

# **NOTICE TO SHAREHOLDERS FOR THE SIX MONTHS ENDED OCTOBER 31, 2004**

## **PROBE MINES LIMITED**

### Responsibility for Financial Statements

The accompanying 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, 2004 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 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 and six months ended October 31, 2004 and October 31, 2003.

# Probe Mines Limited

Balance Sheets (Prepared by Management - Unaudited)

	October 31, 2004 (Unaudited)	April 30, 2004 (Audited)
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 424,610	\$ 646,698
Subscriptions receivable	-	310,000
<u>Sundry receivable and prepaid</u>	<u>81,444</u>	<u>26,372</u>
	506,054	983,070
Equipment	4,545	5,347
Interest in mineral properties and deferred exploration expenditures (Note 2)	643,501	298,648
	<u>\$ 1,154,100</u>	<u>\$ 1,287,065</u>

## Liabilities and Shareholders' Equity

Current Liabilities:		
<u>Accounts payable and accrued liabilities</u>	<u>\$ 53,117</u>	<u>\$ 124,605</u>
Shareholders' equity:		
Share capital (Note 3)	2,560,408	2,560,408
Broker compensation warrants (Note 7)	53,500	53,500
Contributed surplus	692,512	690,508
<u>Deficit</u>	<u>(2,205,437)</u>	<u>(2,141,956)</u>
	<u>1,100,983</u>	<u>1,162,460</u>
	<u>\$ 1,154,100</u>	<u>\$ 1,287,065</u>

APPROVED ON BEHALF OF THE BOARD:

Sgd. "Harry J. Hodge" \_\_\_\_\_, Director

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

# Probe Mines Limited

## Statements of Operations and Deficit

(Prepared by Management - Unaudited)

	For the Three Months Ended October 31,		For the Six Months Ended October 31,	
	2004	2003	2004	2003
<b>Expenses</b>				
Investor relations	\$ 11,185	\$ -	\$ 29,403	\$ -
Professional fees	4,859	1,000	11,409	3,000
Transfer agent and filing fees	8,334	7,391	10,494	9,393
Shareholder information	1,388	1,919	1,918	1,919
Occupancy costs	3,613	-	7,575	-
Office and general	495	159	1,780	159
Stock option compensation (Note 4)	2,004	-	2,004	-
Amortization	401	-	802	-
	32,279	10,469	65,385	14,471
Net loss before undernoted	(32,279)	(10,469)	(65,385)	(14,471)
Interest income	1,401	434	1,904	434
Write-down of interest in mineral properties and deferred exploration expenditures	-	(50,022)	-	(50,022)
Net loss for the period	(30,878)	(60,057)	(63,481)	(64,059)
DEFICIT, beginning of period	(2,174,559)	(1,898,519)	(2,141,956)	(1,894,517)
DEFICIT, end of period	\$ (2,205,437)	\$ (1,958,576)	\$ (2,205,437)	\$ (1,958,576)
Basic and diluted loss per share (Note 6)	\$ 0.00	\$ 0.01	\$ 0.00	\$ 0.01
Weighted average number of shares	15,030,794	10,178,556	15,030,794	10,178,556

# Probe Mines Limited

## Statements of Cash Flows (Prepared by Management - Unaudited)

	For the Three Months Ended October 31,		For the Six Months Ended October 31,	
	2004	2003	2004	2003
Cash provided by (used in):				
Operating activities:				
Net loss for the period	\$ (30,878)	\$ (60,057)	\$ (63,481)	\$ (64,059)
Items not involving cash:				
Amortization	401	-	802	-
Stock option compensation (Note 4)	2,004	-	2,004	-
Write-down of interest in mineral properties and deferred exploration expenditures	-	50,022	-	50,022
Changes in non-cash working capital	8,602	(760)	183,440	3,217
	(19,871)	(10,795)	122,765	(10,820)
Investing activities:				
Additions to interest in mineral properties and deferred exploration	(272,145)	(32,104)	(344,853)	(32,104)
Change in cash and cash equivalents	(292,016)	(42,899)	(222,088)	(42,924)
Cash and cash equivalents, beginning of period	716,626	46,873	646,698	46,898
Cash and cash equivalents, end of period	\$ 424,610	\$ 3,974	\$ 424,610	\$ 3,974

# Probe Mines Limited

## Notes to Financial Statements

(Prepared by Management - Unaudited)

Six Months Ended October 31, 2004

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### 1. ACCOUNTING POLICIES

Probe Mines Ltd. (the "Company"), which is in the development stage, is in the process of exploring its Canadian resource properties for mineral resources and has not determined whether the properties contain economically recoverable reserves. 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.

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 complete 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 and six month periods ended October 31, 2004 may not be necessarily indicative of the results that may be expected for the year ending April 30, 2005.

The balance sheet at April 30, 2004 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 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, 2004. For further information, refer to the financial statements and notes thereto included in the Company's annual financial statements for the year ended April 30, 2004.

### 2. MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

As of October 31, 2004, accumulated costs with respect to the Company's interest in mineral properties owned, leased or under option, consisted of the following:

	Opening Balance April 30, 2004	Additions (Reductions) (**)	Ending Balance October 31, 2004
Dubuisson Township (*)	\$ 1	\$ -	\$ 1
McFauld's Lake Property (*)	180,727	248,443	429,170
Bristol Township (*)	117,920	96,410	214,330
	<u>\$ 298,648</u>	<u>\$ 344,853</u>	<u>\$ 643,501</u>

(\*) The descriptions of these properties can be found in the April 30, 2004 audited financial statements.

(\*\*) Refer to Supplement I of the October 31, 2004 unaudited financial statements for a breakdown of material costs to comply with Form 51-102F1.

# Probe Mines Limited

## Notes to Financial Statements

(Prepared by Management - Unaudited)

Six Months Ended October 31, 2004

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### 3. CAPITAL STOCK

(a) Authorized  
Unlimited common shares

(b) Issued

	<u>Shares</u>	<u>Amount</u>
Balance, April 30, 2004 (audited) and October 31, 2004 (unaudited) (***)	<u>15,030,794</u>	<u>\$ 2,560,408</u>

(\*\*\*) Refer to Supplement II of the October 31, 2004 unaudited financial statements for disclosure of information relating to the outstanding securities of the Company as at November 28, 2004 to comply with Form 51-102F1.

### 4. Stock options

The following table reflects the continuity of stock options for the six months ended October 31, 2004:

	NUMBER OF STOCK OPTIONS	WEIGHTED AVERAGE EXERCISE PRICE \$
Balance, April 30, 2004 (audited)	1,120,000	0.11
Cancelled	(20,000)	0.75
Granted (****)	21,430	0.70
<b>Balance, October 31, 2004 (unaudited)</b>	<b>1,121,430</b>	<b>0.11</b>

The following table reflects the actual stock options outstanding as of October 31, 2004:

Expiry Date	Exercise Price (\$)	Options Outstanding	Black-Scholes Valuation (\$)
November 7, 2008	0.10	1,100,000	85,000
(****) June 10, 2006	0.70	21,430	2,004
		<b>1,121,430</b>	<b>87,004</b>

(\*\*\*\*) The Company has engaged Ensign Corporate Communications ("Ensign") for investor relations and corporate communications services. Ensign is an arm's length consulting firm specializing in investor relations and corporate communications and is based in Toronto. Tim German of Ensign will assist Probe with its investor relations and corporate communications programs. Pursuant to an agreement with Ensign, Ensign will provide investor relations and corporate communications services for an initial period of 6 months expiring on November 30, 2004, with a right to renew for a further six months thereafter. Ensign will be paid a monthly fee of \$5,000 and will be entitled to receive an option of 21,430 shares. The options vest as to 25% every three months are exercisable at a price of \$0.70 per share for a period equal to the lesser of 2 years and 30 days after termination of the agreement. The fair value of the 21,430 shares was estimated using the Black-Scholes pricing model based on the following assumptions: dividend yield of 0%; risk-free interest rate of 3%; expected life of two years; and volatility of 100%. The value of the 21,430 shares will be expensed in the statement of operations and deficit as they vest. As of October 31, 2004, \$2,004 was expensed in the statement of operations and deficit.

# Probe Mines Limited

## Notes to Financial Statements

(Prepared by Management - Unaudited)

Six Months Ended October 31, 2004

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### 5. Income Tax

The estimated taxable income tax for the period is \$nil. Based upon the level of historical taxable income, it cannot be reasonably estimated at this time, if it is more likely than not that the Company will realize the benefits from future income taxes or the amounts owing from future income tax liabilities. Consequently, the future recovery or loss arising from differences in tax values and accounting values has been reduced by an equivalent estimated temporary difference valuation allowance. The estimated difference valuation allowance will be adjusted in the period that it is determined that it is more likely than not that some or all of the future tax assets or liabilities will be realized.

### 6. Basic and diluted loss per share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. Diluted loss per share, which reflects the maximum possible dilution from the potential exercise of outstanding stock options and warrants, is the same as basic loss per share for the period ended. The conversion of stock options and warrants to calculate diluted loss per share was not done, because the conversion was anti-dilutive.

### 7. Warrants

As at October 31, 2004, the Company had the following broker compensation warrants and warrants outstanding:

BLACK-SCHOLES VALUATION (\$)	NUMBER OF BROKER COMPENSATION WARRANTS AND WARRANTS	EXERCISE PRICE (\$)	EXPIRY DATE
\$ 53,500	142,857	0.70	April 26, 2006
-	714,286	1.00	April 26, 2006
\$ 53,500	857,143		

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# Probe Mines Limited

Supplement I to the Financial Statements

(Prepared by Management - Unaudited)

Six Months Ended October 31, 2004

## MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES BREAKDOWN

### Dubuisson Township

	For the Three Months Ended October 31,		For the Six Months Ended October 31,	
	2004	2003	2004	2003
Activity during the period	\$ -	\$ -	\$ -	\$ -

### McFauld's Lake Property

	For the Three Months Ended October 31,		For the Six Months Ended October 31,	
	2004	2003	2004	2003
Activity during the period				
Transportation	\$ 159,614	\$ -	\$ 169,034	\$ -
Consulting	47,066	-	55,816	-
Drilling	19,202	-	19,202	-
Geological	2,000	-	4,000	-
Travel	-	-	391	-
	\$ 227,882	\$ -	\$ 248,443	\$ -

### Bristol Township

	For the Three Months Ended October 31,		For the Six Months Ended October 31,	
	2004	2003	2004	2003
Activity during the period				
Drilling	\$ 28,736	\$ -	\$ 69,710	\$ -
Consulting	8,750	-	17,500	-
Assays	6,777	-	6,927	-
Geological	-	-	1,200	-
Travel	-	-	1,073	-
	\$ 44,263	\$ -	\$ 96,410	\$ -
Total activity during the period	\$ 272,145	\$ -	\$ 344,853	\$ -

# Probe Mines Limited

Supplement II to the Financial Statements

(Prepared by Management - Unaudited)

Six Months Ended October 31, 2004

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OUTSTANDING SECURITIES AS OF NOVEMBER 28, 2004

(a) As of November 28, 2004, there were 15,030,794 common shares outstanding.

(b) Stock options

The following table reflects the actual stock options outstanding as of November 28, 2004:

Expiry Date	Exercise Price (\$)	Options Outstanding
November 7, 2008	0.10	1,100,000
June 10, 2006	0.70	21,430
		1,121,430

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(c) Warrants

As at November 28, 2004, the Company had the following broker compensation warrants and warrants outstanding:

NUMBER OF BROKER COMPENSATION WARRANTS AND WARRANTS	EXERCISE PRICE (\$)	EXPIRY DATE
142,857	0.70	April 26, 2006
714,286	1.00	April 26, 2006
857,143		

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