West Project	Black Creek (Note 7(b))	Cree Lake Property	Borden Property	Total
<b>Property Acquisition Costs</b>									
Balance, April 30, 2010		\$ 24,658	\$ (197,279)	\$ 36,849	\$ 5,830	\$ -	\$ 55,500	\$ 28,250	\$ (46,192)
Option payments (proceeds)	\$ 187,726	-	-	-	-	-	-	-	-
Staking claims	116,557	-	-	-	-	-	-	-	-
Written off	(350,475)	-	-	-	-	-	-	-	-
Balance, July 31, 2010	\$ (46,192)	\$ 24,658	\$ (197,279)	\$ 36,849	\$ 5,830	\$ -	\$ 55,500	\$ 28,250	\$ (46,192)

See accompanying notes to unaudited interim financial statements

# PROBE MINES LIMITED

(A Development Stage Enterprise)

## STATEMENT OF INTEREST IN MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (CONTINUED)

(Unaudited)

(Expressed in Canadian Dollars)

	Cumulative Since Inception	Tamarack- McFauld's Lake Property	Bristol Township	Victory Property	McFauld's West Project	Black Creek (Note 7(b))	Cree Lake Property	Borden Property	Total
<b>Deferred Exploration Expenditures</b>									
Balance, April 30, 2010		\$ -	\$ 269,519	\$ 2,120,425	\$ 771,774	\$ 485,321	\$ -	\$ 22,438	\$ 3,669,477
Geophysical	\$ 1,292,859	-	-	-	40,815	-	-	59,047	99,862
Assays, analysis	77,840	-	-	-	-	1,749	292	292	2,333
Geological	272,628	-	-	-	-	26,269	-	-	26,269
Geochemical	71,842	-	-	-	2,952	-	611	611	4,174
Drilling	3,524,096	-	-	-	-	-	74,951	80,236	155,187
Line cutting	31,023	-	-	-	-	-	-	-	-
Reports	37,470	-	-	-	-	-	-	-	-
Stock based compensation	7,400	-	-	-	-	-	-	-	-
Transportation	652,625	215	-	215	-	6,819	-	-	7,249
Travel	51,480	361	-	362	-	-	1,600	-	2,323
Consulting	447,945	-	-	7,500	-	26,250	-	-	33,750
Other	88,611	2,016	-	2,116	-	-	-	325	4,457
Advance	6,000	-	-	-	-	-	-	-	-
Recovery of costs	(101,186)	-	-	-	-	-	-	-	-
Written off	(2,455,552)	-	-	-	-	-	-	-	-
Balance, July 31, 2010	\$ 4,005,081	\$ 2,592	\$ 269,519	\$ 2,130,618	\$ 815,541	\$ 546,408	\$ 77,454	\$ 162,949	\$ 4,005,081
Total, active properties	\$ 3,958,889	\$ 27,250	\$ 72,240	\$ 2,167,467	\$ 821,371	\$ 546,408	\$ 132,954	\$ 191,199	\$ 3,958,889
Inactive properties	1								1
Total, July 31, 2010	\$ 3,958,890								\$ 3,958,890

See accompanying notes to unaudited interim financial statements

# **PROBE MINES LIMITED**

**(A Development Stage Enterprise)**  
**Notes to Interim Financial Statements**  
**Three Months Ended July 31, 2010**  
**(Unaudited)**  
**(Expressed in Canadian Dollars)**

---

## **1. NATURE AND CONTINUANCE OF OPERATIONS**

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, as defined by the Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline 11. The recovery of the amounts shown for resource properties and 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 interim 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 interim 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. BASIS OF PRESENTATION AND ACCOUNTING POLICIES**

The unaudited interim financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("Canadian GAAP") for interim financial information. Accordingly, they do not include all of the information and notes to the financial statements required by Canadian GAAP 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 July 31, 2010 may not necessarily be indicative of the results that may be expected for the year ending April 30, 2011.

The balance sheet at April 30, 2010 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by Canadian GAAP for annual financial statements. The unaudited 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, 2010, except as noted below. For further information, refer to the audited financial statements and notes thereto for the year ended April 30, 2010.

### **Recent Accounting Pronouncements**

#### *International Financial Reporting Standards ("IFRS")*

In January 2006, the CICA's Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian GAAP with IFRS for Canadian enterprises with public accountability. On February 13, 2008 the AcSB confirmed that the use of IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company will be required to have prepared, in time for its first quarter of fiscal 2012 filing, comparative financial statements in accordance with IFRS for the three months ended July 31, 2010. While the Company has begun assessing the impact of the adoption of IFRS on its financial statements, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

# **PROBE MINES LIMITED**

**(A Development Stage Enterprise)**  
**Notes to Interim Financial Statements**  
**Three Months Ended July 31, 2010**  
**(Unaudited)**  
**(Expressed in Canadian Dollars)**

---

## **2. BASIS OF PRESENTATION AND ACCOUNTING POLICIES (Continued)**

### **Recent Accounting Pronouncements (Continued)**

#### *Business Combinations, Consolidated Financial Statements and Non-Controlling Interests*

The CICA issued three new accounting standards in January 2009: Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements" and Section 1602, "Non-Controlling interests". These new standards will be effective for fiscal years beginning on or after January 1, 2011. The Company is in the process of evaluating the requirements of the new standards.

Sections 1582 replaces section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3 - Business Combinations. The section applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after January 1, 2011. Sections 1601 and 1602 together replace section 1600, "Consolidated Financial Statements". Section 1601, establishes standards for the preparation of consolidated financial statements. Section 1601 applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS IAS 27 - Consolidated and Separate Financial Statements and applies to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011.

## **3. CAPITAL MANAGEMENT**

When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of its mineral properties. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management team to sustain the future development of the business. The Company considers its capital to be equity, which is comprised of capital stock, share purchase warrants, broker compensation warrants, contributed surplus, deficit and accumulated other comprehensive income which at July 31, 2010 totaled \$7,973,334 (April 30, 2010 - \$7,071,482).

The properties in which the Company currently has an interest are in the exploration stage. As such the Company is dependent on external financing to fund its activities. In order to carry out its planned exploration programs and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts when economic conditions permit it to do so.

Management has chosen to mitigate the risk and uncertainty associated with raising additional capital in current economic conditions by:

- (i) maintaining a liquidity cushion in order to address any potential disruptions or industry downturns;
- (ii) minimizing discretionary disbursements;
- (iii) reducing or eliminating exploration expenditures that are of limited strategic value; and
- (iv) exploring alternative sources of liquidity.

**PROBE MINES LIMITED**  
**(A Development Stage Enterprise)**  
**Notes to Interim Financial Statements**  
**Three Months Ended July 31, 2010**  
**(Unaudited)**  
**(Expressed in Canadian Dollars)**

---

**3. CAPITAL MANAGEMENT (Continued)**

In light of the above, the Company will continue to assess new properties and seek to acquire an interest in additional properties if the Company believes there is sufficient potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate.

The Company is not subject to any capital requirements imposed by a regulator or lending institution. The Company expects that its current capital resources will be sufficient to discharge its liabilities as at July 31, 2010.

**4. FINANCIAL INSTRUMENTS**

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

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

(a) 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 the Company's access to the capital market is hindered, whether as a result of downturn in stock market conditions generally or related to matters specific to the Company. The Company generates cash flow primarily from its financing activities and interest income earned on its cash and short-term investments. The Company has cash and short-term investments of \$4,135,044 (April 30, 2010 - \$3,621,572) to settle current liabilities of \$62,048 (April 30, 2010 - \$49,751). Interest-bearing instruments included in cash and short-term investments are held by the Royal Bank of Canada. The Company regularly evaluates its cash position to ensure preservation and security of capital as well as maintenance of liquidity.

All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

(b) Market risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will significantly fluctuate due to changes in market prices. The value of the financial instruments can be affected by changes in interest rates, foreign exchange rates and equity prices. In the normal course of business, the Company is exposed to market risks as a result of its investment in publicly-traded companies. During periods of significant broader market volatility or volatility experienced by the resource/commodity markets, the value of the Company's investment portfolio can be vulnerable to market fluctuations. 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 affect comprehensive loss by approximately \$174,700.

Currency risk is the risk that the fair value of, or future cash flows from, the Company's financial instruments will fluctuate because of changes in foreign exchange rates. The Company's functional 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. The Company does not hold balances in foreign currencies to give rise to exposure to foreign exchange risk.

**PROBE MINES LIMITED**  
**(A Development Stage Enterprise)**  
**Notes to Interim Financial Statements**  
**Three Months Ended July 31, 2010**  
**(Unaudited)**  
**(Expressed in Canadian Dollars)**

---

**4. FINANCIAL INSTRUMENTS (Continued)**

(b) (Continued) Interest rate risk is the impact that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. In the normal course of business, the Company is exposed to interest rate fluctuations as a result of cash and short-term investments being invested in interest-bearing instruments. Cash and short-term investments include guaranteed investment certificates at call which have variable interest rates. Sensitivity to a plus or minus 1% change in interest rates would affect net loss by approximately \$4,400.

(c) Credit risk is the risk of loss associated with a counter-party's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash, short-term investments and sundry receivables. The Company has no significant concentration of credit risk arising from operations. Cash and short-term investments are held with the Royal Bank of Canada, from which management believes the risk of loss to be minimal. Sundry receivables consist of harmonized sales tax and goods and services tax due from the Federal Government of Canada and a receivable from a related party (Note 9). Management believes that the credit risk concentration with respect to sundry receivables is minimal. Sundry receivables are in good standing as of July 31, 2010.

(d) Fair value

The Company, for accounting purposes, has designated its cash and short-term investments as held-for-trading, which are measured at fair value. Sundry receivables are classified for accounting purposes as loans and receivables, which are measured at amortized cost. Long-term investments are classified for accounting purposes as available-for-sale, which are measured at fair value. Accounts payable and accrued liabilities are classified for accounting purposes as other financial liabilities, which are measured at amortized cost.

As at July 31, 2010, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

Fair value measurement of assets and liabilities recognized on the balance sheet are categorized into levels within a fair value hierarchy based on the nature of valuation inputs. The Company's cash, short-term investments and long-term investments are classified as Level 1 within the fair value hierarchy as at July 31, 2010.

**PROBE MINES LIMITED**  
(A Development Stage Enterprise)  
Notes to Interim Financial Statements  
Three Months Ended July 31, 2010  
(Unaudited)  
(Expressed in Canadian Dollars)

**5. EQUIPMENT**

	<b>July 31, 2010</b>		
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net</b>
Computer equipment	\$ 9,475	\$ 7,183	\$ 2,292
	<b>April 30, 2010</b>		
	<b>Cost</b>	<b>Accumulated Amortization</b>	<b>Net</b>
Computer equipment	\$ 9,475	\$ 6,997	\$ 2,478

**6. LONG-TERM INVESTMENTS**

	<b>Cost</b>	<b>Cumulative Other Comprehensive Adjustment</b>	<b>July 31, 2010 Fair Value <sup>(4)</sup></b>
			<b>Cost</b>
Mantis Mineral Corp. <sup>(1)</sup>	\$ 40,000	\$ (35,000)	\$ 5,000
Lake Shore Gold Corp. <sup>(2)</sup>	129,000	40,725	169,725
	\$ 169,000	\$ 5,725	\$ 174,725
	<b>Cost</b>	<b>Cumulative Other Comprehensive Adjustment</b>	<b>July 31, 2010 Fair Value <sup>(4)</sup></b>
			<b>Cost</b>
Mantis Mineral Corp. <sup>(1)</sup>	\$ 40,000	\$ (34,000)	\$ 6,000
Lake Shore Gold Corp. <sup>(2)</sup>	129,000	47,295	176,295
	\$ 169,000	\$ 13,295	\$ 182,295

<sup>(1)</sup> The Company owns 200,000 common shares of Mantis Mineral Corp.;

<sup>(2)</sup> The Company owns 54,750 common shares of Lake Shore Gold Corp.;

<sup>(3)</sup> Fair value was determined by using the bid price of the securities as at April 30, 2010; and

<sup>(4)</sup> Fair value was determined by using the bid price of the securities as at July 31, 2010.

**PROBE MINES LIMITED**  
**(A Development Stage Enterprise)**  
**Notes to Interim Financial Statements**  
**Three Months Ended July 31, 2010**  
**(Unaudited)**  
**(Expressed in Canadian Dollars)**

---

**7. INTEREST IN MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES**

For a description of the mineral properties owned by the Company, refer to Note 7 of the audited financial statements as at April 30, 2010.

On a quarterly basis, management of the Company review exploration costs to ensure deferred expenditures include only costs and projects that are eligible for capitalization. Specific changes to mineral properties and deferred exploration expenditures that occurred from May 1, 2010 to July 31, 2010 are as follows:

**(a) Borden Lake Project**

The Company amended the Borden Lake agreement to include additional claims staked by the vendors surrounding the original property package. In consideration for the claims the Company issued an additional 50,000 shares (issued on August 25, 2010) to the vendors upon signing of the amended agreement. The agreement has also been amended to include an area of influence covering these new claims and all future acquisitions by the Optionor. All other terms and payments from the original agreement remain unchanged.

**(b) Black Creek Project**

On August 9, 2010, the Directors of Probe announced that Probe and Noront Resources Ltd. ("Noront") have come to an agreement to dissolve the current joint venture agreement in the Ring of Fire, James Bay Lowlands and divide the joint venture claims between the two companies. As part of the agreement, Probe will acquire a 100% interest in the Black Creek chromite deposit and another claim along the chromite trend, while Noront will acquire a 100% interest in claims surrounding their Eagle's Nest nickel deposit and north of their Thunderbird vanadium deposit.

Under the terms of the agreement Noront and Probe will each acquire a 100% undivided interest in their respective claims. No cash or share payments will be made as part of the agreement, being a straight transfer of interests in the mineral properties.

**PROBE MINES LIMITED**  
**(A Development Stage Enterprise)**  
**Notes to Interim Financial Statements**  
**Three Months Ended July 31, 2010**  
**(Unaudited)**  
**(Expressed in Canadian Dollars)**

**8. CAPITAL STOCK**

**(a) Authorized**

Unlimited common shares

**(b) Issued**

	<b>Number of shares</b>		<b>Amount</b>
Balance, April 30, 2010	34,266,472	\$	8,811,547
Shares issued pursuant to private placement (i)	2,222,221		1,000,000
Finder's fee (i)	88,888		40,000
Warrants issued - Black-Scholes valuation (i)	-		(320,266)
Exercise of stock options	25,000		3,750
Black-Scholes valuation of exercised stock options	-		2,050
Share issue costs - cash	-		(101,360)
<b>Balance, July 31, 2010</b>	<b>36,602,581</b>	<b>\$</b>	<b>9,435,721</b>

(i) In June 2010, the Company closed its non-brokered private placement financing with MineralFields Group for gross proceeds of \$1,000,000 through the sale of 2,222,221 Flow-Through Units (the "Units"). Each whole Unit consists of one flow-through common share and one-half of one non-flow-through common share purchase warrant. Each whole common share purchase warrant entitles the holder to acquire one common share for \$0.75 until June 3, 2012.

The securities issued pursuant to the private placement will be subject to trade restrictions expiring on October 4, 2010. A finder's fee was paid in connection with the private placement, consisting of 88,888 Units and 177,777 compensation options. The compensation options are exercisable for Units that are further exercisable on the same terms as provided above.

The fair value of the warrants was determined to be \$290,044 at the date of grant and was estimated using the Black-Scholes pricing model based on the following assumptions: expected dividend yield of 0%; risk-free interest of 1.79%; expected life of two years; and volatility of 162%.

The fair value of the compensation options was determined to be \$30,222 at the date of grant and was estimated using the Black-Scholes pricing model based on the following assumptions: expected dividend yield of 0%; risk-free interest of 1.79%; expected life of one year; and volatility of 131%.

**PROBE MINES LIMITED**  
**(A Development Stage Enterprise)**  
**Notes to Interim Financial Statements**  
**Three Months Ended July 31, 2010**  
**(Unaudited)**  
**(Expressed in Canadian Dollars)**

**8. CAPITAL STOCK (Continued)**

**(c) Stock Options**

A summary of changes in stock options is as follows:

	Number of options	Weighted Average Exercise Price
Balance, April 30, 2010	3,162,500	\$ 0.41
Exercised	(25,000)	0.15
Balance, July 31, 2010	3,137,500	\$ 0.41

As of July 31, 2010, the following stock options were outstanding:

Expiry Date	Exercise Price (\$)	Options Outstanding	Remaining Contractual Life (Yrs)	Options Exercisable	Remaining Contractual Life (Yrs)	Black-Scholes Valuation (\$)
September 19, 2010	0.45	500,000	0.14	500,000	0.14	126,925
January 23, 2011	0.75	287,500	0.48	287,500	0.48	163,769
November 28, 2011	0.20	200,000	1.33	200,000	1.33	27,800
November 15, 2012	0.74	200,000	2.30	200,000	2.30	117,605
December 3, 2012	0.74	200,000	2.35	200,000	2.35	82,200
December 14, 2012	0.74	75,000	2.38	75,000	2.38	37,650
January 28, 2013	0.61	150,000	2.50	150,000	2.50	78,900
October 16, 2013	0.15	925,000	3.21	925,000	3.21	75,850
April 12, 2015	0.38	600,000	4.70	550,000	4.70	201,600
		3,137,500	2.47	3,087,500	2.43	912,299

**(d) Warrants**

A summary of changes in warrants is as follows:

	Number of Warrants	Weighted Average Exercise Price
Balance, April 30, 2010	500,000	\$ 0.75
Granted (Note 8(b)(i))	1,155,553	0.75
Balance, July 31, 2010	1,655,553	\$ 0.75

**PROBE MINES LIMITED**  
**(A Development Stage Enterprise)**  
**Notes to Interim Financial Statements**  
**Three Months Ended July 31, 2010**  
**(Unaudited)**  
**(Expressed in Canadian Dollars)**

**8. CAPITAL STOCK (Continued)**

**(d) Warrants (Continued)**

As at July 31, 2010, the following warrants were outstanding:

<b>Expiry Date</b>	<b>Exercise Price (\$)</b>	<b>Warrants Outstanding</b>	<b>Black-Scholes Valuation</b>
February 2, 2012	0.75	500,000	\$ 131,500
June 3, 2012 (Note 8(b)(i))	0.75	1,155,553	290,044
		1,655,553	\$ 421,544

**(e) Broker Compensation Warrants**

A summary of changes in broker compensation warrants is as follows:

	<b>Number of Compensation Warrants</b>	<b>Weighted Average Exercise Price</b>
Balance, April 30, 2010	-	\$ -
Granted (Note 8(b)(i))	177,777	0.45
Balance, July 31, 2010	177,777	\$ 0.45

As at July 31, 2010, the following warrants were outstanding:

<b>Expiry Date</b>	<b>Exercise Price (\$)</b>	<b>Compensation Warrants</b>	<b>Black-Scholes Valuation</b>
June 3, 2011 <sup>(1)</sup>	0.45	177,777	\$ 30,222

<sup>(1)</sup> Each whole Unit consists of one non-flow-through common share and one-half of one non-flow-through common share purchase warrant. Each whole common share purchase warrant entitles the holder to acquire one common share for \$0.75 until June 3, 2012.

**(f) Loss Per Share**

The loss per share figures have been calculated using the weighted average number of common shares outstanding during the respective periods. Basic loss per share is computed by dividing earnings by the weighted average number of common shares outstanding for the period. No dilutive loss per share has been disclosed as potential dilutive instruments would be anti-dilutive.

**PROBE MINES LIMITED**  
**(A Development Stage Enterprise)**  
**Notes to Interim Financial Statements**  
**Three Months Ended July 31, 2010**  
**(Unaudited)**  
**(Expressed in Canadian Dollars)**

---

**9. RELATED PARTY TRANSACTIONS**

During the three months ended July 31, 2010, the Company paid consulting fees of \$37,500 (three months ended July 31, 2009 - \$37,500), of which \$30,000 (three months ended July 31, 2009 - \$33,750) is included in interest in mineral properties and deferred exploration expenditures and \$7,500 (three months ended July 31, 2009 - 3,750) is included in consulting fees, to a company controlled by a director. The Company was also charged legal fees of \$19,286 (three months ended July 31, 2009 - \$3,825) by a professional corporation controlled by a director of the Company. As at July 31, 2010, the Company accrued in sundry receivables \$4,346 (April 30, 2010 - \$4,346) for expenses paid on behalf of Canstar Resources Inc. ("Canstar"). Probe and Canstar have two directors in common. This balance bears no interest and is due on demand.

During the three months ended July 31, 2010, the Company paid \$4,500 (three months ended July 31, 2009 - \$4,500), to Marrelli CFO Outsource Syndicate Inc. ("Marrelli") for the services of Carmelo Marrelli to act as Chief Financial Officer of the Company. Carmelo Marrelli is the president of Marrelli. The Chief Financial Officer is the president of Marrelli Support Services Inc. ("MSSI"), a firm providing accounting services, an officer of DSA Corporate Services Inc. ("DSA"), a firm providing corporate secretarial services and an officer of D & R Filing Corp. ("D & R"), a firm providing regulatory filing services. During the three months ended July 31, 2010, the Company expensed \$7,975 (three months ended July 31, 2009 - \$6,900) for services rendered by MSSI, DSA and D & R. In addition, as at July 31, 2010, MSSI, DSA and D & R were owed \$11,096 (April 30, 2010 - \$10,479) and this amount was included in accounts payable and accrued liabilities.

During the three months ended July 31, 2010, director fees of \$4,000 (three months ended July 31, 2009 - \$4,000) were paid.

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.

**PROBE MINES LIMITED**  
**(A Development Stage Enterprise)**  
**Notes to Interim Financial Statements**  
**Three Months Ended July 31, 2010**  
**(Unaudited)**  
**(Expressed in Canadian Dollars)**

---

**10. COMMITMENT**

Pursuant to the terms of the flow-through share agreements, the Company is in the process of complying with its flow-through contractual obligations with subscribers with respect to the Income Tax Act (Canada) requirements for flow-through shares. As at July 31, 2010, the Company is committed to incurring \$1,000,000 in Canadian exploration expenditures ("CEE") by December 31, 2010 arising from the flow-through offerings. The Company may institute the look-back rule subject to the Income Tax Act (Canada) which will give the Company until December 31, 2011 to spend the required CEE.

**11. SUBSEQUENT EVENTS**

(a) Notes 7(a) and 7(b).

(b) On August 16, 2010, Probe announced that its board of directors (the "Board") has approved the adoption of a shareholder right plan (the "Plan") dated August 16, 2010.

The purpose of the Plan is to provide both shareholders and the Board sufficient time to adequately consider a take-over bid and to allow for competing and alternative proposals to emerge during the period between the announcement of the proposed take-over bid and the period of review allowed within the Plan. The Plan is similar to those adopted by other Canadian public companies, and Probe is currently unaware of any party contemplating or preparing a proposal to acquire control of the Company.

At the close of business on August 16, 2010 existing shareholders of the Company were granted "Rights" to acquire additional common shares. The Rights were granted for no cash or non-cash consideration. These Rights are attached to each share as long as the Plan remains in effect. Each subsequent shareholder who invests in the Company's common shares will also be entitled to the Rights for no consideration.

The value of these Rights are that they allow shareholders, other than the take-over bidder, to purchase, at the exercise price one common share of the Company for each common share held. This Right is triggered only if a party acquires or announces its intention to acquire 20% or more of the outstanding shares of the Company and this proposed acquisition does not meet the permitted bid requirements set forth within the Plan. Under the Plan, only bids that meet certain specific requirements intended to protect the interests of all shareholders will qualify as permitted bids. Permitted bids must be made to all shareholders of the Company, must remain open for 60 days and must be made by way of a take-over bid circular prepared in compliance with applicable securities laws.

The Board's approval of the Plan is subject to the ratification by the shareholders of the Company at the annual meeting of shareholders of the Company scheduled for October 7, 2010. Unless otherwise terminated in accordance with its terms, the Plan will terminate at the close of the third annual meeting of Probe shareholders, following the meeting at which the Plan is ratified by shareholders, unless the Plan is reconfirmed and extended at such meeting.