

Planet Exploration Inc.

Financial Statements
For the year ended
March 31, 2008

Management's Responsibility

To the Shareholders of Planet Exploration Inc.:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgments and estimates in accordance with Canadian generally accepted accounting principles. This responsibility includes selecting appropriate accounting principles and methods and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors (the "Board") is comprised of four individuals, two of whom are independent from management. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and the external auditors. The Board is also responsible for recommending the appointment of the Company's external auditors.

MacKay LLP, an independent firm of Chartered Accountants, is appointed by the shareholders to audit the financial statements and reports directly to them and their report follows. The external auditors have full and free access to and meet periodically and separately with both the Board and management to discuss their audit findings.

July 22, 2008

"Ranjeet Sundher"
President

"Adrian Mann"
Vice President, Exploration

**CHARTERED
ACCOUNTANTS**

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AUDITORS' REPORT

To the Shareholders of Planet Exploration Inc.:

We have audited the balance sheet of Planet Exploration Inc. (the "Company") as at March 31, 2008 and the statements of loss and deficit and cash flows for the year then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2008 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The financial statements as at and for the year ended March 31, 2007 were audited by predecessor auditors, who expressed an opinion without reservation on these financial statements in their report dated June 15, 2007.

(Signed) "MacKay LLP"

Calgary, Alberta
June 20, 2008

Chartered Accountants

Planet Exploration Inc.
Balance Sheets
As at March 31

	2008	2007
Assets		
Current		
Cash and cash equivalents	\$ 6,804,715	\$ 7,608,713
Accounts receivable	44,303	38,664
Marketable securities	6,100	6,100
	6,855,118	7,653,477
Mineral property interests (note 3)	5,087,747	4,400,410
Equipment	1,588	2,029
	\$ 11,944,453	\$ 12,055,916
Liabilities		
Current		
Accounts payable	\$ 424,147	\$ 99,917
Future income taxes (note 4)	624,166	640,402
	1,048,313	740,319
Shareholders' Equity		
Common shares (note 5 (b))	11,341,692	11,333,932
Contributed surplus (note 5 (e))	1,045,019	1,021,158
Deficit	(1,490,571)	(1,039,493)
	10,896,140	11,315,597
	\$ 11,944,453	\$ 12,055,916

Approved on behalf of the Board:

"Darold H. Parken"

Darold H. Parken, Director

"Salim Jivraj"

Salim Jivraj, Director

See accompanying notes to financial statements

Planet Exploration Inc.
Statements of Loss and Deficit
Years Ended March 31

	<u>2008</u>	<u>2007</u>
Interest revenue	\$ 330,151	\$ 346,925
Expenses		
General and administrative	403,757	324,343
Stock-based compensation	26,021	165,533
Amortization	441	441
	<u>430,219</u>	<u>490,317</u>
Loss before other items	(100,068)	(143,392)
Other Items		
Write-down of mineral properties (note 3)	<u>(367,246)</u>	<u>-</u>
Loss before income taxes	(467,314)	(143,392)
Future income tax recovery (note 4)	<u>(16,236)</u>	<u>(260,936)</u>
Net loss and comprehensive loss	(451,078)	117,544
Deficit, beginning of year	<u>(1,039,493)</u>	<u>(1,157,037)</u>
Deficit, end of year	<u>\$ (1,490,571)</u>	<u>\$ (1,039,493)</u>
Loss per share - basic and diluted	<u>\$ (0.018)</u>	<u>\$ 0.005</u>
Weighted average number of shares outstanding		
Basic	<u>25,309,981</u>	<u>25,280,012</u>
Diluted	<u>25,562,614</u>	<u>25,423,559</u>

See accompanying notes to financial statements

Planet Exploration Inc.
Statements of Cash Flows
Years Ended March 31

	2008	2007
Operating Activities		
Net and comprehensive (loss) income	\$ (451,078)	\$ 117,544
Items not affecting cash		
Write-down of mineral properties	367,246	-
Amortization	441	441
Future income tax recovery	(16,236)	(260,936)
Stock-based compensation	26,021	165,533
	<u>(73,606)</u>	<u>22,582</u>
Net changes in non-cash working capital items related to operating activities (note 7)	<u>(5,639)</u>	<u>32,797</u>
	<u>(79,245)</u>	<u>55,379</u>
Financing Activity		
Issue of common shares	5,600	5,000
Investing Activities		
Additions to mineral properties	(1,054,583)	(617,657)
Proceeds on mineral property agreements	-	658,849
Net changes in non-cash working capital items related to investing activities (note 7)	<u>324,230</u>	<u>(367,990)</u>
	<u>(730,353)</u>	<u>(326,798)</u>
Decrease in cash and cash equivalents	(803,998)	(266,419)
Cash and cash equivalents, beginning of year	<u>7,608,713</u>	<u>7,875,132</u>
Cash and cash equivalents, end of year	<u>\$ 6,804,715</u>	<u>\$ 7,608,713</u>
Cash and cash equivalents consist of		
Bank	\$ 237,452	\$ 82,795
Term Deposits	6,567,263	7,525,918
	<u>\$ 6,804,715</u>	<u>\$ 7,608,713</u>
Supplementary information:		
Interest received	<u>\$ 313,805</u>	<u>\$ 346,007</u>

See accompanying notes to financial statements

Planet Exploration Inc.
Notes to Financial Statements
Years Ended March 31, 2008 and 2007

1. NATURE OF OPERATIONS

Planet Exploration Inc. ("the Company") is in the business of acquiring, exploring and developing gold, copper, silver and other mineral properties, both directly and through joint ventures in Canada and Mongolia. To date the Company has not generated significant revenues from operations and is considered to be an exploration stage company.

These financial statements have been prepared on the assumption that the Company will continue as a going concern and realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain mineral reserves that are economically recoverable. The continued operations of the Company are primarily dependent upon its ability to raise exploration financing from equity markets or by selling or optioning its mineral properties. Recovery of the capitalized carrying costs shown for mineral properties will likely require the establishment of economically recoverable reserves, the securing of development financing and profitable production.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Company have been prepared by management in accordance with generally accepted accounting principles in Canada. The financial statements have, in management's opinion, been properly prepared using careful judgment within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

a) Cash and cash equivalents

Cash and cash equivalents include balances with banks and term deposits with a maturity of three months or less.

b) Income taxes

The Company records future income taxes using the liability method. Under this method, current income taxes are recorded based on the estimated income taxes payable for the year. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities. Future income tax assets and liabilities are measured using enacted tax rates and laws expected to apply when the tax assets or liabilities are due to be settled or realized. The effect of a change in tax rates on future income tax assets and liabilities is recognized in operations in the period that includes the substantive enactment date. A valuation allowance is recognized, to the extent it is more likely than not, that those future income tax assets will not be realized.

c) Earnings per share

The basic earnings per share calculation is based upon the weighted average number of common shares outstanding during each year. Diluted common shares outstanding are calculated using the treasury stock method, which assumes that any proceeds received from in-the-money options, would be used to buy back common shares at the average market price for the period. Options that are anti-dilutive are not included in the calculation of diluted earnings per share.

Planet Exploration Inc.
Notes to Financial Statements
Years Ended March 31, 2008 and 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d) Use of estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the financial statements and the amounts of revenue and expenses during the period. These estimates and assumptions are based on management's best knowledge of current events and actions that the Company may undertake in the future. Significant areas requiring the use of management estimates include the determination of stock-based compensation and the useful life of long-lived assets as well as determination of impairment thereon, the recoverability of future income tax assets and the determination of possible losses arising from lawsuits.

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period.

Accounts receivables are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary. Amortization is based on the estimated useful lives of property, plant and equipment. Mineral properties are reviewed to ensure their carrying value does not exceed the estimated future net cash flows.

Actual results could differ from those estimates and as adjustments become necessary they are reported in earnings in the periods in which they become known.

e) Adoption of new accounting policies

Effective April 1, 2007, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants: (i) Section 1506 Accounting Changes; (ii) Section 1530 Comprehensive Income; (iii) Section 3251 Equity; (iv) Section 3855 Financial Instruments – Recognition and Measurement; (v) Section 3861 Financial Instruments – Disclosure and Presentation; and (vi) Section 3865 – Hedges. These standards were adopted on a prospective basis without restatement of prior periods.

Section 1506 allows for voluntary changes in accounting policies only when they result in the financial statements providing reliable and more relevant information. The section requires changes in accounting policy to be applied retroactively unless doing so is impracticable and requires prior period errors to be corrected retroactively and calls for enhanced disclosures about the effects of changes in accounting policies, estimates and errors in the financial statements. The adoption of this standard did not have an impact on the Company other than the additional disclosure regarding the impact of new accounting standards that have been issued but are not yet effective for the Company.

Planet Exploration Inc.
Notes to Financial Statements
Years Ended March 31, 2008 and 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Adoption of new accounting policies (continued)

Section 1530 provides for a new Statement of Comprehensive Income and establishes Accumulated Other Comprehensive Income ("AOCI") as a separate component of shareholders' equity. The Statement of Comprehensive Income is defined as a change in net assets arising from transactions and other events from non-owner sources. The statement would present net income and each component recognized in other comprehensive income ("OCI") when such amounts exist. For the year ended March 31, 2008, the Company did not recognize any OCI and therefore a separate statement of OCI has not been presented. Any future OCI recognized by the Company will be recognized in AOCI.

Section 3251 describes the changes in how to report and disclose equity and changes in equity as a result of the new requirements of Section 1530. The adoption of this standard did not impact the Company.

Section 3855 and 3861 provide guidance on the recognition, measurement, presentation and disclosure of financial instruments. In accordance with the transitional provisions, Section 3855 was adopted at the beginning of the year on a retroactive basis with no restatement of prior periods. This new standard requires that all financial assets and liabilities be classified as either: held-to-maturity, held-for-trading, loans and receivables, available-for-sale, or other financial liabilities. The standard requires that financial instruments within scope, including derivatives, be included on the Company's balance sheet and measured at fair value, except for loans and receivables, held-to-maturity financial assets and other financial liabilities which are measured at amortized cost. Gains and losses on held-for-trading financial assets and financial liabilities are recognized in net income or loss in the period in which they arise. Unrealized gains and losses arising from changes in fair value of available for sale assets are recognized in other comprehensive income until the financial asset is derecognized or impaired, at which time any unrealized gains, or losses are recorded in net income or loss. Transaction costs other than those related to financial instruments classified as held-for-trading, which are expensed as incurred, are added to the fair value of the financial asset or financial liability on initial recognition and amortized using the effective interest method. Under the effective interest method, estimated future cash receipts are exactly discounted over the asset's expected life, or other appropriate period, to its net carrying value. Fair values are based on quoted market prices where available from active markets, otherwise fair values are estimated using a variety of valuation techniques and models.

As a result of implementation of this standard the Company has classified cash and cash equivalents as held-for-trading financial assets. Accounts receivable and term deposits are classified as loans and receivables. Accounts payable and accrued liabilities, due to related parties and long-term debt are classified as other financial liabilities. The Company has not classified any financial assets as held-to-maturity. There was no impact of re-measuring financial assets classified as other liabilities at amortized cost.

Section 3865 replaces Accounting Guideline 13, "Hedging Relationships". Derivatives may be embedded in other financial instruments (the "host instruments"). Prior to the adoption of the new standards, such embedded derivatives were not accounted for separately from the host instrument. Under the new standard, embedded derivatives are treated as separate derivatives when their economic characteristics and risks are not clearly and closely related to those of the host instrument, the terms of the embedded derivative are the

Planet Exploration Inc.
Notes to Financial Statements
Years Ended March 31, 2008 and 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

e) Adoption of new accounting policies (continued)

same as those of the stand-alone derivative, and the combined contract is not held for trading or designated at fair value. A review of the Company's financial contracts determined that there were no embedded derivatives. In the event that the Company enters into a contract that contains an embedded derivative, the embedded derivative will be measured at fair value with subsequent changes recognized in net income or loss.

f) Recent accounting pronouncements

As of April 1, 2008, the Company will be required to adopt the following two new CICA standards: Financial Instruments – Disclosures (Section 3862) and Financial Instruments – Presentation (Section 3863), which will replace Financial Instruments – Disclosure and Presentation (Section 3861). The new disclosure standard increases the emphasis on the risks associated with both recognized and unrecognized financial instruments and how those risks are managed. The new presentation standard carries forward former presentation requirements.

As of April 1, 2008, the Company will be required to adopt CICA standards, Capital Disclosures (Section 1535), which will require companies to disclose their objectives, policies and processes for managing capital. In addition, disclosures are to include whether companies have complied with externally imposed capital requirements.

As of April 1, 2008, the Company will be required to adopt the new General Standards of Financial Statement Presentation (Section 1400) which requires management to assess an entity's ability to continue as a going concern, taking into account all available information about the future which is, at least, but is not limited to, twelve months from the balance sheet date. Financial statements must be presented on a going concern basis unless the management either intends to liquidate the entity, cease trading or operations, or has no realistic alternative but to do so.

In February 2008, the CICA issued new Handbook Section 3064 *"Goodwill and Intangible Assets"*, replacing Handbook Section 3062 *"Goodwill and Other Intangible Assets"* and Handbook Section 3450 *"Research and Development Costs"*. This new Section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new Section for its fiscal year beginning April 1, 2009. This Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Handbook Section 3062. The Company is currently evaluating the impact of the adoption of this new Section on its financial statements.

A strategic plan has been adopted by the Accounting Standards Board for the future direction of accounting standards in Canada. It is expected that Canadian accounting standards for public companies will converge with International Financial Reporting Standards ("IFRS"). On March 31, 2009, the Company will be required to provide a preliminary disclosure of policy impacts of upon adopting IFRS. The Company is in the initial stages of assessing IFRS and its impacts on the financial statements.

Planet Exploration Inc.
Notes to Financial Statements
Years Ended March 31, 2008 and 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Marketable securities

Marketable securities are classified as held for trade securities and are recorded at market value. Unrealized holding gains and losses on held for trade securities are included in statement of operations in accordance with the Company's designation of marketable securities as held for trade.

h) Foreign currency translation

Monetary assets and liabilities of the Company which are denominated in foreign currencies are translated into Canadian dollars at the rate of exchange in effect at the balance sheet date. Other assets, liabilities and items affecting earnings are translated into Canadian dollars at rates of exchange in effect at the date of the transaction. Gains or losses arising from these foreign currency transactions are included in the determination of income.

i) Mineral properties

Acquisition and exploration costs of mineral property interests are capitalized and deferred until such time as the property begins production, the property is disposed of either through sale or abandonment or the property is considered uneconomic in the foreseeable future. If production commences, the costs of acquisition and exploration will be written off over the life of the property based on estimated economic reserves. Proceeds received from the sale of any interest in a property or option proceeds with respect to undeveloped properties are credited against the carrying value of the property, with any excess included in operations for the period. If a property is abandoned or considered uneconomic in the foreseeable future, the acquisition and deferred exploration costs are written off to operations.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property may be subject to unregistered prior agreements or inadvertent non-compliance with regulatory requirements.

Management reviews capitalized costs on its mineral properties on a periodic basis and recognizes impairment in value based upon current exploration results and upon management's assessment of the future probability of profitable operations from the property or sale of the property. For non-producing properties, management also considers indications of impairment such as the current status of ongoing operations, whether exploration is planned in the foreseeable future, the expiration of lease ownership rights, and funding requirements to complete exploration programs.

j) Other property and equipment

Other property and equipment are recorded at cost and amortized on a straight line bases over five years.

Planet Exploration Inc.
Notes to Financial Statements
Years Ended March 31, 2008 and 2007

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Flow-through shares

Resource expenditures deductions for income tax purposes that arise from exploration and development activities and which have been funded by flow-through share arrangements are renounced to investors in accordance with income tax legislation. On the date that the Company files the renunciation with the tax authorities, a future income tax liability is recorded and share capital is reduced by the estimated tax benefits transferred to shareholders.

l) Stock-based compensation

The Company has a stock-based compensation plan as described in note 5(c). Compensation expense is calculated using the fair value of the option at the date of grant determined using the Black-Scholes options pricing model that takes into account the exercise price, and expected volatility of the Company's stock price, the expected dividends on the stock and the current risk-free interest rate for the expected life of the option. For options granted in respect of future services, compensation expense is recorded over the vesting period with a corresponding increase to contributed surplus. Upon the exercise of options consideration received together with the amount previously recognized in contributed surplus is recorded as an increase to share capital. The Company has not incorporated an estimated forfeiture rate, rather the Company accounts for actual forfeitures as they occur.

m) Joint ventures

The Company conducts a majority of its mining activities on a joint venture basis. These financial statements reflect the Company's proportionate interest in such ventures.

n) Asset retirement obligation

The Company recognizes the estimated fair value of an asset retirement obligation (ARO) in the period in which it is incurred when a reasonable estimated of the fair value can be made. The fair value of the estimated ARO is recorded as a liability with a corresponding increase in the carrying amount of the related asset. ARO is initially measured at fair value and subsequently adjusted for the accretion of discount and any changes to the underlying cash flows. The capitalized amount is depleted on a unit-of-production basis over the life of the proved resources. The liability amount is increased each reporting period due to the passage of time and the amount of accretion is charged to earnings in the period. Revisions to the estimated timing of cash flows or to the original estimated undiscounted costs of ARO will result in an increase or decrease to ARO.

As the Company's mining properties are in the exploration phase, no liability exists for reclamation costs. Accordingly, no ARO has been recorded in these financial statements.

Planet Exploration Inc.
Notes to Financial Statements
Years Ended March 31, 2008 and 2007

3. MINERAL PROPERTY INTERESTS

The Company's mineral properties are as follows:

				2008
	Acquisition Costs (Net of Recoveries)	Deferred Exploration and Development Costs	Write-down of Capitalized Costs	Total
Red Lake, Ontario	\$ 1,046,905	4,204,164	(163,322)	5,087,747
Mongolia	4,860	427,448	(432,308)	-
	<u>\$ 1,051,765</u>	<u>4,631,612</u>	<u>(595,630)</u>	<u>5,087,747</u>
				2007
	Acquisition Costs (Net of Recoveries)	Deferred Exploration and Development Costs	Write-down of Capitalized Costs	Total
Red Lake, Ontario	\$ 1,046,905	3,149,581	(163,322)	4,033,164
Mongolia	4,860	427,448	(65,062)	367,246
	<u>\$ 1,051,765</u>	<u>3,577,029</u>	<u>(228,384)</u>	<u>4,400,410</u>

Red Lake, Ontario, Canada

The Company currently owns a 40% (March 31, 2007 – 40%) interest in the Red Lake, Ontario mineral property claims.

Under the terms of certain agreements dated October 15, 2002 and prior the Company acquired a 100% interest in certain mineral claims in the Red Lake mining district. By an agreement dated April 10, 2003, the Company granted options to Goldcorp Inc. to acquire a 60% interest in the Red Lake mineral claims for consideration of:

- First option to acquire up to a 50% interest:
 - Cash payments of \$600,000 by April 10, 2004, \$50,000 by April 10, 2005, and \$400,000 by April 10, 2006, all of which have been received.
 - Exploration expenditures of \$250,000 by April 10, 2004, \$500,000 by April 10, 2005 and \$750,000 by April 10, 2006, all of which have been made.

Planet Exploration Inc.
Notes to Financial Statements
Years Ended March 31, 2008 and 2007

3. MINERAL PROPERTY INTERESTS (continued)

- Second option to acquire an additional 10% interest:
 - Cash payment of \$600,000 (US) – (\$658,859 - CDN) by May 10, 2006, which has been received.

Ownership in mineral properties involves certain inherent risks due to the difficulties in determining the validity of certain claims, as well as the potential for problems arising from the frequently ambiguous conveyance history characteristics of many mineral interests. The Company has investigated ownership of its mineral interests and, to the best of its knowledge; ownership of its properties is in good standing.

Mongolia

Under the terms of an agreement dated June 26, 2002, the Company acquired three mineral investigation licenses in Mongolia in consideration of a cash payment of \$15,000(US) and the issuance of 200,000 shares of the Company. One of the mineral investigation licenses expired as of March 31, 2004. By agreement dated February 5, 2003, the Company granted an option to Canadian Shield Resources Inc. to acquire a 50% interest in the mineral investigation licenses in consideration of cash payments, exploration expenditures and the issuance of shares. The Company received \$10,000(US) cash and was issued 50,000 shares of Canadian Shield Resources Inc. In 2004, Canadian Shield Resources Inc. terminated their option. In 2005, the Company reviewed the above referenced mineral investigation licences and determined that they were of no further interest to the Company and consequently, their carrying value was written off.

By agreement dated October 7, 2003 the Company acquired an exploration license for the Argalant (Ovoot) property in Mongolia in consideration of cash payments totalling \$40,000(US).

In October 2005, in consideration of \$100,000(US) (\$118,798 – CDN), the Company entered into an agreement with Red Hill Energy Inc., ("RH") formerly UGL Enterprises Ltd., entitling RH to earn 60% of the Company's interest in the Argalant (Ovoot) Mongolia property by conducting a minimum of \$1,500,000(US) in exploration prior to October, 2008. The deposit is non-refundable.

If RH conducts the required exploration it has the option to purchase an additional 20% interest for \$1,000,000(US) before April 6, 2009.

During 2008, the Company wrote down 100% of the carrying amounts of \$367,246 (2007 - Nil) as the Company had no certain exploration plans on this mineral property.

Planet Exploration Inc.
Notes to Financial Statements
Years Ended March 31, 2008 and 2007

4. INCOME TAX

The income tax provision differs from the amount that would be computed by applying the basic combined Canadian federal and provincial statutory income tax rate to the net (loss) for the year. The reasons for the differences are as follows:

	<u>2008</u>	<u>2007</u>
Tax rate	31.47%	33.6%
Computed income tax (recovery)	\$ (147,064)	(48,180)
Non-deductible stock-based compensation	8,189	55,619
Tax rate adjustment	(52,059)	(112,928)
Valuation allowance	174,698	(155,447)
	<u>\$ (16,236)</u>	<u>(260,936)</u>

At March 31, 2008 the Company had the following accumulated non-capital losses available for utilization in future years. These losses expire on the following dates:

March 31, 2025	\$ 197,630
March 31, 2026	13,386
March 31, 2028	163,706
	<u>\$ 374,722</u>

The components of the net future income tax liability are as follows:

	<u>2008</u>	<u>2007</u>
Net book value of mineral properties in excess of tax value	\$ 624,166	\$ 830,106
Non-capital losses	(93,681)	(63,071)
Share issue costs	-	(27,772)
Foreign resources expenditures	(134,943)	(161,932)
Valuation allowance	228,624	63,071
Future income tax liability	<u>\$ 624,166</u>	<u>\$ 640,402</u>

Planet Exploration Inc.
Notes to Financial Statements
Years Ended March 31, 2008 and 2007

5. SHARE CAPITAL

a) Authorized capital

Unlimited number of common voting shares without nominal or par value.

Unlimited number of first preferred shares.

Unlimited number of second preferred shares.

b) Common shares issued

	<u>2008</u>		<u>2007</u>	
	<u># of Shares</u>	<u>Consideration</u>	<u># of Shares</u>	<u>Consideration</u>
Balance, beginning of year	25,309,190	\$ 11,333,932	25,259,190	\$ 11,319,557
Shares issued for cash upon exercise of stock options	10,000	5,600	50,000	5,000
Contributed surplus attributed to options exercised	-	2,160	-	9,375
Balance, end of year	<u>25,319,190</u>	<u>\$ 11,341,692</u>	<u>25,309,190</u>	<u>\$ 11,333,932</u>

Planet Exploration Inc.
Notes to Financial Statements
Years Ended March 31, 2008 and 2007

5. SHARE CAPITAL (continued)

c) Stock Option Plan

The Company has established a new stock option plan whereby the Company may grant options to its directors, officers, employees and consultants for up to 10% of the outstanding common shares from time to time with vesting rights determined at each grant date. The exercise price of each option equals the market price of the Company's stock on the date of the grant (less any permitted discount, if any) and an option's maximum term is five years. The following is a continuity of stock options outstanding for which shares have been reserved. Specific details as to stock options outstanding are as follows:

	2008		2007	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of year	2,157,500	\$ 0.52	1,300,000	\$ 0.61
Granted	65,000	0.52	910,000	0.37
Exercised	(10,000)	0.52	(50,000)	0.10
Cancelled	-	-	(2,500)	0.40
Balance, end of year	2,212,500	\$ 0.52	2,157,500	\$ 0.52
Exercisable, end of year	2,062,500	\$ 0.52	1,957,500	\$ 0.52

Number of common shares under option	Exercise price per common share	Weighted average remaining contractual life in years
500,000	0.600	0.16
500,000	0.700	0.01
100,000	0.750	0.16
150,000	0.380	2.16
7,500	0.400	3.42
900,000	0.370	3.52
20,000	0.560	1.28
35,000	0.480	4.51
2,212,500		1.71

Planet Exploration Inc.
Notes to Financial Statements
Years Ended March 31, 2008 and 2007

5. SHARE CAPITAL (continued)

c) Stock Option Plan (continued)

The fair value of stock options is estimated using the Black Scholes option pricing model with the following weighted average assumptions:

	<u>2008</u>	<u>2007</u>
Risk free interest rate	4%	4%
Expected dividend rate	0%	0%
Expected stock price volatility	68.77%	70%
Expected option life	3.6 years	5 years
Weighted-average grant-date fair value per share of options granted	\$0.25	\$0.23

d) Contributed surplus

	<u>2008</u>	<u>2007</u>
Balance, beginning of year	\$ 1,021,158	\$ 865,000
Stock-based compensation	26,021	165,533
Contributed surplus attributed to options exercised during the year	(2,160)	(9,375)
Balance, end of year	<u>\$ 1,045,019</u>	<u>\$ 1,021,158</u>

e) Per share amounts

Options to purchase 1,120,000 (2007 – 1,100,000) common shares that were outstanding during 2008 were not included in the calculation of weighted average number of diluted shares outstanding because the exercise prices of the options were greater than the average market price of the common shares.

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6. RELATED PARTY TRANSACTIONS

The Company incurred \$65,000 (2007 – \$65,000) in director fees from Ranjeet Sundher, an officer and director of the Company. These fees have been included in general and administrative expenses and were paid at a fixed monthly rate of \$5,000 plus an additional fee of \$5,000 for the month of December, 2007.

The Company incurred \$65,000 (2007 – \$nil) in director fees from Darold H. Parken, a director of the Company. These fees were paid at a fixed monthly rate of \$5,000 plus an additional \$5,000 for the month of December, 2007. The Company also incurred \$nil (2007 - \$5,000) in consulting fees from Darold H. Parken. The Company also incurred \$nil (2007 – \$60,000) in legal fees to a law firm in which Darold H. Parken, director is principal. The Company also incurred \$6,750 (2007 - \$27,000) in consulting and administrative fees to a company in which Darold H. Parken is the principal shareholder. The consulting and administrative fees relate to office overhead. These fees have been included in general and administrative expenses.

The Company incurred \$71,000 (2007 - \$nil) in director fees from Salim Jivraj, a director of the Company. The Company also incurred \$4,500 (2007 – \$5,000) in accounting fees from Salim Jivraj, a director of the Company. These fees were in respect of a single project and have been included in general and administrative expenses. The Company also incurred \$2,500 (2007 – \$43,138) in accounting fees and expenses to a company in which Salim Jivraj, director of the Company is the principal shareholder. These fees were on individual projects and in consideration of time spent, degree of difficulty and time constraints and have been included in general and administrative expenses.

The Company incurred \$nil (2007 – \$2,000) in geological consulting fees from Adrian Mann, a director and officer of the Company. These fees were in respect to a single project and have been included in general and administrative expenses. The Company also incurred \$76,285 (2007 – \$35,312) in geological consulting fees to a company in which Adrian Mann, a director and officer of the Company is the principal shareholder. These fees have been capitalized to mineral properties.

These related party transactions are in the normal course of operations and have been measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

Accounts payable net of GST includes a total of \$52,020 (2007 - \$nil) owing to related parties.

In 2006, the Company received \$100,000(US) in option proceeds in respect of its Mongolian Argalant (Ovoot) property from Red Hill Energy Inc. (formerly UGL Enterprises Ltd.). An officer and director of Planet is a director of Red Hill Energy Inc. The transaction was not in the normal course of operations. The monetary consideration received was recorded as a reduction of the deferred costs of the Mongolia mineral property. (See note 3 for additional information).

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7. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital were comprised of the following:

	<u>2008</u>	<u>2007</u>
Accounts receivable	\$ (5,639)	\$ 32,797
Accounts payable	<u>324,230</u>	<u>(367,990)</u>
Net change	<u>\$ 318,591</u>	<u>\$ (335,193)</u>
Net change by activity:		
Operating	\$ (5,639)	\$ 32,797
Investing	<u>324,230</u>	<u>(367,990)</u>
Net change	<u>\$ 318,591</u>	<u>\$ (335,193)</u>

8. SEGMENTED INFORMATION

The Company is in the business of acquiring, exploring and developing mineral properties. It does not operate in any other business segment. Its mineral properties are located in Red Lake, Ontario, Canada and Mongolia. All of the Company's expenses incurred related to the acquisition, exploration and development of the Company's mineral properties are capitalized for accounting purposes. (See note 3 for capitalized costs by geographic region.)

9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Company holds various forms of financial instruments. The nature of these instruments and the Company's operations expose the Company to interest rate risk, foreign currency risk and credit risk.

a) Interest rate risk

The Company's cash equivalents are subject to interest rate price risk as the value will fluctuate as a result of changes in market rates.

b) Credit risk

The Company's is exposed to credit risk with respect to its cash and cash equivalents. However, this risk is minimized as cash and cash equivalents are held at a major financial institution.

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9. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (continued)

c) Foreign currency risk

The Company does not have any exposure to any highly inflationary foreign currencies.

d) Fair values

The carrying values of accounts receivable, accounts payable and accrued liabilities meeting the definition of financial instruments approximate their fair values due to the short-term duration of the amounts.

10. COMPARATIVE FIGURES

Some of the prior year figures have been adjusted to conform to the current year presentation.