Planet Exploration Inc.

2004 ANNUAL REPORT

Pure Exploration Opportunies

Planet Exploration Inc.

Planet Exploration Inc. is a junior exploration company focused on identifying, acquiring and exploring international gold prospects which will provide the basis for share value growth.

Since commencing operation in late 1998, it has proven its ability to acquire highly prospective properties and to produce exciting exploration results - all of which have helped position Planet to become one of the fastest moving juniors in the field.

In this Annual Report, Planet is able to present a strong portfolio of diversified properties, very encouraging exploration results, an experienced exploration team and dynamic management.

Contents

Highlights

Financial	**2004**	**2003**
Gross Revenues	57,155	-
Per Share	0.002	-
Assets		
Current Assets	7,936,187	972,547
Fixed Assets	3,950,795	917,947
Total Assets	11,886,982	1,890,493
Common Share Data		
Number Outstanding	22,789,190	11,385,445
Warrants	6,570,000	5,802,945
Options	1,350,000	1,432,500
Fully Diluted	30,709,190	18,620,890

Report to Shareholders

> "The results achieved to date would be exciting for any company - but for a junior player and newcomer to the field, such as Planet, our results have been exceptional."

This year has seen Planet concentrating its exploration focus on identifying exploration opportunities, acquiring promising properties around the globe and managing its risk capital efficiently. The results achieved to date would be exciting for any company - but for a junior player and relative newcomer to the field, such as Planet, our results have been exceptional.

Much of Planet's exploration work in 2003 - 2004 has focused on the huge potential of our Red Lake area property, on our Sidace Lake project. Of all of Planet's properties, the Sidace Lake project has been the most intensely explored and has become the focus of much of our shareholder's attention.

Planet has adopted an aggressive approach to acquisitions, having acquired three new properties in three different countries over the past year. We have completed initial reconnaissance surveys on all of these properties both independently and through the joint ventures which have been negotiated. I am pleased to report that our efforts have resulted in the discovery of significant gold mineralization on several properties. The coming year will see an even more aggressive exploration program for our Sidace Lake project and on our other properties.

The financial summary provided in this report shows that Planet is in a very strong financial position.

I encourage the reader to examine both the Operations and Financial Review contained in this report. I am confident that the reader will immediately recognize the exciting potential which these properties - and this corporation - have to offer to the serious investor.

Ranjeet Sundher

President
August 13, 2004
Calgary, Canada

Planet Management

The key to Planet's success is the combined talents, commitment and efforts of its management team.

RANJEET SUNDHER,
President and Director

Mr. Sundher has extensive experience in the areas of exploration financing, international mineral rights acquisition and exploration management as the principal of Canrim Ventures ("Canrim") in Singapore. Canrim represents numerous foreign exploration companies and provides technical assistance in the field and administrative aspects of mineral exploration in southeast Asia. Prior to forming Canrim, Mr. Sundher was an equity trader with Wolverton Securities Limited in Vancouver and was involved in marketing investment funds and securities with the Royal Bank of Canada.

DR. ADRIAN G. MANN,
Ph.D P.Geol, Director

Dr. Mann holds a BSc (Honours) in Geology and Chemistry, a BSc (Spec.Geology/Honours), and a Ph.D all from the London University and an MBA from the University of the Witwatersrand, South Africa. Dr. Mann has extensive geological exploration experience in Canada and internationally. His experience ranges from grassroots exploration through to operational control of mine geology. Dr. Mann currently operates his own independent geological consulting business which involves gold, base and industrial minerals and diamond exploration in North, Central and South America. Dr. Mann is the former President of Planet.

DAROLD H. PARKEN,
B.A. (Econ) LLB, Corporate Secretary and Director

Mr. Parken has over 22 years experience in the natural resource exploration business. He is the former President of Corsair Exploration Inc. (a public mining and oil and gas company) and is a current director of Contact Exploration Inc. (a public oil and gas company). Mr. Parken holds degrees in both Economics and Law from the University of Calgary and has practiced law in the natural resources and securities areas for over 24 years.

ROBERT WEICKER,
P. Geol., Consulting Geologist

Mr. Weicker is a professional geologist with over 23 years exploration experience. He has previously held senior technical positions with Newhawk Gold, Hecla Mining Co. and at the Williams Mine at Hemlo, Ontario.

J. GARRY CLARK,
P. Geol., Consulting Geologist

Mr. Clark has approximately 20 years of experience as a consulting geologist with particular emphasis on mineral exploration in the Province of Ontario. Mr. Clark has been Planet's primary technical resource since he originally proposed the staking of Planet's Red Lake Property in 1996. Mr. Clark is currently the Executive Director of the Ontario Prospectors Association.

GLENN S. GRIESBACH,
P .Geol., Consulting Geologist

Mr. Griesbach graduated in Geology from Concordia University in 1981. Mr. Griesbach has accumulated a wide range of mineral exploration experience, is a Fellow of the Geological Associates of Canada, and a member of the Canadian Institute of Mining and Metallurgy, the Prospectors and Developers Associates of Canada and the Quebec Prospectors Association.

Operations Review

Planet's diamond drill programs have resulted in the discovery of multiple wide low grade and relatively narrow high grade gold mineralization zones including mineralized gold intersections of greater than 120 metres. The host rocks of the gold zones comprise sericite and quartz sericite schists mineralized with pyrite and quartz veinlets.

Planet's gold zones all remain open along strike and as to depth. Over 75% of the known strike length remains unexplored in 2004. Goldcorp Inc. ("Goldcorp") and Planet will explore new areas of interest on Planet's property over the next year. To date, the majority of exploration has been concentrated within approximately 18 hectares of the original 4,224 hectare property. Planet and Goldcorp have subsequently acquired an additional 7,300 contiguous hectares for further exploration.

Planet's strike zone hosts both disseminated and vein type gold bearing structures. Regionally, production has come from both of these formation types. The strike is on trend with some of the world's most successful gold mines that have together produced and/or currently have in reserve over 23 million ounces of gold including Goldcorp's Red Lake Mine, Placer Dome's Campbell Mine and the Cochenour Mine. Comparison to other world class gold districts such as Hemlo, strongly suggest that more significant reserves have yet to be discovered in Red Lake. Strong simularities are apparent between the Hemlo deposit and the Sidace Lake Project geology and gold mineraliztion.

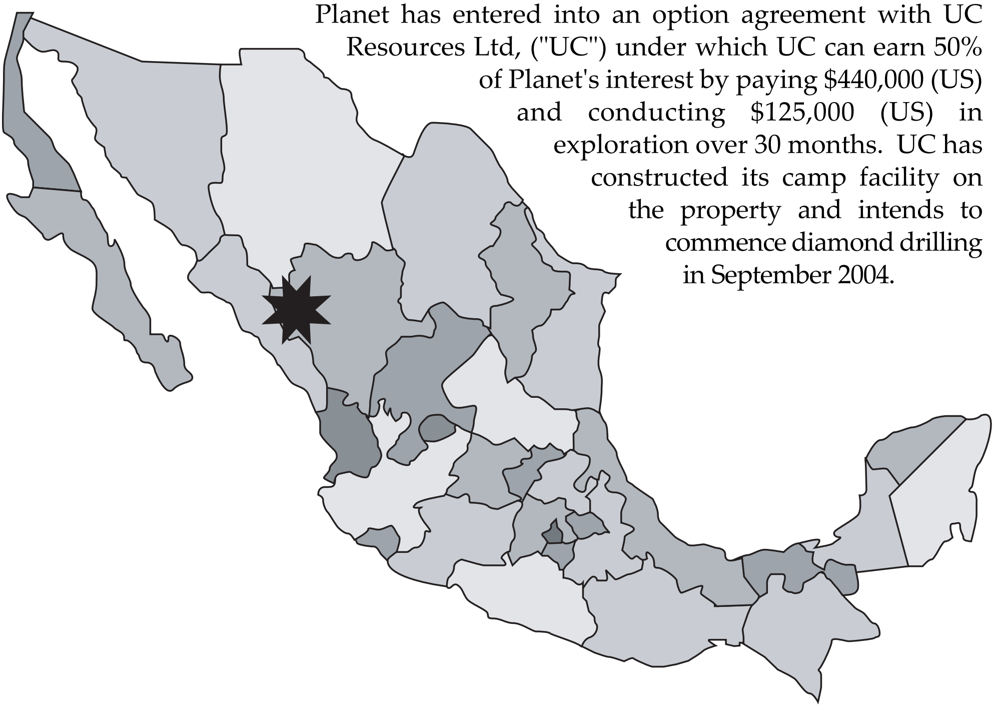
Sidace Lake, Ontario

Planet and Goldcorp have recently completed a diamond drilling program of approximately 10,000 metres with two rigs and will commence the next 3,000 metre drilling phase in September of 2004.

Planet holds an option to acquire a 100% interest in the high-grade 7,005-hectare Copalquin gold/silver property located in Durango, Mexico. Copalquin has a series of parallel ridges of fault breccia over three kilometers. A 1998 shallow-angle diamond exploratory drill hole intersected a previously unknown high-grade vertical fault zone at 256 metres that crosscut the previously known horizontal low-grade quartz breccia.

Resource estimates on the property have not been calculated since the discovery of the high-grade vertical fault zone, its existence may significantly alter Kennecott's and Fransisco Gold's original target potential of one million ounces of gold and 50 million ounces of silver, based on their interpretation of a low-grade horizontal quartz breccia formation.

Planet has entered into an option agreement with UC Resources Ltd, ("UC") under which UC can earn 50% of Planet's interest by paying $440,000 (US) and conducting $125,000 (US) in exploration over 30 months. UC has constructed its camp facility on the property and intends to commence diamond drilling in September 2004.



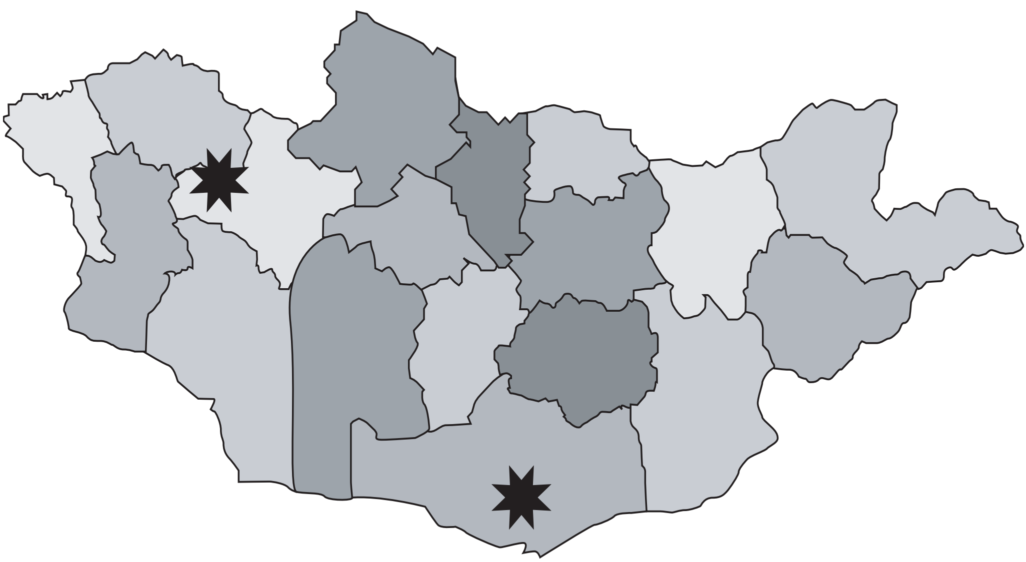
Wulonbulang, China

Planet has signed a formal joint venture agreement to acquire an 80% interest in this 52.57 sq. km property located in the eastern portion of the Wulonbulang goldfield in Northern China. Gold mineralization on the property occurs in quartz veins and silicified potassium metasomatized zones. The Chinese National Gold Group Corporation, the vendor, reports the occurrence of over 70 gold bearing veins/zones on the property to date, 35 of which are described as "strongly" mineralized. Planet also has an option to acquire two mining licenses and a mill located within the property boundaries. Initial exploration of the propert commenced March, 2004. Planet intends to seek out a joint venture partner on this project.

Planet holds a 100% interest in two Mongolian mineral licenses in the South Gobi region of Mongolia and one license in the Country's Zavkhan province in Western Mongolia.

Planet has established a geological and office presence in Mongolia through its long-standing association with Mine Info Ltd. ("Mine Info"), a leading Mongolian mineral exploration and development company that employs some of the country's leading geologists. In conjunction with Mine Info, Planet continues to review other advanced Mongolian acquisition opportunities and to advance its existing properties.

Planet's two Gobi region mineral licenses are both located in the country's Barga Terrane region. The licenses cover a total of approximately 90,000 hectares. The Barga Terrane covers a limited portion of Mongolia's southern Gobi Desert region and includes both Ivanhoe's huge Turquoise Hill Copper/Gold discovery and Planet's properties. The area is highly conducive to a variety of mineral deposits, in particular gold/copper porphyry systems.



Mongolia

Planet's (2,090 hectares) Argalant property located in Zavkhan province, Mongolia, lies in the southeastern portion of the Bayan-Airag gold-copper region of the Urgamal-Zavakhanmandeal metallogenic belt. This is an active exploration area and the property is surrounded by other mining companies. The property is underlain by volcanogenic-sedimentary rocks and volcano-plutonic rocks of Permian age.

Assays from earlier work programs on the Argalant property include:

Sample No.	Au g/t	Cu %
OV 02	11.2	0.51
OV 03	0.32	6.52
OV 04	0.24	10.32
OV 10	6	0.19
OV 15	3.25	3.46
OV 20	3.65	3.85
OV 22	10.1	2.01
OV 31	6.8	0.66
OV 36	0.03	1.28
OV 37	3.5	4.62
OV 38	5.6	1.65
OV 41	1.09	1.49

Assays from Planet's first exploration program include:

Sample No.	Au g/t	Cu %
AM5	0.77	1.81
AM14	4.95	5.24
AM19	0.44	1.03
AK8	0.04	1.74
ZAB9	0.02	2.36
ZAB12	9.11	1.86
ZAB13	2.28	4.71
ZAB14	1.58	3.28

A further program of mapping and more detailed sampling commenced in March, 2004 and was completed in late June 2004. The sampling program discovered a new area of gold mineralization which will be followed up this fall with trenching and diamond drilling, if warranted.

Management's Discussion and Analysis

MANAGEMENT'S DISCUSSION & ANALYSIS

for the fiscal year ended March 31, 2004 unless otherwise noted

The following discussion and analysis of the results of operations and financial condition of the Company for the three fiscal years ending March 31, 2004, 2003 and 2002 should be read in conjunction with the Company's audited financial statements and the related notes. The financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") in Canada.

Statements in this document may contain forward-looking information. Estimates provided for fiscal 2004 and beyond are based on assumptions of future events and actual results could vary significantly from these estimates. The reader is cautioned that assumptions used in the preparation of such information may prove to be incorrect. Events or circumstances may cause actual results to differ materially from those predicted as a result of numerous known and unknown risks, uncertainties, and other factors, many of which are beyond the control of the company. The reader is cautioned not to place undue reliance on this forward-looking information.

Selected Annual Information

	Twelve Months Ended Mar. 31, 2004	Twelve Months Ended Mar. 31, 2003	Twelve Months Ended Mar. 31, 2002
Financial	$	$	$
Revenues	57,155	-	-
Net Income (Loss)	(549,541)	(220,732)	(182,954)
Basic and diluted loss per share	(0.032)	(0.033)	(0.039)
Working capital	7,636,581	874,224	1,783
Mineral properties	3,950,795	917,946	207,836
Total assets	11,886,982	1,890,493	214,786
Shareholder's equity, March 31	10,747,983	1,792,170	210,619
Basic and diluted weighted average number of shares outstanding	17,022,962	6,596,936	4,750,000

Financial And Operating Results

In the fiscal year ended March 31, 2004, Planet focused its efforts primarily on its Sidace Lake Project in the Red Lake gold camp, Ontario.

Financial Results in Detail

	12 Months Ended Mar. 31, 2004 $	12 Months Ended Mar. 31, 2003 $	12 Months Ended Mar. 31, 2002 $	12 Mo. % change 2003/2004
Operating Revenue	-	-	-	-
General & Administrative expense	421,727	183,232	19,632	130.2
Loss before income tax	(727,435)	(220,732)	(182,954)	229.5
Income tax expense (recovery)	(177,894)	-	-	n/a
Net income (loss)	(549,541)	(220,732)	(182,954)	148.9
Cash from (used in) operations	(364,572)	(183,232)	(19,632)	98.9

Summary of Quarterly Results

	Fourth Quarter Ended Mar. 31, 2004 $	Third Quarter Ended Dec. 31, 2003 $	Second Quarter Ended Sept. 30, 2003 $	First Quarter Ended Jun. 30, 2003 $	Fourth Quarter Ended Mar. 31, 2003 $	Third Quarter Ended Dec. 31, 2002 $	Second Quarter Ended Sept. 30, 2002 $	First Quarter Ended Jun. 30, 2002 $
Financial								
Total revenue	37,635	8,839	4,721	5,959	-	-	-	-
Loss per share	0.014	0.006	0.008	0.004	0.022	0.02	0.02	0.07
Net income (loss)	(271,584)	(94,556)	(121,608)	(61,793)	(159,088)	(13,096)	(12,413)	(36,135)
Working Capital	7,636,581	6,672,386	772,519	531,980	874,224	261,113	(5,440)	25,144

The Company produces no income from operations. All expenses relate to general and administrative costs and mineral property acquisitions and exploration. The particular level of acquisition and exploration activity has a direct effect on the level of general and administrative costs. Management is not aware of any discernable quarterly trends in expenditures and accordingly, in the related loss per share.

Operating Results

Results of Operations - Fiscal year ended March 31, 2004 (fiscal 2004) compared with fiscal year ended March 31, 2003 (fiscal 2003)

The Company incurred a net loss of $549,541 or $0.032 per share for fiscal 2004 compared to a net loss of $220,732 or $0.033 for fiscal 2003, an increase of $328,809 which reflects greater acquisition and exploration activities and the adoption of new accounting policies related to stock based compensation.

During fiscal 2004, the Company's stock-based compensation costs recorded increased by $325,363 compared to fiscal year 2003. In fiscal 2004, the Company adopted a new accounting policy to account for stock based compensation using the fair value method. The Company granted 1,200,000 options in fiscal 2004 with a higher fair value compared to the 500,000 options issued in fiscal year 2003.

For fiscal 2004, salaries represented $71,136 compared to no salaries for fiscal year 2003.

The Company' s general and administrative costs increased by $238,495 in fiscal 2004 compared to fiscal 2003 reflecting increased activity in property acquisitions, exploration and financings.

Results of Operations - Fiscal 2003 compared with fiscal year ended March 31, 2002 (fiscal 2002)

The Company incurred a net loss of $220,732 or $0.033 per share for fiscal 2003 compared to a net loss of $182,954 or $0.039 per share for fiscal 2002, an increase of $37,778.

During fiscal 2003, the Company recorded $37,500 in stock compensation expense compared to nil in fiscal 2002.

During fiscal 2003, the Company' s general and administrative costs increased by $163,600 compared to fiscal 2002 due to increased financing and exploration activities.

Liquidity and Capital Resources - Fiscal 2004

The Company had a working capital position of $7,636,581 as at March 31, 2004.

During fiscal 2004, the Company issued 4,300,000 common shares pursuant to a private placement raising gross proceeds of $6,020,000, issued 3,532,945 common shares through the exercise of warrants raising $1,815,075 and issued 50,000 common shares through the exercise of stock options raising $5,000.

The Company's major source of financing is from the sale of shares issued from treasury and the exercise of stock options and warrants, if any. The Company has sufficient funds to meet its working capital requirements and property maintenance costs including some exploration of its mineral properties for the foreseeable future. Additional funds available for exploration of its properties and the acquisition of additional mineral properties is dependent on whether and how much the Company can raise in additional equity financing, the amount of exploration carried out by existing joint venture partners and the ability of the Company to successfully negotiate joint ventures for third party funding of exploration costs.

Liquidity and Capital Resources - Fiscal 2003

The Company had a working capital position of $874,224 as at March 31, 2003.

The Company's sole source of financing during fiscal 2003 was from the sale of shares issued from treasury and the exercise of options. During fiscal 2003, the Company issued 5,802,945 common shares pursuant to private placements raising gross proceeds $1,732,090 and issued 632,500 common shares from the exercise of options raising $63,250.

The Company needed to raise additional equity financing to finance exploration costs for the subsequent year and to increase working capital.

Liquidity and Capital Resources - Fiscal 2002

The Company had a working capital position of $1,783 as at March 31, 2002.

During fiscal 2002, the Company conducted no forms of financing.

Investing Activities - Fiscal 2004

The Company incurred cash costs of $883,732 in property acquisition and exploration. It used a combination of its working capital reserve and proceeds from the private placement of common shares to pay for these expenses. Planet also issued 3,500,000 common shares in connection with the acquisition of a (50%) interest in the Sidace Lake property and issued 20,800 shares in addition to other cash consideration, in connection with the Copalquin, Mexico acquisition.

Investing Activities - Fiscal 2003

The Company incurred cash costs of $670,436 in property acquisition and exploration. It used a combination of its working capital reserve and proceeds from the private placement of common shares to pay for these expenses. Planet also issued 200,000 common shares in connection with its South Gobi, Mongolia property acquisition.

Investing Activities - Fiscal 2002

The Company incurred $2,167 in exploration costs and used its working capital reserve for such expenses.

General and Administrative Expenses

In the fiscal year ended March 31, 2004 gross general and administrative costs increased to $421,727 from $183,232 in the previous fiscal year, as a result of higher levels of activity on our Sidace Lake Project and our acquisitions in Mexico, China and Mongolia. Higher legal, accounting and geological costs also added to the general and administrative expenses. Planet continues to closely monitor and control these costs.

Interest Income and Expense

Interest income was $57,155 in the year ended March 31, 2004 (compared to $Nil in the previous fiscal year).

Income Taxes

Planet capitalized $3,032,849 (net of recoveries of $633,353) related to the acquisition and exploration of its mineral properties in the year ended March 31, 2004 (compared to $709,111 in the previous fiscal year) of which $450,000 will have no associated tax basis due to the flow-through share renunciation and $2,782,470 due to a Section 85 election. The flow-through common share issuances related to these expenditures occurred in fiscal 2003. The Company had no flow-through common share renunciations that were outstanding as of March 31, 2004.

Planet has non-capital losses for income tax purposes, which may be utilized to offset taxable income of future periods and expires as follows:

2006	$ 68,450
2007	$ 52,507
2008	$ 14,657
2009	$ 34,734
2010	$214,813
2011	$112,958

Cash Flow From Operations

Planet did not generate any cash flow from operations in the previous three fiscal years.

Related Party Transactions

The Company incurred $87,000 (2003 - $7,560) in legal and consulting fees with two directors and officers of the Company. These fees are measured at the exchange amount and recorded in general and administrative expenses. The Company incurred $11,900 (2003 - $4,250) in geological fees with another director and officer of the Company. These fees are measured at the exchange amount and recorded as additions to mineral properties. A director and officer received a payroll advance for the first month in the next quarter. This advance was non-interest bearing and was earned during the next quarter. Accounts payable includes a total of $19,191 (2003 - $7,902) owing to related parties.

Summary and Outlook

Planet Exploration Inc. (the "Company") is a Canadian based company engaged in the business of mineral exploration, primarily with respect to the acquisition of minerals rights and the exploration of mineral properties in accordance with such mineral rights.

The Company's key assets are in the Red Lake gold camp, in the Province of Ontario, Canada. The Company also has exploration projects in Mongolia, Mexico and China. The Company has one wholly owned subsidiary company, Minera Planet Exploration SA de C.V., a Mexican incorporated company. Planet Minera was incorporated to conduct exploration on and acquire title to the Copalquin property located in Durango, Mexico. The Company does not have any assets that are in production or that contain a reserve.

During the year ended March 31, 2004, the Company achieved a number of its stated objectives. It raised a total of $6 million in a bought deal financing and raised a further $1.8 million through the exercise of warrants. During the year, Planet acquired a 50% interest in the Sidace Lake project (Red Lake) from a third party in consideration of the issuance of 3.5 million common shares. This acquisition brought its interest in the Sidace Lake Project to 100%. During the year, Planet also granted to Goldcorp Inc. ("Goldcorp") the right to acquire up to a 60% interest in the Sidace Lake project for an aggregate $3,150,000 in cash payments and exploration expenses.

In 2003, the Company acquired interests in a 2,090 hectare exploration license in Western Mongolia (the “Argalant Prospect”), a 7,005 hectare exploration project in Durango, Mexico (the “Copalquin Prospect”) and an 80% interest in the 52.57 square kilometre Wulanbulang Gold Prospect in China (the "Wulanbulang Prospect").

The Company is well positioned with a strong treasury and active exploration to realize further shareholder growth. For the fiscal year 2004, the Company has planned exploration expenditures of approximately $1 million on its Sidace Lake, Argalant and Wulanbulang projects.

Risk and Liquidity

Planet's business plan has been to grow through exploration for mineral resources. Planet's principal risks, as an exploration company, are that it must find and develop economic mineral resources and be able to fund the associated capital expenditures. Planet relies on equity and debt financing. If any components of the business plan should be missing the company may not be able to continue executing the entire business plan.

Exploration projects are reviewed at a very early stage from all aspects including: corporate fit, environmental issues, timing, costs and reward potential. Identified risks are addressed and excessive risks are mitigated before any project is approved.

Critical Accounting Policies

The Company prepares its consolidated Financial Statements in conformity with Generally Accepted Accounting Principles ("GAAP") in Canada. The Company lists its significant accounting policies in Note 3 to its Consolidated Financial Statements, of which the company has identified the following accounting policies, which are believed to be the most critical in fully understanding and evaluating the reported financial results:

The Company records its interest in mineral properties at cost less option payments received and other recoveries. Exploration and development costs related to these interests are capitalized until the mineral properties to which they relate are placed into production, sold or allowed to lapse. When production commences, these expenditures will be amortized over the useful life of the estimated reserves on the unit of production basis. If a project is abandoned or considered to be of no further interest to the Company, the related expenditures are charged to income. If there are no significant expenditures incurred on a property over a three year period, the project is considered to be of no further interest to the Company.

Payments on mineral property option agreements are made at the discretion of the Company and accordingly are accounted for when the Company has committed to make an option payment.

New Accounting Standards for 2004

Stock-Based Compensation and Other Stock-Based Payments

The Company has a stock-based compensation plan as described in note 5 to the financial statements for the year ended March 31, 2004. Effective April 1, 2003, the Company adopted the fair value method to account for all options granted. As such, compensation expense and contributed surplus are recorded based on the fair value of the option at the date of grant determined using the Black-Scholes options pricing model. In fiscal 2003, the Company used the intrinsic value-based method of accounting for options granted to employees.

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Preparation and presentation of the accompanying financial statements are the responsibility of the Management of the Company. The statements have been prepared in accordance with GAAP. The financial information elsewhere in the annual report has been reviewed to ensure consistency with that in the financial statements.

Management acknowledges responsibility for the integrity of its financial information. Where appropriate, management has made informed judgements and estimates in accounting for transactions that were not complete at the balance sheet date. Management maintains appropriate systems of internal control. Policies and procedures are designed to give reasonable assurance that transactions are properly authorized, assets are safeguarded and financial records are properly maintained.

Ranjeet Sundher, President

Darold H. Parken,Secretary

FINANCIAL REVIEW

Planet started its 2003/2004 financial year with approximately $883,731 in working capital.

As at March 31, 2004 Planet's last financial year end, working capital was $7,636,582.

Planet has concluded joint venture agreements with Goldcorp Inc. relating to its Sidace Lake Project and with UC Resources Ltd. relating to its Copalquin, Mexico Project. Under the Goldcorp joint venture, Goldcorp is obligated to make cash payments of $1,050,000 to Planet and to fund $1,500,000 in exploration over three years to earn a 50% interest which may be increased to 60% through an additional $600,000 cash payment. UC Resources is obligated to make cash payments to Planet of $440,000 (US) and to fund $1,250,000 (US) in exploration over 30 months in order to earn 50% of Planet's interest in the Copalquin property.

KENWAY
MACK
SLUSARCHUK
STEWART LLP
Chartered Accountants
www.kmss.ca

Planet Exploration Inc.
Financial Statements
March 31, 2004
Auditors' Report

To: The Shareholders of Planet Exploration Inc.

We have audited the consolidated balance sheets of Planet Exploration Inc. as at March 31, 2004 and the consolidated statements of loss and deficit and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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 principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2004 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 March 31, 2003 and for the year then ended were audited by another auditor who expressed an opinion without reservation on these statements in his report dated July 28, 2003.

July 14, 2004 Chartered Accountants

Kenway Mack Slusarchuk Stewart LLP

220, 333 - 11th Ave S.W.
Calgary AB. T2R 1L9
Tel: (403) 233-7750
Fax: (403) 266-5267

Assets (As at March 31)	2004	2003
Current assets		
Cash and cash equivalents	$ 6,728,219	$ 912,173
Term deposit	500,000	-
Accounts receivable	701,868	60,374
Marketable securities	6,100	-
	7,936,187	972,547
Mineral properties (note 4)	3,950,795	917,946
	$11,886,982	$ 1,890,493
Liabilities and Shareholders' Equity		
Current liabilities		
Accounts payable	$ 299,606	$ 98,323
Future income taxes (note 6)	839,393	-
	1,138,999	98,323
Shareholders' equity		
Common shares (note 5)	10,893,411	2,204,931
Warrants (note 5)	512,040	58,029
Contributed surplus	400,363	37,500
Deficit	(1,057,831)	(508,290)
	10,747,983	1,792,170
	$ 11,886,982	$ 1,890,493

Approved by the Board

Ranjeet Sundher, Director

Darold H. Parken, Director

Financial Statements

Consolidated Statements of Loss and Deficit

For the year ended March 31,	**2004**	**2003**
Interest revenue	$ 57,155	$ -
Expenses		
General and administrative	421,727	183,232
Stock-based compensation	362,863	37,500
	784,590	220,732
Loss before income taxes	(727,435)	(220,732)
Future income tax recovery	(177,894)	-
Net loss	(549,541)	(220,732)
Deficit, beginning of year	(508,290)	(287,558)
Deficit, end of year	(1,057,831)	(508,290)
Basic and diluted loss per share	$ (0.032)	$ (0.033)
Basic and diluted weighted average number of shares outstanding	17,022,962	6,596,936

For the year ended March 31,	2004	2003
Operating activities		
Net loss	$ (549,541)	$ (220,732)
Item not affecting cash:		
Future income taxes	(177,894)	-
Stock-based compensation	362,863	37,500
Cash from operations	(364,572)	(183,232)
Net changes in non-cash working capital items related to operations	47,995	34,330
	(316,577)	(148,902)
Financing activities		
Issue of common shares and warrants, net of issue costs	7,377,309	1,704,783
Net changes in non-cash working capital items related to financing activities	147,005	-
	7,524,314	1,704,783
Investing activities		
Acquisition of mineral properties	(883,732)	(670,436)
Disposition of mineral properties	633,353	21,325
Increase in term deposit	(500,000)	-
Due from joint venture partner	(641,312)	
	(1,391,691)	(649,111)
Increase in cash	5,816,046	906,770
Cash and equivalents, beginning of year	912,173	5,403
Cash and equivalents, end of year	$ 6,728,219	$ 912,173
Supplemental cash flow information		
Interest received	$ 51,657	$ -
Mineral property interests acquired through the issuance of shares	$ 1,750,360	$ 60,000
Mineral property cost related to the future income tax liability	$ 1,032,110	$ -
Marketable securities acquired under option agreement	$ 6,100	$ -

See accompanying notes

March 31, 2004 and 2003

1. **Nature of operations**

The Company is in the business of acquiring, exploring and developing mineral properties, both directly and through joint ventures. To date, the Company has not generated significant revenues from operations and is considered to be a development stage company.

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. **Changes in accounting policies**

Stock-based compensation

Effective April 1, 2003, the Company adopted the recommendations of the Canadian Institute of Chartered Accountants on accounting for stock based compensation. Under this recommendation, stock based compensation is recorded using the fair value method for all stock options granted on or after April 1, 2003. The Company has applied the change prospectively.

Flow-through shares

Effective March 19, 2004, the Company has adopted the recommendations of the Canadian Institute of Chartered Accountants concerning the recognition of the tax effect of flow-through share renunciations. In accordance with the new accounting recommendations, a future tax liability is recorded and share capital is reduced by the estimated tax effect when the expenditures are renounced. Previously, the Company recorded the future tax liability at the later of the date of renunciation or the time the qualified expenditure was incurred.

3. **Summary of significant accounting policies**

Principles of consolidation
The consolidated financial statements include the accounts of Planet Exploration Inc. and its wholly owned Mexican subsidiary, Minera Planet Exploration, S.A. De S.V.

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.

Measurement uncertainty
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 disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Actual results could differ from those estimates.

Foreign currency translation

Foreign currency transactions
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.

Foreign subsidiary
Minera Planet Exploration, S.A. De S.V. is considered to be an integrated foreign operation. As a result, the foreign subsidiary's accounts are translated into Canadian dollars using the temporal method. Under this method, monetary assets and liabilities are translated at the exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities are translated at historical rates. Revenues and expenses are translated at the average rate for the year. Gains and losses resulting from translation are reflected in the statements of earnings.

3. **Marketable securities**

Marketable securities are carried at the lower of cost or quoted market value. When market value is below cost, any unrealized loss is charged to income.

Mineral properties

The Company records its interest in mineral properties at cost less option payments received and other recoveries. Exploration and development costs related to these interests are capitalized until the mineral properties to which they relate are placed into production, sold or allowed to lapse. When production commences, these expenditures will be amortized over the useful life of the estimated reserves on the unit of production basis. If a project is abandoned or considered to be of no further interest to the Company, the related expenditures are charged to income. If there are no significant expenditures incurred on a property over a three year period, the project is considered to be of no further interest to the Company.

Payments on mineral property option agreements are made at the discretion of the Company and accordingly are accounted for when the Company has committed to make an option payment.

Income taxes

Income taxes are calculated using the liability method of tax allocation accounting. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying value on the balance sheet are used to calculate future income tax liabilities or assets. Future income tax liabilities or assets are calculated using tax rates anticipated to apply in the periods that the temporary differences are expected to reverse. The effect on future income tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs. To the extent that the Company does not consider it to be more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess. In its fiscal 2004 year, the Company adopted the recommendation of the Canadian Institute of Chartered Accountants contained in EIC 146 such that the benefit of a reduction of the valuation allowance due to renounced exploration and development expenditures is recorded as a future income tax recovery in the income statement. Previously, it was recorded as a reduction of the tax effect of the issuance of flow through shares.

3. **Flow-through shares**

Certain resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with tax legislation. To recognize the forgone tax benefits to the Company, the future income tax liability and the carrying value of the shares issued are adjusted by the effect of the tax benefits renounced to subscribers. Effective March 19, 2004, the future income tax liability is recorded when the expenditures are renounced by the Company. Previously, the Company recorded the future income tax liability at the later of renunciation and the time that the qualified expenditure was incurred.

Stock-based compensation

The Company has a stock-based compensation plan as described in note 5. Effective April 1, 2003, the Company adopted the fair value method to account for all options granted. As such, compensation expense and contributed surplus are recorded based on the fair value of the option at the date of grant determined using the Black-Scholes options pricing model. In its 2003 fiscal year, the Company used the intrinsic value-based method of accounting for options granted to employees. The fair value of options granted in 2003 was determined by giving consideration to subsequent securities issuances by the Company, both completed and proposed. Also, consideration was given to the value attached to the stock options in exchange for services by an arms length consultant, and the recent trading history of the Company's common shares. An estimated weighted average of these factors was then applied.

Per share amounts

Per share amounts are based on the weighted average of common shares outstanding during the year. Diluted amounts per share are based on the dilutive effect of stock options and other dilutive instruments using the treasury stock method that assumes any proceeds received by the Company upon the exercise of in-the-money stock options would be used to buy back common shares at the average market price for the period.

Cash and cash equivalents

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

4. **Mineral properties**

Costs, net of recoveries, of the Company's mineral properties are as follows:

				2004	2003
	Acquisition Costs (Net of Recoveries)	Deferred Exploration & Development Costs	Write-down & Write-off of Capitalized Costs	Total	Total
Red Lake, Ontario	$ 2,157,110	$1,515,240	$ (163,322)	$ 3,509,028	$ 852,884
Mongolia	123,658	98,006	-	221,664	65,062
Mexico	35,221	117,195	-	152,416	-
China	67,687	-	-	67,687	-
	$ 2,383,676	$1,730,441	$ (163,322)	$ 3,950,795	$ 917,946

The Red Lake, Ontario balance includes an amount of $1,032,110 to give recognition to the future income tax liability related to the acquisition of a mineral property interest in accordance with Section 85 of the Income Tax Act. See Notes 5 and 6 for additional information.

Red Lake, Ontario, Canada

Under the terms of an agreement dated October 15, 2002, the Company increased its interest in certain mining claims in the Red Lake Mining District to a 100% interest in consideration of cash payments totalling $100,000 by December 31, 2002 and the issuance by the Company of 3,500,000 shares by April 15, 2003.

By an agreement dated April 10, 2003, the Company granted options to Goldcorp Inc. to acquire a 60% interest in the Red Lake mining claims in consideration of:

- First option to acquire up to a 50% interest:
  - cash payments of $600,000 by April 10, 2004 (which has been received), $50,000 by April 10, 2005, and $400,000 by April 10, 2006.

  - exploration expenditures of $250,000 by April 10, 2004 (which has been made), $500,000 by April 10, 2005 and $750,000 by April 10, 2006.

- Second option to acquire an additional 10% interest:
  - Cash payment of $600,000 by May 10, 2006.

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. One of the mineral investigation licenses has 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 three mineral investigation leases 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.

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

Mexico

Under the terms of an option agreement dated October 16, 2003, the Company has the option to acquire a 100% interest in the Copalquin property in Mexico in consideration of cash payments totaling $415,000(US) over five years, the issuance by the Company of $24,000(US) of its shares and by incurring exploration expenditures of $1,000,000(US) over five years. At the feasibility study stage, the Company is obligated to pay the property owner $1.00 (US) per ounce of recoverable gold or its equivalent in recoverable silver. The Company is also responsible for a 2.5% Net Smelter Return to the owner and has an option to purchase 1.5% for $1,000,000 (US). The Company has paid a finder's fee of $25,000 (US) and has agreed to pay a further finder's fee of $25,000 (Cdn) on July 15, 2004 and $25,000 (Cdn) on July 15, 2005.

By agreement dated February 13, 2004, the Company granted an option to UC Resources Ltd. to acquire a 50% interest in the Copalquin property in consideration of cash payments of $440,000(US) over three years and incurring exploration expenditures of $1,250,000(US) over three years.

China

The Company entered into a cooperation agreement dated November 11, 2003 pertaining to the Wulanbulang property in China. Under the terms of the agreement the Company can earn an 80% interest in the Wulanbulang property by making cash payments totalling $600,000(US) over three years and by funding a minimum $500,000(US) exploration program over three years. The Company has also been granted an option to purchase an 80% interest in three mining licenses and a mill for $1,800,000(US). The Company must first earn its interest in the exploration property before it can purchase the 80% interest in the mining licenses and mill.

5. **Share capital**
Authorized

- Unlimited number of common voting shares without nominal or par value.
- Unlimited number of first preferred shares.
- Unlimited number of second preferred shares.

Issued and outstanding common shares

		2004		2003
	# of Shares	Consideration	# of Shares	Consideration
Balance, beginning of year	11,385,445	$ 2,204,931	4,750,000	$ 498,177
Common shares issued for cash	4,300,000	5,530,660	3,302,945	1,449,061
Common shares issued upon exercise of warrants	3,532,945	1,850,404		
Common shares issued upon exercise of stock options	50,000	5,000	632,500	63,250
Special warrants issued for cash and subsequently converted to common shares			2,500,000	225,000
Common shares issued for mineral properties	3,520,800	1,750,360	200,000	60,000
Share issue costs		(462,766)		(90,557)
Future income tax effect of share issue costs		181,635		
Future income tax effect of renounced expenditures		(166,813)		(209,971)
Future income tax offset				209,971
Balance, end of year	22,789,190	$ 10,893,411	11,385,445	$ 2,204,931

On April 26, 2002, 332,500 options with an exercise price of $0.10 per share were exercised resulting in the issuance of 332,500 shares for gross proceeds of $33,250.

On June 9, 2002, the Company completed a private placement of 2,500,000 flow-though special warrants each consisting of one common share and one warrant to purchase one common share exercisable at $0.125 per share until June 9, 2004 for gross proceeds of $250,000. The Company determined the fair value of the warrants to be $25,000.

On June 24, 2002, 200,000 shares were issued in exchange for an interest in a mineral property at a price of $0.30 per share for deemed proceeds of $60,000.

On September 30, 2002, 50,000 options with an exercise price of $0.10 per share were exercised resulting in the issuance of 50,000 shares for gross proceeds of $5,000.

On November 28, 2002, the Company completed a private placement of 1,302,945 flow through units consisting of one flow-through common share and one warrant exercisable at a price of $0.45 per share until November 25, 2003 for gross proceeds $482,090. The Company determined the fair value of the warrants to be $13,029.

On March 11, 2003, the Company completed a private placement of 2,000,000 units consisting of one common share and one warrant exercisable at $0.60 per share until March 10, 2004 for gross proceeds of $1,000,000. The Company determined the fair value of the warrants to be $20,000.

On March 31, 2003, 250,000 options with an exercise price of $.10 per share were exercised resulting in the issuance of 250,000 shares for gross proceeds of $25,000.

On April 1, 2003, 3,500,000 shares were issued in exchange for an interest in a mineral property at a price of $0.49 per share resulting in deemed proceeds of $1,715,000. The parties elected under Section 85 of the Income Tax Act that the interest in the mineral property acquired by the Company was acquired at a cost of $117,529 for income tax purposes.

On December 12, 2003, the Company completed an offering of 4,300,000 units consisting of one common share and one non-transferable common share purchase warrant exercisable at a price of $2.00 per share until December 15, 2005 for gross proceeds of $6,020,000. The Company determined the fair value of the warrants to be $512,040.

On January 29, 2004 the Company issued 20,800 shares in exchange for an interest in a mineral property at price of $1.70 per share for deemed proceeds of $35,360.

On May 2, 2003, 50,000 options with an exercise price of $0.10 per option were exercised resulting in the issuance of 50,000 shares for gross proceeds of $5,000. During the year ended March 31, 2004, 3,532,945 warrants were exercised at an average price of $0.514 per share resulting in the issuance of 3,532,945 shares for gross proceeds of $1,815,075.

Warrents		2004		2003
	# of Warrents	Consideration	# of Warrents	Consideration
Balance, beginning of the year	5,802,945	$ 58,029	-	$ -
Issued during the year	4,300,000	489,340	5,802,945	58,029
Exercised during the year	(3,532,945)	(35,329)	-	-
	6,570,000	$ 512,040	5,802,945	$ 58,029

Warrents

Details of warrants outstanding at March 31, 2004 are as follows:

Number	Exercise Price	Expiry Date
2,270,000	0.125	09/06/04
4,300,000	2.000	15/12/05
6,570,000		

Stock option plan

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 2,200,000 common shares. 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.

		2004		2003
	Options	Weighted average exercise price	Options	Weighted average exercise price
Balance, beginning of year	200,000	$ 0.10	332,500	$ 0.10
Granted	1,200,000	0.65	500,000	0.10
Exercised	(50,000)	0.10	(632,500)	0.10
Balance, end of year	1,350,000	$ 0.59	200,000	$ 0.10

Details of stock options outstanding at March 31, 2004 are as follows:

Number outstanding & exercisable	Weighted average remaining contractual life (years)	Weighted average exercise price
150,000	3.08	0.10
100,000	4.16	0.56
500,000	0.01	0.60
500,000	4.01	0.70
100,000	4.16	0.75
1,350,000		$0.59

Stock-based compensation

During the year ended March 31, 2004, the Company recorded $362,863 (2003 - $37,500) as compensation expense for stock options granted.

During the year ended March 31, 2004, the fair value of each option granted was estimated at the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions.

Risk free interest rate (%)	4.00
Expected life (years)	3.75
Expected volatility (%)	40.00
Expected dividends (%)	0.00
Weighted average grant-date fair value ($)	0.74

During the year ended March 31, 2003, the fair value of each option granted was estimated to be $0.15 per option. The fair value of 250,000 options that were granted to consultants was $37,500 and was recorded as stock based compensation expense. The fair value of 250,000 options granted to directors and employees was $37,500 and was not recorded. Had the fair value of options granted to directors and employees for the year ended March 31, 2003 been recorded, the Company's pro forma net loss would have been $258,232 and the pro forma basic loss per share would have been $0.04.

Per share amounts

Basic and diluted per share amounts are calculated using the weighted average number of common shares outstanding during the year of 17,022,962 (2003 – 6,596,936).

The options to purchase common shares and warrants outstanding were not included in the computation of diluted earnings per share because they were anti-dilutive.

6. **Income taxes**

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:

	2004	2003
Net loss	$ (727,435)	$ (220,732)
Combined Canadian federal and provincial statutory rate	39.25%	42.24%
Computed recovery	(285,518)	(93,237)
Non -deductible stock option compensation	142,424	15,840
Benefit of loss carry forwards tax deduction not recognized	-	77,397
Other	(34,800)	-
Actual recovery	$ (177,894)	$ -

During the year ended March 31, 2004, an election under Section 85 of the Income Tax Act was used to acquire additional interests in certain mineral properties. This resulted in the properties acquired having a lower tax value than the consideration paid. Consequently, $1,032,110 in future income taxes has been recognized in the accounts. See Notes 4 and 5 for additional information.

The components of the Company's net future income tax liability is as follows:

	2004	2003
Net book value of mineral properties in excess of tax value	$ 1,201,548	$ 152,470
Benefit of non-capital losses	(195,512)	(162,692)
Benefit of share issue costs	(166,643)	(30,610)
Valuation allowance	-	40,832
	$ 839,393	$ -

7. **Related party transactions**

The Company incurred $87,000 (2003 - $7,560) in legal and consulting fees with two directors and officers of the Company. These fees are measured at the exchange amount and recorded in general and administrative expenses. The Company incurred $11,900 (2003 - $4,250) in geological fees with another director and officer of the Company. These fees are measured at the exchange amount and recorded as additions to mineral properties. A director and officer received a payroll advance for the first month in the next quarter. This advance was non-interest bearing and was earned during the next quarter. Accounts payable includes a total of $19,191 (2003 - $7,902) owing to related parties.

8. **Financial instruments**

The Company's carrying value of cash and cash equivalents, term deposit, accounts receivable, accounts payable and deposits on shares approximates its fair value due to the immediate or short term maturity of these instruments.

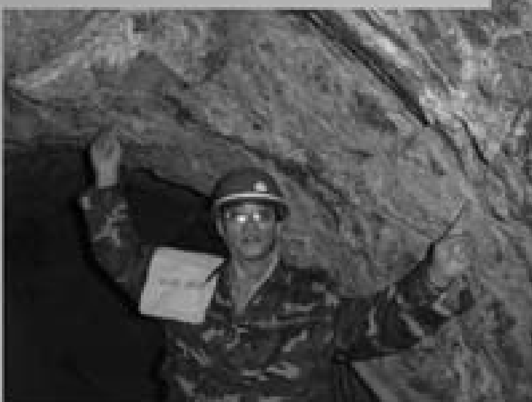
The quoted market value of marketable securities at March 31, 2004 was $50,000.

9. **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, Mongolia, Mexico, and China. 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 4 for capitalized costs by geographic region. The Company's loss for the year is the result of expenses incurred in Canada.

10. **Subsequent events**

a) The Company has issued 100,000 common shares upon exercise of stock options for a total consideration of $10,000.
b) The Company has issued 100,000 common shares upon exercise of warrants for a total consideration of $62,000.



HEAD OFFICE
Suite 400, 750 - 11th Street S.W.
Calgary, Alberta
T2P 3N7
Tel: 403 537-0067
Fax: 403 237-5816
Email: invest@planetexploration.net
Website: www.planetexploration.net

TRANSFER AGENT
Computershare Trust
Company of Canada
6th Floor, Western Gas Tower
530 - 8th Avenue S.W.
Calgary, Alberta
T2P 3S8

BANKERS
Canadian Western Bank
606 - 4th Street S.W.
Calgary Alberta
T2P 1T1

The Annual General Meeting of Shareholders will be held on Friday, August 13, 2004 at 10:00 a.m. at the offices of the Corporation.

DIRECTORS
Ranjeet Sundher
President, Planet Exploration Inc.
Singapore

Darold H. Parken, BA (Econ) LLB
Corporate Counsel,
Parken & Company
Calgary, Canada

Adrian G. Mann, PhD, MBA, PGeol
Geological Consultant
Calgary, Canada

OFFICERS
Ranjeeet Sundher
President

Adrian G. Mann
Vice President, Exploration

Darold H. Parken
Secretary

CAPITALIZATION & SHARE DISTRIBUTION
March 31, 2004

Symbol	PXI
Stock Exchange	TSX Venture
Shares Outstanding	22,789,190
Fully Diluted Shares	30,709,190
52-week High	$1.95
52-week Low	$0.68
Market Capitalization	$16 million

PXI

Planet Exploration Inc.
Suite 400, 750 - 11th street S.W.
Calgary, Alberta
T2P 3N7

Tel: 403.537.0067
Fax: 403.237.5816
invest@planetexploration.net