

PLANET EXPLORATION INC.
FIRST QUARTER SHAREHOLDERS' REPORT
AS AT JUNE 30, 2005

MANAGEMENT DISCUSSION AND ANALYSIS

The following discussion and analysis is a review of operations, current financial position and outlook for the Company and should be read in conjunction with the unaudited quarterly consolidated financial statements for the three months ended June 30, 2005, the audited financial statements for the year ended March 31, 2005 and management's discussion and analysis for the year ended March 31, 2005. 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 2006 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.

OPERATIONS UPDATE

Planet Exploration Inc. ("Planet" or the "Company") is a junior mineral exploration company that is listed as "PXI" on the TSX Venture Exchange.

CORE PROPERTY UPDATE

Sidace Lake (Red Lake Mining District), Ontario

Subject only to a 1% Net Smelter Royalty ("NSR"), Planet/Goldcorp Inc. joint venture owns 100% of the Sidace Lake Property, which comprises 58 unpatented contiguous mining claims (totaling 722 claim units covering approximately 11,524 hectares) in the Red Lake Mining Division, Ontario. As of March 22, 2005, Planet and Goldcorp are equal partners in the joint venture project, of which Goldcorp is the operator. The property is covered by the Coli Lake (G-1759), Sobeski Lake (G-1885) and the Black Bear Lake (G-1739) claim map sheets (N.T.S 52N/5) located 25 km northeast of Balmertown.

From 1998, when Planet first took an interest in the property, to the end of 2004, the Company and its joint venture partner had drilled 28,835 metres in 81 holes, half of which were focussed on the Main Discovery Zone. This feature, a tight, gold-bearing, arsenopyritic 'Z' fold within a definable quartz-sericite schist, is robust, of predictable shape and orientation. Strike length is 200-250m and it has now been followed vertically down to 1,000 metres. The body is contained in a wide envelope of low grade material (up to 130m averaging 0.98g/t Au in RL-03-19; 44.0m averaging 4.16g/t Au in RL-03-29); but it is not of sufficient size nor grade to constitute a stand-alone exploitable entity.

Throughout the past year, Planet has carried out a methodical exploration of interesting geological and geophysical features to the northeast, south and west of the Main Discovery Zone. This methodical approach has yielded five new targets: the Far West Zone; the Deep Footwall Zone; the Skarn Zone; the Upper Duck Zone; and the Anderson Zone.

The Far West Zone is similar in lithology and stratigraphic position to the Main Discovery Zone, but lies about 2,500m to the west. One hole drilled in 2004 (RL-04-44) showed 2.5g/t Au over 3.85m. Further drilling was plagued by difficulties in penetrating the deep glacial overburden in this area. An additional hole will be drilled in fiscal 2006 to investigate this discovery further.

The Deep Footwall Zone is in biotite-quartz schist with disseminated pyrite in a potassic feldspar altered mylonitized felsic volcanic rock, locally grading to quartz-sericite schist. The zone was discovered fortuitously when drilling for stratigraphic information beneath the Main Discovery Zone. Five holes have intersected values in the zone, the best being 14.47g/t Au over 0.80m in hole RL-03-37 but as yet there is insufficient information to determine continuity, strike length or even absolute orientation. Because access to favourable drill sites is through swampy muskeg, further drilling must wait until winter.

The Skarn (originally South) Zone over 1,500m southwest of the Main Discovery Zone, is very different from the Main Discovery Zone. It occurs in sheared mafic volcanics in a skarn-like assemblage of epidote and garnet with a concentration of pyrite-pyrrhotite-arsenopyrite in which fine flecks of visible gold were observed. To date, four holes have been drilled, all with interesting results, the best being 10.12g/t Au over 2.70m. A strike length of 100m to 100m vertical depth has been drilled. The body is open in all directions. It strikes roughly due north, dipping steeply west but in the south there is strong evidence that it is folded sharply through 90° to strike due west. Three further holes in the current drilling program have tested the southern folded portion. Results are described below.

A further zone of mineralization of unknown orientation and affiliation has recently been discovered in one drillhole (RL-05-82) in the hangingwall of the Skarn Zone (best value being 9.28g/t Au over 0.5m).

Although originally regarded as an extension of the Skarn Zone, the Upper Duck Zone has been shown by drilling to be a distinct unit 300m north of the nearest Skarn Zone hole and over 1,100m southwest of the Main Discovery Zone. Rich in magnetite and commonly showing minute specks of visible gold in pyrite-pyrrhotite-arsenopyrite bands, the zone strikes roughly due west, dipping steeply north. Of the 9 holes drilled, 8 intersected the zone with interesting values, the best being 59.15g/t Au over 1.00m, and show a strike length of 300m to 100m vertical depth, open in all directions. Two further holes are planned for the current program to target the east end of the body. As part of the current methodical exploration strategy, two holes (RL-05-77 & 84) were drilled as 300m and 800m step-out holes to the west along this Upper Duck strike trend. Both holes showed encouraging values within the same stratigraphic position with very similar lithology and associated mineralization. This is a very exciting development as it opens the Upper Duck target corridor to over 1,100m.

The Anderson Zone is the newest discovery and perhaps has the most exciting potential. The deep overburden and muskeg has repeatedly delayed drilling on the extension of the East Bay Serpentine under Anderson Lake until this year. We have just completed 3 holes into this feature, assays for which are awaited. The formation is particularly important in the regional context as it is host to several significant gold deposits of the Redlake area including the much-vaunted recent Wolfden/Placer GAZ zone discovery.

Planet and Goldcorp continue drilling on the joint venture property under the field management of Goldcorp. We anticipate further drilling in the current year and into 2006. Until March 2005 all direct exploration expenses were funded by Goldcorp but since that date any additional costs will be shared between the two partners, Goldcorp and Planet. Up to the time of exercise of their option to earn 50% of the property, Goldcorp had spent over \$1,500,000 on drilling on the project.

In the first quarter of the year, 4,315m of diamond drilling, in 14 holes (RL-05-71 to RL-05-84), have been reported on the Sidace Lake JV project. This drilling was focused on two primary targets:

1. more precise definition of the Main Discovery Zone (MDZ) at depth;
2. extending the known strike of the Upper Duck Zone (UDZ).

Just over 2,000m were cored from 6 holes drilled in the MDZ, confirming the robust thicknesses and modest grades which we have come to expect in that zone. An interesting aside was an additional intersection into the deep footwall zone in one hole (RL-05-74), which showed 3.14g/t over 5.00m about 80m beneath the MDZ. This brings the total of intersections in this zone to 5, but difficulty of access, particularly in the summer and fall, has so far precluded further follow-up on the zone.

In the UDZ proper, 1089m in 4 holes were completed, with very encouraging results, including 16.75g/t over 1.00m in RL-05-78, 6.62g/t over 3.58m in RL-05-79 (which includes 22.36g/t over 0.90m), and 1.23g/t over 19.85m in RL-05-80. The UDZ, which strikes NE/SW is now known over 300m strike, to a depth of 100m, and open in all directions, although follow-up to the east is hindered by swamp. Two further holes, totalling 489m, were drilled immediately to the south (footwall) of the UDZ, with some minor gold values. The other two holes, RL-05-77 and RL-05-84, marked the start of methodical exploration of the south and west of the claims. Initial indications are that RL-05-77, at least, extends the UDZ potential some 350m to the west of the nearest intersection. A value of 37.08g/t over 1.30m in this hole is encouraging.

A further 5 holes (RL-05-85 to RL-05-89), totalling 1774m were drilled during the first quarter, but results were not released until the second quarter. These include 3 holes drilled on the Skarn Zone, 2 of which returned promising values of 13.30g/t over 1.00m (RL-05-86) and 5.64g/t over 1.00m (RL-05-87). One hole (RL-05-89), aimed at the East Bay Serpentinite, averaged 1.28g/t Au over 11m within the upper contact talc-carbonate alteration. This last is a very significant development, as it is our first probe into this regionally productive zone.

Drilling continues, with a further 2,300m in 8 holes planned. All this work investigates promising geophysical targets in the south and west, and follows-up on some encouraging indications from this and earlier drilling. A simultaneous surface geochemical pilot study, and some overburden stripping and detailed geological mapping and sampling are also being undertaken.

Planet is well funded and will be able to meet its commitments as it goes forward in exploring these targets.

Because the Sidace Lake property contains no identified mineral resource or reserve as defined by the NI 43-101, it is included for its upside potential only should exploration prove successful.

Copalquin, Mexico

Under the terms of an option agreement dated October 16, 2003 Planet has the option to acquire a 100% interest in the Copalquin gold/silver property located in Durango, 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. As at March 31, 2005, Planet has made cash payments of \$65,000 (US), has issued \$24,000 (US) of its shares and has met the requirement to expend a minimum of \$275,000 (US) by July 13, 2005. At the feasibility study stage, Planet is obligated to pay the property owner \$1.00 (US) per ounce of recoverable gold or its equivalent in recoverable silver. Planet is also responsible for a 2.5% Net Smelter Return ("NSR") to the owner and has an option to purchase 1.5% of the NSR for \$1,000,000 (US).

By agreement dated February 13, 2004, Planet granted an option to UC Resources Ltd. ("UC") 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. As at March 31, 2005, Planet has received cash payments of \$90,000 (US) and UC has met its requirement to expend a minimum of \$750,000 (US) by July 13, 2005.

In June 2005, in consideration of \$50,000 (US), Planet granted an option to UC to purchase all of the outstanding shares of its wholly owned Mexican subsidiary, Minera Planet Exploration S.A. de C.V. for \$500,000 (US) on or before October 8, 2005, which, if the option is exercised, will result in the disposition of the Company's entire Mexican property interests.

No exploration activities were conducted on the Copalquin property during the quarter ended June

30, 2005.

The Copalquin property is in the early stages of exploration and no mineral resource or reserves have been established and accordingly the property is included for its upside potential only should exploration prove to be successful.

Mongolia

Planet's only Mongolian property, the Argalant (Ovoot) property (2,090 hectares), 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.

Mapping and detailed sampling has been completed and an initial diamond drill exploration program of approximately 2,000 metres has been created with a preliminary exploration budget of approximately \$400,000 (US). Planet is negotiating a prospective joint venture of the property and accordingly, no discussion regarding the drilling program will be made until the outcome of the negotiations is known.

The Argalant (Ovoot) property is in the early stages of exploration and no mineral resource or reserves have been established and accordingly the property is included for its upside potential only should exploration prove to be successful.

First Quarter Ended June 30, 2005 (fiscal 2006) Financial and Operating Results

Financial Results in Detail

	First Quarter Ended June 30, 2005	First Quarter Ended June 30, 2004
Financial		
Interest Revenue	\$ 49,264	\$ 28,053
Net (Loss)	(\$ 7,839)	(\$ 25,829)
Basic loss per share	-	(\$ 0.001)
Working capital	\$ 7,677,249	\$ 7,577,782
Mineral properties	\$ 3,997,582	\$ 4,339,515
Total assets	\$11,866,524	\$11,980,501
Shareholder's equity, June 30	\$10,816,074	\$11,077,904
Basic and (diluted) ⁽¹⁾ number of shares outstanding as at June 30	25,259,190 (25,296,793)	25,259,190 (26,409,190)

⁽¹⁾ Note: a non GAAP measure, diluted shares includes outstanding shares and all warrants and options to purchase shares where the exercise price is at or below the average trading price of the shares during the quarter.

Operating Results

During the quarter ended June 30, 2005, Planet focused its efforts primarily on its diamond drilling program on the Sidace Lake Project.

	First Quarter Ended June 30, 2005	First Quarter Ended June 30, 2004	% change
Operating Revenue	-	-	-
General & Administrative expense	33,953	53,882	(37.0)
Net (Loss)	(7,839)	(25,829)	(67.7)
Cash from (used in) operations	15,311	(25,829)	(40.0)

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.

Results of Operations – Three months ended June 30, 2005 compared with three months ended June 30, 2004

Planet produced no revenue from operations during the quarter ended June 30, 2005 and has not produced any revenue from operations since its inception. Planet's loss for the quarter was 7,839 compared to a loss of \$25,829 in the corresponding quarter of the prior year. This represents a 67.7% decrease in net loss which is attributable to higher interest income earned and a lower level of activity during the quarter.

General and Administrative Expenses

General and administrative expenses for the quarter ended June 30, 2005 were \$33,953 representing a decrease of 37% over similar expenses in the corresponding quarter of the prior year. Again, this is due to a reduced level of activity during the quarter.

Interest Income and Expense

Interest income was \$49,264 in the three months ended June 30, 2005 (compared to \$28,053 in the three months ended June 30, 2004) reflecting increased working capital (derived primarily from equity financing) invested in short term investments.

Cash Flow From Operations

Planet generated \$15,311 in cash flow from investing its cash resources in the quarter ended June 30, 2005. Planet has not commenced mineral producing activities.

Stock Options

During the three months ended June 30, 2005, 150,000 stock options were granted to a director of

the Company at an exercise price of \$0.38, these options expire May 26, 2010.

Related Party Transactions

The Company incurred \$15,000 in consulting fees from an officer of the Company. These fees have been included in general and administrative expenses.

The Company incurred \$15,000 in legal fees from a law firm in which a director of the Company is principal. The fees have been included in general and administrative expenses.

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 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, to the extent possible, 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 Audited Consolidated Financial Statements for the fiscal year ended March 31, 2004. 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.

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