

# **Planet Exploration Inc.**

Interim Financial Statements  
For the three and nine month periods ended  
December 31, 2008

## PLANET EXPLORATION INC.

### UNAUDITED INTERIM FINANCIAL STATEMENTS

In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the unaudited interim financial statements for the period ended December 31, 2008.

### NOTICE TO READER OF THE INTERIM FINANCIAL STATEMENTS

The interim financial statements of Planet Exploration Inc. comprising the accompanying interim balance sheet as at December 31, 2008 and the interim statements of loss and deficit and cash flows for the three and nine months then ended are the responsibility of the Company's management.

These interim financial statements have not been reviewed on behalf of the shareholders by the independent external auditors of the Company, MacKay LLP. The interim financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these financial statements in accordance with Canadian generally accepted accounting principles.

*"Salim Jivraj"*

Salim Jivraj, Director

*"Darold H. Parken"*

Darold H. Parken, Director

March 2, 2009

**Planet Exploration Inc.**  
**Balance Sheet**  
(Unaudited - See Notice to Reader)

	December 31, 2008 (Unaudited)	March 31, 2008 (Audited)
<b>Assets</b>		
Current		
Cash and cash equivalents	\$ 6,094,888	\$ 6,804,715
Accounts receivable	52,019	44,303
Marketable securities	6,100	6,100
	6,153,007	6,855,118
Mineral properties (note 6)	5,998,474	5,087,747
Equipment	1,225	1,588
	\$ 12,152,706	\$ 11,944,453
<b>Liabilities</b>		
Current		
Accounts payable	\$ 869,473	\$ 424,147
Future income taxes	624,077	624,166
	1,493,550	1,048,313
<b>Shareholders' Equity</b>		
Common shares (note 7 (b))	11,341,692	11,341,692
Contributed surplus	1,138,596	1,045,019
Deficit	(1,821,132)	(1,490,571)
	10,659,156	10,896,140
	\$ 12,152,706	\$ 11,944,453

Approved on behalf of the Board:

"Darold H. Parken"

Darold H. Parken, Director

"Salim Jivraj"

Salim Jivraj, Director

The accompanying notes are an integral part of these financial statements.

Planet Exploration Inc.  
**Statements of Loss and Deficit**  
For the Three and Nine Month Periods Ended December 31  
(Unaudited - See Notice to Reader)

	Three months ended December 31		Nine months ended December 31	
	2008	2007	2008	2007
Interest Revenue	\$ 39,640	\$ 86,310	\$ 144,083	\$ 258,430
<b>Expenses</b>				
General and administrative	169,670	116,412	380,793	301,660
Stock-based Compensation	86,299	11,763	93,577	17,497
Amortization	121	110	363	331
	<u>256,090</u>	<u>128,285</u>	<u>474,733</u>	<u>319,488</u>
Loss before income taxes	\$ (216,450)	\$ (41,975)	\$ (330,650)	\$ (61,058)
Future income tax (recovery) provision	<u>(33)</u>	<u>6,909</u>	<u>(89)</u>	<u>20,926</u>
Net loss and comprehensive loss	\$ (216,417)	\$ (48,884)	\$ (330,561)	\$ (81,984)
Deficit, beginning of period	<u>(1,604,715)</u>	<u>(1,072,593)</u>	<u>(1,490,571)</u>	<u>(1,039,493)</u>
Deficit, end of period	<u>\$ (1,821,132)</u>	<u>\$ (1,121,477)</u>	<u>\$ (1,821,132)</u>	<u>\$ (1,121,477)</u>
Loss per share - basic and diluted	<u>\$ (0.009)</u>	<u>\$ (0.002)</u>	<u>\$ (0.013)</u>	<u>\$ (0.003)</u>
<b>Weighted average number of shares outstanding</b>				
Basic	<u>25,319,190</u>	<u>25,309,190</u>	<u>25,319,190</u>	<u>25,309,190</u>
Diluted	<u>25,319,190</u>	<u>25,309,190</u>	<u>25,319,190</u>	<u>25,309,190</u>

The accompanying notes are an integral part of these financial statements.

Planet Exploration Inc.  
Statement of Cash Flows  
For the Three and Nine Month Periods Ended December 31  
(Unaudited - See Notice to Reader)

	Three months ended December 31		Nine months ended December 31	
	2008	2007	2008	2007
<b>Operating Activities</b>				
Net loss and comprehensive loss	\$ (216,417)	\$ (48,884)	\$ (330,561)	\$ (81,984)
Item not affecting cash				
Depreciation	121	110	363	331
Future income tax (recovery) provision	(33)	6,909	(89)	20,926
Stock-based compensation	86,299	11,763	93,577	17,497
	<u>(130,030)</u>	<u>(30,102)</u>	<u>(236,710)</u>	<u>(43,230)</u>
Net changes in non-cash working capital items related to operations	<u>(5,817)</u>	<u>(12,461)</u>	<u>(7,716)</u>	<u>(10,498)</u>
Cash flow from operations	<u>(135,847)</u>	<u>(42,563)</u>	<u>(244,426)</u>	<u>(53,728)</u>
<b>Investing Activities</b>				
Additions to mineral properties	(347,116)	(325,419)	(910,727)	(867,612)
Net change in non-cash working capital items related to investing activities	<u>166,991</u>	<u>103,979</u>	<u>445,326</u>	<u>537,685</u>
	<u>(180,125)</u>	<u>(221,440)</u>	<u>(465,401)</u>	<u>(329,927)</u>
Decrease in cash and cash equivalents	(315,972)	(264,003)	(709,827)	(383,655)
Cash and cash equivalents, beginning of period	<u>6,410,860</u>	<u>7,489,061</u>	<u>6,804,715</u>	<u>7,608,713</u>
Cash and cash equivalents, end of period	<u>\$ 6,094,888</u>	<u>\$ 7,225,058</u>	<u>\$ 6,094,888</u>	<u>\$ 7,225,058</u>
<b>Cash and cash equivalents consist of</b>				
Cash	\$ 79,635	\$ 227,153	\$ 79,635	\$ 227,153
Term deposits	<u>6,015,253</u>	<u>6,997,905</u>	<u>6,015,253</u>	<u>6,997,905</u>
	<u>\$ 6,094,888</u>	<u>\$ 7,225,058</u>	<u>\$ 6,094,888</u>	<u>\$ 7,225,058</u>
<b>Supplementary information:</b>				
Interest received	<u>\$ 39,640</u>	<u>\$ 86,310</u>	<u>\$ 144,083</u>	<u>\$ 258,430</u>

The accompanying notes are an integral part of these financial statements.

**Planet Exploration Inc.**  
**Notes to the Interim Financial Statements**  
**December 31, 2008**  
**(Unaudited – See Notice to Reader)**

**1. BASIS OF PRESENTATION**

The interim financial statements of Planet Exploration Inc. (the "Company") have been prepared by management in accordance with Canadian generally accepted accounting principles. The interim financial statements have been prepared following the same accounting policies and methods in computation as the financial statements for the fiscal year ended March 31, 2008 except as disclosed in note 2 – Change in Significant Accounting Policies. The interim financial statements should be read in conjunction with the financial statements and notes thereto and the Company's management discussion and analysis for the year ended March 31, 2008.

These financial statements have been prepared on the assumption that the Company will continue as a going concern and realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. 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. CHANGE IN SIGNIFICANT ACCOUNTING POLICIES**

- a) As of April 1, 2008, the Company has adopted the following two new CICA standards: Financial Instruments – Disclosures (Section 3862) and Financial Instruments – Presentation (Section 3863), replacing Financial Instruments – Disclosure and Presentation (Section 3861). The new disclosure standard increases the emphasis on the risks associated with both recognized and unrecognized financial instruments and how those risks are managed. The new presentation standard carries forward former presentation requirements.
- b) As of April 1, 2008, the Company adopted CICA standards, Capital Disclosures (Section 1535), which requires companies to disclose their objectives, policies and processes for managing capital. In addition, disclosures are to include whether companies have complied with externally imposed capital requirements.
- c) As of April 1, 2008, the Company has adopted the new General Standards of Financial Statement Presentation (Section 1400) which requires management to assess an entity's ability to continue as a going concern, taking into account all available information about the future which is, at least, but is not limited to, twelve months from the balance sheet date. Financial statements must be presented on a going concern basis unless the management either intends to liquidate the entity, cease trading or operations, or has no realistic alternative but to do so. Management has assessed the company as a going concern and these financial statements are presented on a going concern basis.

**Planet Exploration Inc.**  
**Notes to the Interim Financial Statements**  
**December 31, 2008**  
**(Unaudited – See Notice to Reader)**

**3. RECENT ACCOUNTING PRONOUNCEMENTS**

In February 2008, the CICA issued new Handbook Section 3064 Goodwill and Intangible Assets, replacing Handbook Section 3062 Goodwill and Other Intangible Assets and Handbook Section 3450 Research and Development Costs. This new Section will be applicable to financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new Section for its fiscal year beginning April 1, 2009. This Section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Handbook Section 3062. The Company is currently evaluating the impact of the adoption of this new Section on its financial statements.

A strategic plan has been adopted by the Accounting Standards Board for the future direction of accounting standards in Canada. It is expected that Canadian accounting standards for public companies will converge with International Financial Reporting Standards ("IFRS"). On March 31, 2009, the Company will be required to provide a preliminary disclosure of policy impacts of upon adopting IFRS. The Company is in the initial stages of assessing IFRS and its impacts on the financial statements.

**4. CAPITAL MANAGEMENT**

The Company's objectives when managing capital are:

- To safeguard the entity's ability to continue as a going concern.
- To maintain appropriate cash reserves on hand to meet ongoing exploration and operating costs.
- To invest cash on hand in highly liquid and highly rated financial instruments.

In the management of capital, the Company includes shareholders' equity (excluding accumulated other comprehensive income (loss)), cash and cash equivalents and marketable securities in the definition of capital. The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may pay dividends, return capital to shareholders or issue new shares. The Company currently has no externally imposed capital requirements.

Planet Exploration Inc.  
Notes to the Interim Financial Statements  
December 31, 2008  
(Unaudited – See Notice to Reader)

5. FINANCIAL RISK FACTORS

a) Property Risk

The Company's significant mineral property is the Red Lake, Ontario (Sidace Lake) Property. If no additional mineral properties are acquired by the Company, any adverse development regarding the Red Lake property could have a material adverse effect on the Company's financial condition and the results of operations.

b) Liquidity Risk

The Company addresses liquidity risk as part of its capital management. The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities as they become due and to continue its exploration drilling program at its Red Lake Property. As at December 31, 2008, the Company had a working capital balance of \$5,283,534 (March 31, 2008 - \$6,430,971).

c) Interest Rate Risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest cash in certificates of deposit issued by a Canadian chartered bank with which it keeps its bank accounts. The Company periodically monitors the investments it makes and is satisfied with the creditworthiness of its Canadian chartered bank. As at December 31, 2008 a 1% change in interest rates would affect the revenue derived from cash and cash equivalents by approximately \$60,000 on an annual basis.

6. MINERAL PROPERTIES

The Company's active mineral property is located as follows:

	<u>December 31, 2008</u>	<u>March 31, 2008</u>
Red Lake, Ontario (Sidace Lake)	\$ 5,998,474	\$ 5,087,747

Planet Exploration Inc.  
Notes to the Interim Financial Statements  
December 31, 2008  
(Unaudited – See Notice to Reader)

7. SHARE CAPITAL

a) Authorized share capital

Unlimited number of common voting shares without nominal or par value.

Unlimited number of first preferred shares.

Unlimited number of second preferred shares.

b) Common shares issued

The issued common shares are as follows:

	Nine months ended December 31, 2008		Year ended March 31, 2008	
	# of Shares	Consideration	# of Shares	Consideration
Balance, beginning of period	25,319,190	\$ 11,341,692	25,309,190	\$ 11,333,932
Issuance of shares	-	-	10,000	5,600
Contributed surplus attributed to options exercised	-	-	-	2,160
Balance, end of period	<u>25,319,190</u>	<u>\$ 11,341,692</u>	<u>25,319,190</u>	<u>\$ 11,341,692</u>

c) Stock option plan

The Company has recorded \$93,577 (2007 - \$17,497) in stock-based compensation related to stock options granted in the nine months ended December 31, 2008 and the vesting periods of options previously granted. The amount is included in stock-based compensation expense on the income statement and a corresponding amount is credited to contributed surplus.

The fair value of stock options issued during the quarter were estimated using the Black-Scholes option pricing model with the following weighted average assumptions for 2008 and 2007 respectively: dividend yield of nil and nil; expected annualized volatility of 64.63% and 65.44%; risk-free interest rate of 4% and 4%; and a life of 4.95 and 5 years.

Specific details as to stock options outstanding are as follows:

	Number of Options	Weighted Average Exercise Price
Balance, March 31, 2008	2,212,500	\$ 0.52
Granted	1,215,000	0.17
Expired	(1,100,000)	0.66
Balance, December 31, 2008	<u>2,327,500</u>	<u>\$ 0.27</u>
Exercisable, December 31, 2008	<u>1,830,000</u>	<u>\$ 0.28</u>

Planet Exploration Inc.  
Notes to the Interim Financial Statements  
December 31, 2008  
(Unaudited – See Notice to Reader)

7. SHARE CAPITAL (continued)

c) Stock option plan (continued)

Number of common shares under option	Exercise price per common share	remaining contractual life (years)
150,000	0.380	1.41
7,500	0.400	2.67
900,000	0.370	2.77
20,000	0.560	0.53
35,000	0.480	3.76
1,195,000	0.170	4.97
20,000	0.170	2.97
<u>2,327,500</u>		<u>3.81</u>

Basic and diluted per share amounts are calculated using the weighted average number of common shares outstanding during the period of 25,319,190 (2007 – 25,309,190).

d) Loss per share amounts

Options to purchase 1,112,500 (2007 – 1,160,000) common shares were outstanding as at December 31, 2008 but were not included in the diluted earnings per share because the exercise prices of the options were greater than the average market price of the common shares and, therefore, the effect would be anti-dilutive. The remaining 1,215,000 (2007 – 1,062,500) options to purchase common shares were outstanding as at December 31, 2008 but were not included in the computation of diluted earnings per share because they were anti-dilutive due to the Company incurring a loss for the period.

8. RELATED PARTY TRANSACTIONS

For the nine months ended December 31, 2008, the Company incurred \$50,000 (2007 - \$50,000) in director fees from Ranjeet Sundher, an officer and director of the Company. These fees have been included in general and administrative expenses and were paid at a fixed monthly rate of \$5,000 plus an additional fee of \$5,000 for the month of December.

For the nine months ended December 31, 2008 the Company incurred \$50,000 (2007 – \$50,000) in director fees from Darold H. Parken, a director of the Company. These fees were paid at a monthly rate of \$5,000 plus an additional fee of \$5,000 for the month of December, and have been included in general and administrative expenses. The Company also incurred \$nil (2007 – \$6,750) in consulting and administrative fees from a company controlled by Darold H. Parken. Prior period fees were billed at a monthly rate of \$2,250, and had been included in general and administrative expenses.

**Planet Exploration Inc.**  
**Notes to the Interim Financial Statements**  
**December 31, 2008**  
**(Unaudited – See Notice to Reader)**

**8. RELATED PARTY TRANSACTIONS (continued)**

For the nine months ended December 31, 2008 the Company incurred \$68,000 (2007 - \$30,000) in director fees from Salim Jivraj, a director of the Company. These fees have been included in general and administrative expenses and were paid at a fixed monthly rate of \$7,000 plus an additional fee of \$5,000 for the month of December. The Company also incurred \$nil (2007 - \$32,500) in consulting fees from a company in which Salim Jivraj, director of the Company is the principal shareholder. These fees have been included general and administrative expenses. Prior period fees were billed at a monthly rate of \$5,000, and had been included in general and administrative expenses. The Company also incurred \$nil (2007 - \$4,500) in accounting fees from Salim Jivraj, a director of the Company. These fees have been included in general and administrative expenses.

For the nine months ended December 31, 2008 the Company incurred \$53,524 (2007 - \$61,105) in geological consulting fees from a company in which Adrian Mann, an officer and director of the Company, is the principal shareholder. Of this amount, \$50,524 (2007 - \$61,105) have been capitalized to mineral properties with the remainder included in general and administrative expenses.

These related party transactions are in the normal course of operations and have been measured at the exchange amount which is the amount of consideration established and agreed to by the related parties. Accounts payable at December 31, 2008 includes a total of \$23,848 (2007 - \$41,676) owing to related parties.

**9. FINANCIAL INSTRUMENTS**

Held for Trading

The Company has classified the following financial assets and liabilities as held for trading: cash and cash equivalents, accounts receivable, marketable securities and accounts payable. Transactions to purchase or sell these items are recorded on the trade date, and transaction costs are immediately recognized in the statement of operations. Held for trading financial instruments are subsequently measured at their fair value, without any deduction for transactions costs incurred on sale or other disposal. Gains and losses arising from changes in fair value are recognized immediately in the statement of operations. The fair value of cash and cash equivalents, accounts receivable, marketable securities and accounts payable approximates their carrying value due to their short term nature.