

PLANET EXPLORATION INC.

**FINANCIAL STATEMENTS
YEARS ENDED MARCH 31, 2001 AND 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, 2001 and 2000 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 Canadian 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, 2001 and 2000 and the results of its operations and cash flow for the years then ended in accordance with Canadian generally accepted accounting principles.

(signed) Glen E. Klassen
CHARTERED ACCOUNTANT

Calgary, Alberta
May 28, 2001

**PLANET EXPLORATION
BALANCE SHEETS
MARCH 31, 2001 AND 2000**

	2001	2000
	\$	\$
ASSETS		
CURRENT		
Cash	25,424	41,474
GST Recoverable	<u>349</u>	<u>1,495</u>
	25,773	42,969
Mineral Properties (Note 3)	368,991	366,751
Incorporation Costs	<u>1,000</u>	<u>1,000</u>
	<u><u>395,764</u></u>	<u><u>410,720</u></u>
LIABILITIES		
CURRENT		
Accounts Payable	<u>2,191</u>	<u>2,535</u>
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 4)	498,177	498,177
DEFICIT	<u>(104,604)</u>	<u>(89,992)</u>
	<u><u>393,573</u></u>	<u><u>408,185</u></u>
	<u><u>395,764</u></u>	<u><u>410,720</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, 2001 AND 2000

	2001	2000
	\$	\$
REVENUE	<u>-</u>	<u>-</u>
EXPENSES		
General and Administrative	11,800	28,102
Travel	<u>2,812</u>	<u>9,045</u>
	<u>14,612</u>	<u>37,147</u>
NET LOSS FOR THE YEAR	(14,612)	(37,147)
DEFICIT, opening	<u>(89,992)</u>	<u>(52,845)</u>
DEFICIT, closing	<u>(104,604)</u>	<u>(89,992)</u>
LOSS PER SHARE	<u>(0.003)</u>	<u>(0.007)</u>

**PLANET EXPLORATION INC.
STATEMENTS OF CASH FLOW
YEARS ENDED MARCH 31, 2001 AND 2000**

	2001	2000
OPERATING ACTIVITIES	\$	\$
Net Loss for theYear	(14,612)	(37,147)
Net Changes in Non-cash Working Capital Items Related to Operations	<u>802</u>	<u>4,218</u>
	<u>(13,810)</u>	<u>(32,929)</u>
INVESTING ACTIVITY		
Acquisition of Mineral Properties	<u>(2,240)</u>	<u>(123,358)</u>
DECREASE IN CASH	(16,050)	(156,287)
CASH, BEGINNING OF YEAR	<u>41,474</u>	<u>197,761</u>
CASH, END OF YEAR	<u><u>25,424</u></u>	<u><u>41,474</u></u>

PLANET EXPLORATION INC.
NOTES TO THE FINANCIAL STATEMENTS
MARCH 31, 2001 AND 2000

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

The resource expenditure deductions for income tax purposes related to exploratory and development activities funded by flow-through share arrangements are renounced to investors in accordance with tax legislation. Under the liability method of accounting for income taxes adopted by the Company effective April 1, 2000, the future income taxes related to the temporary differences arising at the later of the renunciation and when the qualifying expenditures are incurred, are recorded at that time together with a corresponding reduction to the carrying value of the shares issued.

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.

Stock options

Under the stock option plan described in note 4, no compensation expense is recognized after stock options are issued to employees. Any consideration paid on exercise of stock options is credited to share capital.

Cash and cash equivalents

Cash equivalents include short-term investments with maturities of less than 90 days.

Income taxes

The Company follows the liability method of accounting for future income taxes, under which future income tax assets and liabilities are determined based on "temporary differences" and are measured using the current, or substantially enacted, tax rates and laws expected to apply when these differences reverse. A valuation allowance is recorded against any future income tax assets if it is more likely than not that the asset will not be realized.

Per Share Amounts

Basic loss per share is based on the weighted average number of common shares outstanding during the year. Fully diluted 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.

The issued common shares are as follows:

	<u>2001</u>		<u>2000</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	4,750,000	498,177
Shares issued	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<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.

As at March 31, 2001, 2,125,000 shares were held in escrow on behalf of the principals of the Company and are subject to the direction and determination of the regulatory authorities in the Province of Alberta. On May 16, 2001, 1,000,000 of these shares were released from escrow.

The remaining shares are to be released as follows:

<u>Date of Release</u>	<u>Number of Shares</u>
July 13, 2001	375,000
July 13, 2002	375,000
July 13, 2003	375,000

Stock options

The Company has established a stock option plan whereby the Company may grant options to its directors, officers, employees and key consultants for up to 950,000 common shares. The exercise price of each option equals the market price of the Company's stock on the date of the grant and an option's maximum term is five years. The stock options vest over three years. The following is a continuity of stock options outstanding for which shares have been reserved.

	2001		2000	
	Options	Weighted-Average Exercise Price \$	Options	Weighted-Average Exercise Price \$
Opening	382,500	0.25	382,500	0.25
Granted	-	-	-	-
Cancelled	-	-	-	-
End of year	<u>382,500</u>	<u>0.25</u>	<u>382,500</u>	0.25

The following summarizes information about stock options outstanding at March 31, 2001:

Range of Exercise Prices \$	Number Outstanding	Weighted-Average Remaining Contractual Life (years)	Weighted-Average Exercise Price \$
0.25	332,500	1.4	0.25
0.25	50,000	2.0	0.25
	<u>382,500</u>		

5. INCOME TAXES

The Company has adopted the liability method effective April 1, 2000 to account for income taxes. This method was adopted retroactively without restatement of prior periods. Prior to April 1, 2000 income taxes were accounted for using the deferral method.

Income tax recovery 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:

	2001 \$	2000 \$
Net loss	(14,612)	(37,147)
Combined Canadian federal and provincial statutory rate	44.4%	44.6%
Computed recovery	(6,488)	(16,568)
Share issue costs deducted for tax purposes	-	(6,717)
Benefit of loss carryforwards tax deduction not recognized	6,508	23,418
Other	(20)	(133)
Actual Recovery	-	-

The components of the Company's net future income tax asset at March 31, 2001, no portion of which has been recorded in these financial statements, are as follows:

	Total \$
Benefit of non-capital losses	60,213
Net book value in excess of tax pools	(11,630)
Benefit of share issue costs	<u>20,059</u>
	<u>68,642</u>

As at March 31, 2001, the Company has unrecognized loss carry-forwards for income tax purposes of \$135,614 (2000 - \$120,957) available for deduction against future years' taxable income. These losses expire as follows:

	\$
2006	68,450
2007	52,507
2008	<u>14,657</u>
	<u>135,614</u>

6. RELATED PARTY TRANSACTIONS

A director and officer of the Corporation, through a corporation controlled by him, received \$Nil (2000 - \$14,650) in fees for geological services. These fees have been capitalized and included in additions to mineral properties.

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.

8. COMMITMENTS

In order to keep the mineral properties in good standing the following expenditures are required:

	\$
March 31, 2002	124,800
March 31, 2003	<u>86,278</u>
	<u>211,078</u>