

PROBE MINES LIMITED  
**BALANCE SHEET**  
AS AT

	October 31, 2002 \$	April 30, 2002 \$
<b>ASSETS</b>		
<b>CURRENT</b>		
Cash	-	5,129
Sundry receivable	<u>2,122</u>	<u>785</u>
	2,122	5,914
<b>INTEREST IN MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (Note 5)</b>		
	<u>4,401</u>	<u>1</u>
	<u><u>6,523</u></u>	<u><u>5,915</u></u>
<b>LIABILITIES</b>		
<b>CURRENT</b>		
Accounts payable and accrued liabilities	13,433	9,354
<b>ADVANCES FROM SHAREHOLDERS</b>	<u>23,529</u>	<u>16,666</u>
	<u>36,962</u>	<u>26,020</u>
<b>CAPITAL STOCK AND DEFICIT</b>		
<b>CAPITAL STOCK (Note 3)</b>	1,251,939	1,251,939
<b>CONTRIBUTED SURPLUS</b>	598,108	598,108
<b>(DEFICIT)</b>	<u>(1,880,486)</u>	<u>(1,870,152)</u>
	<u>(30,439)</u>	<u>(20,105)</u>
	<u><u>6,523</u></u>	<u><u>5,915</u></u>

APPROVED ON BEHALF OF THE BOARD:

Sgd. "Harry J. Hodge", Director

Sgd. "Dennis H. Peterson", Director

UNAUDITED

PROBE MINES LIMITED  
**STATEMENT OF OPERATIONS AND DEFICIT**  
FOR THE PERIODS ENDED OCTOBER 31

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	October 31, 2002 \$	October 31, 2001 \$	October 31, 2002 \$	October 31, 2001 \$
<b>OPERATING EXPENSES</b>				
Transfer agent and filing fees	4,984	4,438	8,370	6,025
Professional fees	1,300	-	1,800	-
Office and general	19	-	19	-
Shareholder information	<u>145</u>	<u>1,195</u>	<u>145</u>	<u>1,243</u>
<b>NET LOSS</b> for the period	6,448	5,633	10,334	7,268
<b>DEFICIT</b> , beginning of period	<u>1,874,038</u>	<u>1,843,349</u>	<u>1,870,152</u>	<u>1,841,714</u>
<b>DEFICIT</b> , end of period	<u>1,880,486</u>	<u>1,848,982</u>	<u>1,880,486</u>	<u>1,848,982</u>
<b>NET LOSS PER SHARE - Basic</b>	<u>0.001</u>	<u>0.001</u>	<u>0.001</u>	<u>0.002</u>
<b>WEIGHTED AVERAGE NUMBER OF SHARES</b>	<u>8,732,189</u>	<u>4,539,889</u>	<u>8,732,189</u>	<u>4,539,889</u>

**STATEMENT OF CASH FLOWS**  
FOR THE PERIODS ENDED OCTOBER 31

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	October 31, 2002 \$	October 31, 2001 \$	October 31, 2002 \$	October 31, 2001 \$
<b>CASH FLOWS FROM (USED IN) OPERATING ACTIVITIES</b>				
Net (loss) for the period	(6,448)	(5,633)	(10,334)	(7,268)
Changes in non-cash working capital balances:				
(Increase) in sundry receivable	(989)	(8)	(1,337)	(2)
Increase in accounts payable and accrued liabilities	<u>7,908</u>	<u>-</u>	<u>4,079</u>	<u>-</u>
Cash flows from (used in) operating activities	<u>471</u>	<u>(5,641)</u>	<u>(7,592)</u>	<u>(7,270)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Advances from shareholders	3,759	-	6,863	-
Advances from affiliated corporation	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>7,000</u>
Cash flows from financing activities	<u>3,759</u>	<u>5,000</u>	<u>6,863</u>	<u>7,000</u>
<b>CASH FLOWS (USED IN) INVESTING ACTIVITIES</b>				
Mineral properties and deferred exploration Expenditures	<u>(4,400)</u>	<u>-</u>	<u>(4,400)</u>	<u>-</u>
(Decrease) in cash	(170)	(641)	(5,129)	(270)
Cash, beginning of period	<u>170</u>	<u>1,090</u>	<u>5,129</u>	<u>719</u>
Cash, end of period	<u>-</u>	<u>449</u>	<u>-</u>	<u>449</u>

UNAUDITED

**1. BASIS OF PRESENTATION**

The accompanying unaudited interim financial statements are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). They do not include all of the information and disclosures required by Canadian GAAP for annual financial statements. In the opinion of management, all adjustments considered necessary for fair presentation have been included in these financial statements. Operating results for the periods ended October 31, 2002 are not necessarily indicative of the results that may be expected for the full year ended April 30, 2003. For further information, see the Company's financial statements including the notes thereto for the year ended April 30, 2002.

**2. ACCOUNTING CHANGES**

***Stock-based compensation***

Effective May 1, 2002, the Company adopted the new recommendations of CICA Handbook Section 3870, Stock-based Compensation and Other Stock-based Payments. This Section establishes standards for the recognition, measurement and disclosure of stock-based compensation and other stock-based payments made in exchange for goods and services. These new recommendations require that compensation for all awards made to non-employees and certain awards made to employees be measured and recorded in the financial statements at fair value. This Section also sets out a fair value based method of accounting for stock options issued to employees and applies to awards granted on or after January 1, 2002.

The Company, as permitted by Section 3870, has chosen to continue its existing policy of recording no compensation cost on the grant of stock options to employees. Any consideration paid by employees on exercise of stock options is credited to capital stock.

**3. CAPITAL STOCK**

The capital stock is as follows:

**a) Authorized:**

Unlimited number of common shares

**b) Issued:**

8,732,189 common shares

Transactions during the year are as follows:

	<u>Number of Shares</u> #	<u>Amount</u> \$
<b>Common shares</b>		
Balance, April 30, 2001	4,539,889	832,709
Common shares issued for settlement of debt	<u>4,192,300</u>	<u>419,230</u>
Balance, April 30, 2002 and October 31, 2002	<u>8,732,189</u>	<u>1,251,939</u>

**c) Stock options**

The Company does not have a management stock option plan. As at October 31, 2002, there were no options issued and outstanding.

**d) Share purchase warrants**

As at October 31, 2002, the Company has no warrants issued and outstanding.

**4. INCOME TAXES**

The Company utilizes the asset and liability method of accounting for incomes taxes.

(a) **Provision for Income Taxes**

Major items causing the Company's income tax rate to differ from the federal statutory rate of 40% (April 30, 2002 – 40%) were as follows:

	October 31, <u>2002</u> \$	April 30, <u>2002</u> \$
(Loss) before taxes:	<u>(10,334)</u>	<u>(28,438)</u>
Expected income tax recovery based on statutory rate	(4,134)	(11,375)
Increase (decrease) resulting from:		
Non-deductible expenses:		
Write down of investments	-	208
Current year valuation allowance	<u>4,134</u>	<u>11,167</u>
	<u>-</u>	<u>-</u>

(b) **Future Tax Balances**

The tax effects of temporary differences that give rise to future income tax assets at October 31, 2002 are as follows:

	October 31, <u>2002</u> \$	April 30, <u>2002</u> \$
Future income tax assets:		
Non-capital loss carry forwards	42,000	38,900
Valuation allowance	<u>(42,000)</u>	<u>(38,900)</u>
	<u>-</u>	<u>-</u>

As at October 31, 2002, the Company had available for deduction against future taxable income, non-capital losses of approximately \$105,000 which, if unutilized, begin to expire in 2003. The potential income tax benefit of these losses has not been recognized in the accounts.

**5. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES**

	October 31, <u>2002</u> \$	April 30, <u>2002</u> \$
Mineral properties (Note 5(a))	1	1
Deferred exploration expenditures (Note 5(b))	<u>4,400</u>	<u>-</u>
Total	<u><u>4,401</u></u>	<u><u>1</u></u>

- (a) The Company holds a royalty interest in ten unpatented mining claims in Dubuisson Township, Quebec, conveyed to Agnico-Eagle Mines Limited (“Agnico-Eagle”). The Company retains a royalty of 5% of net smelter results on any gold produced from the claims.
- (b) During the six months ended October 31, 2002, the company has entered into an arm’s length agreement to acquire a 100% interest in 5 mineral claims called the Serpent Creek property located in the Northwestern Ontario. The Company can earn a 100% interest (subject to a 1% Net Smelter Return Royalty) in the 5 mineral claims by (i) completing exploration expenditures of a minimum of \$25,000 during the next 12 months; (ii) making cash payments to the property owner totalling \$10,000 over the next 2 years; and (iii) issuing a total of 350,000 shares to the property owner over the next two years. One-half of the net smelter return may be acquired for \$500,000 upon commencement of commercial production.

**6. SUBSEQUENT EVENT**

The Company is in the process of arranging a non-brokered private financing for gross proceeds of \$100,000. The private placement will consist of 1,333,333 units at \$0.75 per unit and each unit will consist of one common share and one share purchase warrant. A warrant will entitle the holder to acquire one common share for \$0.10 in the one-year period after the closing. The financing is subject to regulatory approval.