

PLANET EXPLORATION INC.
FIRST QUARTER SHAREHOLDER'S REPORT
AS AT JUNE 30, 2004

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 financial statements for the three months ended June 30, 2004, the audited financial statements for the year ended March 31, 2004 and management's discussion and analysis for the year ended March 31, 2004. 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.

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, Ontario

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 meters. The host rocks of the gold zones are comprised of 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 and Planet will explore new areas of interest on Planet's property. 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 similarities are apparent between the Hemlo deposit and the Sidace Lake Project geology and gold mineralization.

Planet and Goldcorp have recently completed a diamond drilling program of approximately 10,000 metres with two rigs and intend to commence the next 3,000 metre drilling phase in September of 2004. The drill program has been prepared and approved by all parties and the program will commence as soon as qualified drilling personnel are available. During the quarter, continued prospecting has been conducted over previously unexplored portions of the joint Planet/Goldcorp land holdings.

Copalquin, Mexico

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.

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 \$1,250,000 (US) in exploration over 30 months. UC has constructed its camp facility on the property and intends to commence diamond drilling in September 2004.

Wulongbulang, China

Planet has signed the formal joint venture agreement to acquire an 80% interest in this 52.57 sq. km property located in the eastern portion of the Wulongbulang 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 property commenced March, 2004 and included limited sampling and review of existing data. Planet intends to seek out a joint venture partner on this project.

Mongolia

Planet has established a geological and office presence in Mongolia through its long-standing association with Mine Info Ltd., 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 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's two Gobi region mineral licenses are all 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. Planet has not conducted any exploration on these properties and is currently evaluating its continued ownership of these two licenses.

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 further geophysics, trenching and diamond drilling, if warranted.

Significant Financial Events

During the three months ended June 30, 2004 a total of 2,270,000 share purchase warrants were exercised for gross proceeds of \$283,750.

	First Quarter Ended June 30, 2004	First Quarter Ended June 30, 2003
Financial		
Interest Revenue	\$ 28,053	\$ 5,959
Net Income (Loss)	(\$ 25,829)	(\$ 61,793)
Basic loss per share	(\$ 0.001)	(\$ 0.004)
Working capital	\$ 7,577,782	\$ 531,980
Mineral properties	\$ 4,339,515	\$ 3,943,651
Total assets	\$11,980,501	\$ 4,671,356
Shareholder's equity, June 30	\$11,077,904	\$ 3,431,372

	First Quarter Ended June 30, 2004	First Quarter Ended June 30, 2003
Basic and (diluted) number of shares outstanding as at June 30	25,259,190 (30,709,190)	15,075,445 (22,088,390)

First Quarter Ended June 30, 2004 (fiscal 2005) Financial and Operating Results

Financial Results in Detail

Financial And Operating Results

During the quarter ended June 30, 2004, Planet focused its efforts primarily on its Mongolia and China Project while preparing for a new diamond drilling program on the Sidace Lake Project.

Financial Results in Detail

	First Quarter Ended June 30, 2004	First Quarter Ended June 30, 2003	% change
Operating Revenue	-	-	-
General & Administrative expense	53,882	64,752	(16.78)
Net income (loss)	(25,829)	(61,793)	(58.20)
Cash from (used in) operations	(25,829)	(58,793)	(56.06)

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 – Three months ended June 30, 2004 compared with three months ended June 30, 2003

Planet produced no revenue from operations during the quarter ended June 30, 2004 and has not produced any revenue from operations since its inception. Planet's loss for the quarter was \$25,829 compared to a loss of \$61,793 in the corresponding quarter of the prior year. This represents a 58.2% 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, 2004 were \$53,882 representing a decrease of 16.78% over similar expenses in the corresponding quarter of the prior year.

Interest Income and Expense

Interest income was \$28,053 in the three months ended June 30, 2004 (compared to \$ 5,959 in the three months ended June 30, 2003) reflecting increased working capital (derived primarily

from equity financing) invested in short term investments..

Cash Flow From Operations

Planet did not generate any cash flow from operations in the quarter ended June 30, 2004 and has not generated any cash flow from operations since its inception.

Stock Options

No stock options were granted during the three months ended June 30, 2004.

Related Party Transactions

The Company incurred \$10,000 in consulting fees from an officer of the Company. These fees have been included in mineral properties.

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