

PLANET EXPLORATION INC.

**FINANCIAL STATEMENTS
FOR THE YEAR ENDED MARCH 31, 2000**

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AUDITOR'S REPORT

To the Shareholders of
Planet Exploration Inc.

I have audited the balance sheets of Planet Exploration Inc. as at March 31, 2000 and 1999 and the statements of loss and deficit, and cash flow for the years then ended. These financial statements are the responsibility of the Company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I 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 principles used and significant estimates made by management, as well as evaluating the overall financial presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the company as at March 31, 2000 and 1999 and the results of its operations and cash flow for the years then ended in accordance with generally accepted accounting principles.

(signed) Glen E. Klassen
CHARTERED ACCOUNTANT

Calgary, Alberta
May 22, 2000

**PLANET EXPLORATION
BALANCE SHEETS
MARCH 31, 2000 AND 1999**

| | 2000 | 1999 |
|--------------------------------|-----------------------|-----------------------|
| | \$ | \$ |
| ASSETS | | |
| CURRENT | | |
| Cash | 41,474 | 197,761 |
| GST Recoverable | 1,495 | 9,795 |
| Due from Joint Venture Partner | <u>-</u> | <u>2,504</u> |
| | 42,969 | 210,060 |
| Mineral Properties (Note 3) | 366,751 | 243,393 |
| Incorporation Costs | <u>1,000</u> | <u>1,000</u> |
| | <u><u>410,720</u></u> | <u><u>454,453</u></u> |
| LIABILITIES | | |
| CURRENT | | |
| Accounts Payable | <u>2,535</u> | <u>9,121</u> |
| SHAREHOLDERS' EQUITY | | |
| SHARE CAPITAL (Note 4) | 498,177 | 498,177 |
| DEFICIT | <u>(89,992)</u> | <u>(52,845)</u> |
| | <u>408,185</u> | <u>445,332</u> |
| | <u><u>410,720</u></u> | <u><u>454,453</u></u> |

APPROVED BY THE BOARD

signed
"Adrian Mann"
President

signed
"Roderick A. Ferguson"
Secretary

PLANET EXPLORATION INC.
STATEMENTS OF LOSS AND DEFICIT
YEARS ENDED MARCH 31, 2000 AND 1999

| | 2000 | 1999 |
|------------------------------|------------------------|-------------------------|
| | \$ | \$ |
| REVENUE | <u>-</u> | <u>-</u> |
| EXPENSES | | |
| General and Administrative | 28,102 | 18,237 |
| Travel | 9,045 | 9,209 |
| Listing Fees | <u>-</u> | <u>25,399</u> |
| | <u>37,147</u> | <u>52,845</u> |
| NET LOSS FOR THE YEAR | (37,147) | (52,845) |
| DEFICIT, opening | <u>(52,845)</u> | <u>-</u> |
| DEFICIT, closing | <u><u>(89,992)</u></u> | <u><u>(52,845)</u></u> |

**PLANET EXPLORATION INC.
STATEMENTS OF CASH FLOW
YEARS ENDED MARCH 31, 2000 AND 1999**

| | 2000 | 1999 |
|---|----------------------|-----------------------|
| OPERATING ACTIVITIES | \$ | \$ |
| Net Loss for the Year | (37,147) | (52,845) |
| Net Changes in Non-cash Working Capital Items Related to Operations | <u>4,218</u> | <u>12,947</u> |
| | <u>(32,929)</u> | <u>(39,898)</u> |
| FINANCING ACTIVITY | | |
| Proceeds from Sale of Shares | - | 400,000 |
| Share Issuance Costs | <u>-</u> | <u>(75,299)</u> |
| | <u>-</u> | <u>324,701</u> |
| INVESTING ACTIVITY | | |
| Acquisition of Mineral Properties | <u>(123,358)</u> | <u>(243,393)</u> |
| (DECREASE) INCREASE IN CASH | (156,287) | 41,410 |
| CASH, BEGINNING OF YEAR | <u>197,761</u> | <u>156,351</u> |
| CASH, END OF YEAR | <u><u>41,474</u></u> | <u><u>197,761</u></u> |

PLANET EXPLORATION INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2000 AND 1999

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Mineral Properties

Mineral exploration and mine development costs are capitalized. When production commences these expenditures will be amortized over the life of the estimated or reserves on the unit of production basis. If a project is abandoned or considered to be of no further interest to the Corporation, the related expenditures are charged to income. The costs deferred at any time do not necessarily reflect present or future values.

Flow-through Shares

Act Share capital includes flow-through shares issued pursuant to certain provisions of the Income Tax Act (Canada). The provides that, where the share issuance proceeds are used for exploration and development costs, the related income tax deductions may be renounced to subscribers. Accordingly, these expenditures provide no income tax deduction to the Corporation. Mineral properties are not reduced by the estimated cost of the renounced tax deductions when the expenditures are incurred.

Joint Ventures

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

Per Share Amounts

diluted Basic loss per share is based on the weighted average number of common shares outstanding during the year. Fully loss per share has not been presented as the calculation indicated an anti-dilutive situation.

2. NATURE OF OPERATIONS

The Corporation directly and through joint ventures, is in the process of exploring its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

The recoverability of amounts shown for mineral properties and related deferred costs is dependent upon the discovery of economically recoverable reserves, confirmation of the Corporation's interest in the underlying mineral claims, the ability of the Corporation to obtain necessary financing to complete the development, and future profitable production or proceeds from the disposition thereof.

3. MINERAL PROPERTIES

The Corporation's mineral properties are all located in the Red Lake area of Ontario.

4. SHARE CAPITAL

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.

Changes in the issued common shares during the year are as follows:

| | <u>2000</u> | | <u>1999</u> | |
|---|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
| | <u>Number of Shares</u> | <u>Consideration \$</u> | <u>Number of Shares</u> | <u>Consideration \$</u> |
| Balance, beginning of the year | 4,750,000 | 498,177 | 3,150,000 | 190,000 |
| Shares issued for cash pursuant to public placement | - | - | 1,600,000 | 400,000 |
| Less: Issue costs | - | - | - | (91,823) |
| | <u>4,750,000</u> | <u>498,177</u> | <u>4,750,000</u> | <u>498,177</u> |

The preferred shares may be issued in one or more series and the directors are authorized to fix the number of shares in each series and to determine the designation, rights, privileges, restrictions, and conditions attached to the shares of each series.

The Corporation has established a stock option plan for the benefit of directors and officers of the Corporation. On August 31, 1997 and March 31, 1998 options were granted an aggregate 382,500 Common Shares and may be exercised at a price of \$0.25 per share. A total of 332,500 options expire August 30, 2002 and 50,000 options expire March 30, 2003.

Pursuant to an agency agreement dated July 13, 1998, between the Corporation and Yorkton Securities Inc. The Corporation agreed to grant an option to purchase 160,000 shares at \$0.25 per share. The expiry date is October 2, 2000.

5. INCOME TAXES

The Corporation has transferred income tax deductions to investors under flow-through share financing arrangements. Accordingly \$25,000 of recorded costs are not deductible for income tax purposes.

The Corporation has a non-capital loss carried forward as follows:

| | \$ |
|----------------|----------------|
| Expiry Date | |
| March 31, 2006 | 68,450 |
| March 31, 2007 | <u>52,507</u> |
| | <u>120,957</u> |

6. RELATED PARTY TRANSACTIONS

A director and officer of the Corporation, through a corporation controlled by him, received \$14,650 (1999 - \$28,140) in fees for geological services. Accounts payable include \$Nil (1999 - \$4,494) owed to this individual's corporation.

7. FINANCIAL INSTRUMENTS

The Corporation's financial instruments consist of cash and accounts payable. The fair value of the financial instruments approximate their carrying values, unless otherwise noted.