

PROBE MINES LIMITED
BALANCE SHEET
AS AT

	January 31, 2004 \$	April 30, 2003 \$
ASSETS		
CURRENT		
Cash and short-term investments	103,534	46,898
Sundry receivable	<u>33,387</u>	<u>5,078</u>
	136,921	51,976
INTEREST IN MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES (Note 3)		
	<u>112,465</u>	<u>17,919</u>
	<u><u>249,386</u></u>	<u><u>69,895</u></u>
LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	<u>10,666</u>	<u>9,592</u>
CAPITAL STOCK AND DEFICIT		
CAPITAL STOCK (Note 4(b))	1,637,079	1,344,725
SHARE PURCHASE WARRANTS (Note 4(d))	-	11,987
CONTRIBUTED SURPLUS (Notes 2 and 4(c))	683,108	598,108
(DEFICIT)	<u>(2,081,467)</u>	<u>(1,894,517)</u>
	<u>238,720</u>	<u>60,303</u>
	<u><u>249,386</u></u>	<u><u>69,895</u></u>

APPROVED ON BEHALF OF THE BOARD:

Sgd. "Harry J. Hodge", Director

Sgd. "Dennis H. Peterson", Director

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

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	January 31, 2004 \$	January 31, 2003 \$	January 31, 2004 \$	January 31, 2003 \$
OPERATING EXPENSES				
Director and consulting fees	102,500	1,869	102,500	1,869
Transfer agent and filing fees	10,266	4,339	19,659	12,709
Professional fees	7,050	1,400	10,050	3,200
Shareholder information	1,662	3,969	3,581	4,114
Office and general	<u>1,413</u>	<u>3,369</u>	<u>1,572</u>	<u>3,388</u>
Loss before the under-noted:	122,891	14,946	137,362	25,280
Interest income	-	-	(434)	-
Write down of interest in mineral properties and deferred exploration expenditures	<u>-</u>	<u>-</u>	<u>50,022</u>	<u>-</u>
Loss before income taxes	122,891	14,946	186,950	25,280
Income taxes (recovery) (Note 5)	<u>-</u>	<u>(16,000)</u>	<u>-</u>	<u>(16,000)</u>
NET LOSS (INCOME) for the period	122,891	(1,054)	186,950	9,280
DEFICIT, beginning of period	<u>1,958,576</u>	<u>1,880,486</u>	<u>1,894,517</u>	<u>1,870,152</u>
DEFICIT, end of period	<u>2,081,467</u>	<u>1,879,432</u>	<u>2,081,467</u>	<u>1,879,432</u>
NET LOSS (INCOME) PER SHARE - Basic	<u>0.010</u>	<u>(0.000)</u>	<u>0.017</u>	<u>0.001</u>
WEIGHTED AVERAGE NUMBER OF SHARES	<u>12,477,005</u>	<u>9,172,348</u>	<u>10,944,706</u>	<u>8,878,909</u>

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PROBE MINES LIMITED
STATEMENT OF CASH FLOWS
FOR THE PERIODS ENDED JANUARY 31

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	January 31, 2004 \$	January 31, 2003 \$	January 31, 2004 \$	January 31, 2003 \$
CASH FLOWS FROM OPERATING ACTIVITIES				
Net (loss) income for the period	(122,891)	1,054	(186,950)	(9,280)
Adjustments for:				
Future income tax (recovery)	-	(16,000)	-	(16,000)
Stock-based compensation	85,000	-	85,000	-
Write down of interest in mineral properties and deferred exploration expenditures	-	-	50,022	-
	(37,891)	(14,946)	(51,928)	(25,280)
Changes in non-cash working capital balances:				
(Increase) in sundry receivable	(25,766)	(2,234)	(28,309)	(3,571)
(Decrease) increase in accounts payable and accrued liabilities	(4,686)	(9,047)	1,074	(4,968)
Cash flows from operating activities	<u>(68,343)</u>	<u>(26,227)</u>	<u>(79,163)</u>	<u>(33,819)</u>
CASH FLOWS FROM FINANCING ACTIVITIES				
Advances from shareholders	-	(3,759)	-	3,104
Issuance of common shares for cash	120,000	51,963	120,000	51,963
Issuance of flow-through shares for cash	-	36,000	-	36,000
Exercise of share purchase warrants	114,867	-	114,867	-
Share purchase warrants	-	11,987	-	11,987
Share issue costs	-	(1,447)	-	(1,447)
Cash flows from financing activities	<u>234,867</u>	<u>94,744</u>	<u>234,867</u>	<u>101,607</u>
CASH FLOWS FROM INVESTING ACTIVITIES				
Mineral properties and deferred exploration expenditures	<u>(66,964)</u>	<u>(7,868)</u>	<u>(99,068)</u>	<u>(12,268)</u>
Increase in cash	99,560	60,649	56,636	55,520
Cash, beginning of period	<u>3,974</u>	<u>-</u>	<u>46,898</u>	<u>5,129</u>
Cash, end of period	<u>103,534</u>	<u>60,649</u>	<u>103,534</u>	<u>60,649</u>
SUPPLEMENTAL INFORMATION:				
Interest paid	-	-	-	-
Income taxes paid	-	-	-	-
Common shares issued for interest in mineral properties	45,500	-	45,500	-
Stock-based compensation	85,000	-	85,000	-
Common shares issued for settlement of debt	-	19,770	-	19,770

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PROBE MINES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
 JANUARY 31, 2004

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 period ended January 31, 2004 are not necessarily indicative of the results that may be expected for the full year ended April 30, 2004. For further information, see the Company's financial statements including the notes thereto for the year ended April 30, 2003.

2. CHANGE IN ACCOUNTING POLICY

Stock-based Compensation:

Effective May 1, 2003, the Company adopted the revisions to the CICA Handbook Section 3870, which require a fair value based method of accounting to be applied to all stock-based compensation arrangements. The fair value of each option is accounted for in operations, over the vesting period of the options, and the related credit is included in contributed surplus.

As a result of applying this change prospectively in the current year, consulting fees, deficit and contributed surplus were increased by \$85,000.

3. INTEREST IN MINERAL PROPERTIES AND DEFERRED EXPLORATION EXPENDITURES

	Serpent Creek <u>Property</u> \$	Dubuisson Township <u>Township</u> \$	McFauld's Lake <u>Property</u> \$	Bristol Township <u>Township</u> \$	<u>Total</u> \$
Interest in mineral properties					
Balance, April 30, 2003	5,540	1	-	-	5,541
Incurred during the period	3,960	-	38,283	45,500	87,743
Written off during the period	<u>(9,500)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9,500)</u>
Balance, January 31, 2004	<u>-</u>	<u>1</u>	<u>38,283</u>	<u>45,500</u>	<u>83,784</u>
Deferred exploration expenditures					
Balance, April 30, 2003	12,378	-	-	-	12,378
Drilling	23,803	-	-	-	23,803
Travel	4,228	-	-	-	4,228
Consulting	-	-	500	-	500
Reports	-	-	28,181	-	28,181
Other	113	-	-	-	113
Written off during the period	<u>(40,522)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(40,522)</u>
Balance, January 31, 2004	<u>-</u>	<u>-</u>	<u>28,681</u>	<u>-</u>	<u>28,681</u>
Total	<u>-</u>	<u>1</u>	<u>66,964</u>	<u>45,500</u>	<u>112,465</u>

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4. CAPITAL STOCK

The capital stock is as follows:

- a) **Authorized:**
 Unlimited number of common shares
- b) **Issued:**
 13,477,223 common shares

Transactions during the year are as follows:

	<u>Number of Shares</u> #	<u>Amount</u> \$
Common Shares		
Balance, April 30, 2002	8,732,189	1,251,939
Common shares issued for settlement of debt	197,700	19,770
Common shares issued for interest in mineral properties	50,000	2,500
Common shares issued pursuant to private placement	1,198,667	87,963
Share issue costs	-	<u>(17,447)</u>
Balance, April 30, 2003	10,178,556	1,344,725
Common shares issued for cash	2,000,000	120,000
Exercise of share purchase warrants	1,198,667	131,854
Common shares issued for interest in mineral property	<u>100,000</u>	<u>40,500</u>
Balance, January 31, 2004	<u>13,477,223</u>	<u>1,637,079</u>

As at January 31, 2004, the Company had reserved for issuance, 25,000 common shares as consideration for McFauld's Lake Property staking costs.

- c) **Stock Options:**
 A summary of changes in stock options during the period is as follows:

	<u>Options</u> #	<u>Weighted average exercise price</u> \$
Balance, April 30, 2003	-	-
Granted	<u>1,100,000</u>	0.10
Balance, January 31, 2004 (Note 6(b))	<u>1,100,000</u>	0.10

As at January 31, 2004, the directors of the Company have been granted options as follows:

<u>Date of Grant</u>	<u>Options Granted</u> #	<u>Exercise Price</u> \$	<u>Expiry Date</u>
November 7, 2003	<u>1,100,000</u>	0.10	November 7, 2008

The fair value of each option was estimated on the date of the grant using the Black-Scholes option pricing model with the following weighted-average assumptions: expected dividend yield of 0%, expected volatility of 100%, risk-free interest rate of 4.5%, and an expected life of five years. The Black-Scholes option pricing model was developed for use in estimating the value of traded options that have no vesting restrictions and are fully transferable. Because the Company's stock-based compensation options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the estimate, in management's opinion, amounts estimated using the Black-Scholes option pricing model may differ materially to the actual fair value of the Company's stock-based compensation options.

PROBE MINES LIMITED
NOTES TO THE FINANCIAL STATEMENTS
 JANUARY 31, 2004

4. CAPITAL STOCK (Continued)

d) **Share Purchase Warrants:**

As at January 31, 2004, there were no warrants issued and outstanding. A summary of the Company's warrant activity is as follows:

	<u>Warrants</u> #	<u>Weighted average exercise price</u> \$
Balance, April 30, 2003	1,198,667	0.10
Exercised	<u>(1,198,667)</u>	(0.10)
Balance, January 31, 2004	<u><u>-</u></u>	-

5. 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 37% (2003 – 40%) were as follows:

	<u>January 31,</u> <u>2004</u> \$	<u>January 31,</u> <u>2003</u> \$
(Loss) before taxes:	<u>(186,950)</u>	<u>(9,280)</u>
Expected income tax recovery based on statutory rate	(69,200)	(3,700)
Adjustments to benefit resulting from:		
Share issue costs	(100)	(700)
Stock-based compensation	31,500	-
Write down of interest in mineral properties and deferred exploration expenditures	18,500	-
Exploration overhead	19,200	
Future tax assets not previously recognized	-	(16,000)
Current year valuation allowance	<u>100</u>	<u>4,400</u>
	<u><u>-</u></u>	<u><u>(16,000)</u></u>

b) **Future Tax Balances**

The tax effects of temporary differences that give rise to future income tax assets at January 31, 2004 are as follows:

	<u>January 31,</u> <u>2004</u> \$	<u>April 30,</u> <u>2003</u> \$
Future income tax assets:		
Non-capital loss carry forwards	47,200	51,100
Share issue costs	300	460
Resource properties	22,900	-
Valuation allowance	<u>(70,400)</u>	<u>(51,560)</u>
	<u><u>-</u></u>	<u><u>-</u></u>

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5. INCOME TAXES (Continued)

The Company has approximately \$174,000 of resource expenditures which, under certain circumstances, may be utilized to reduce Canadian taxable income of future years. The potential income tax benefit of these losses has not been recognized in the accounts.

As at January 31, 2004, the Company had available for deduction against future taxable income, non-capital losses of approximately \$128,000 which, if unutilized, begin to expire in 2004. The potential income tax benefit of these losses has not been recognized in the accounts.

6. SUBSEQUENT EVENTS

- a) Subsequent to January 31, 2004, the Company acquired a 100% interest in an additional 25 mineral claims in Bristol Township. Consideration for the claims consisted of a cash payment of \$6,000 and the issuance of 100,000 common shares of the Company. The vendor maintains a 3% Net Smelter Royalty ("NSR") interest, while the Company retains an option to buy back 2% of the NSR for \$1,500,000.
- b) Subsequent to January 31, 2004, the Company granted options to purchase 20,000 of its common shares to a consultant. The options are exercisable at a price of \$0.75 per common share until February 15, 2006.