

PLANET EXPLORATION INC.

**INTERIM FINANCIAL STATEMENTS
NINE MONTHS ENDED
DECEMBER 31, 2003 AND 2002**

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NOTICE TO READER

I have compiled the balance sheet of Planet Exploration Inc. as at December 31, 2003, and statements of loss and deficit and cash flow for the three months and nine months ended December 31, 2003 from information provided by management. I have not audited, reviewed, or otherwise attempted to verify the accuracy or completeness of such information. Readers are cautioned that these statements may not be appropriate for their purposes.

Calgary, Alberta

Signed " Glen Klassen"
February 24, 2004

CHARTERED ACCOUNTANT

**PLANET EXPLORATION
BALANCE SHEETS
(Unaudited - See Notice to Reader)**

**December 31, 2003
(Unaudited)**

March 31, 2003
(Audited)

\$

\$

ASSETS

CURRENT

Cash and Term Deposit	6,110,824	912,173
Due from Joint Venture Partner	790,954	-
GST Recoverable	33,470	36,266
Marketable Securities	6,100	-
Accounts Receivable	-	6,100
Due from Director and Officer (Note 5)	<u>10,000</u>	<u>18,008</u>

	6,951,348	972,547
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Mineral Properties (Note 2)	3,845,774	916,947
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Incorporation Costs	<u>1,000</u>	<u>1,000</u>
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	<u><u>10,798,122</u></u>	<u><u>1,890,494</u></u>
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LIABILITIES

CURRENT

Accounts Payable	<u>278,962</u>	<u>98,324</u>
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FUTURE INCOME TAXES (Note 3)	<u>1,045,259</u>	<u>-</u>
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SHAREHOLDERS' EQUITY

COMMON SHARES (Note 4)	10,175,048	2,242,431
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WARRANTS (Note 4)	<u>85,100</u>	<u>58,029</u>
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	10,260,148	2,300,460
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DEFICIT	<u>(786,247)</u>	<u>(508,290)</u>
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		<u>1,792,170</u>
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	<u><u>10,798,122</u></u>	<u><u>1,890,494</u></u>
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PLANET EXPLORATION INC.
STATEMENTS OF LOSS AND DEFICIT
(Unaudited - See Notice to Reader)

	Three Months Ended December 31		Nine Months Ended December 31	
	2003	2002	2003	2002
	\$	\$	\$	\$
INTEREST REVENUE	<u>8,839</u>	<u>-</u>	<u>19,520</u>	<u>-</u>
EXPENSES				
Stock Based Compensation	-	3,750	3,000	30,000
General and Administrative	<u>103,395</u>	<u>9,346</u>	<u>294,477</u>	<u>31,662</u>
	<u>103,395</u>	<u>13,096</u>	<u>297,477</u>	<u>61,662</u>
NET LOSS FOR THE PERIOD	(94,556)	(13,096)	(277,957)	(61,662)
DEFICIT, opening	<u>(691,691)</u>	<u>(336,124)</u>	<u>(508,290)</u>	<u>(287,558)</u>
DEFICIT, closing	<u><u>(786,247)</u></u>	<u><u>(349,220)</u></u>	<u><u>(786,247)</u></u>	<u><u>(349,220)</u></u>
Basic and fully diluted loss per share	<u><u>(0.006)</u></u>	<u><u>(0.002)</u></u>	<u><u>(0.018)</u></u>	<u><u>(0.011)</u></u>

PLANET EXPLORATION INC.
STATEMENTS OF CASH FLOW
(Unaudited - See Notice to Reader)

	Three Months Ended December 31		Nine Months Ended December 31	
	2003	2002	2003	2002
OPERATING ACTIVITIES	\$	\$	\$	\$
Net Loss for the Period	(94,556)	(13,096)	(277,957)	(61,662)
Item not affecting cash				
Stock-based compensation	<u>-</u>	<u>3,750</u>	<u>3,000</u>	<u>30,000</u>
Cash flow from operations	(94,556)	(9,346)	(274,957)	(31,662)
Net Changes in Non-cash Working Capital Items Related to Operations	<u>(231,576)</u>	<u>476</u>	<u>(606,675)</u>	<u>36,713</u>
	<u>(326,132)</u>	<u>(8,870)</u>	<u>(881,632)</u>	<u>5,051</u>
FINANCING ACTIVITIES				
Issue common shares, net of issuance costs of \$462,887	6,039,026	-	6,198,688	38,250
Repayment of Shareholder loan	60,005	-	85,005	-
Issue flow through Special Warrants net of issuance costs of \$12,468	-	470,797	-	719,622
Issue warrants	<u>43,000</u>	<u>-</u>	<u>43,000</u>	<u>-</u>
	6,142,031	470,797	6,326,693	757,872
INVESTING ACTIVITY				
Acquisition of Mineral Properties	(147,608)	(194,898)	(796,410)	(497,205)
Disposition of Mineral Properties	<u>-</u>	<u>-</u>	<u>550,000</u>	<u>30,325</u>
	(147,608)	(194,898)	(246,410)	(466,880)
INCREASE IN CASH	5,668,291	267,029	5,198,651	296,043
CASH, BEGINNING OF PERIOD	<u>442,533</u>	<u>34,417</u>	<u>912,173</u>	<u>5,403</u>
CASH, END OF PERIOD	<u><u>6,110,824</u></u>	<u><u>301,446</u></u>	<u><u>6,110,824</u></u>	<u><u>301,446</u></u>

PLANET EXPLORATION INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2003
(Unaudited - See Notice to Reader)

1. BASIS OF PRESENTATION

The interim financial statements of Planet Exploration Inc. (the "Company") have been prepared from information provided by management in accordance with accounting principles generally accepted in Canada. 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, 2003. The financial statements should be read in conjunction with the financial statements and notes thereto in the Company's annual report for the year ended March 31, 2003.

2. MINERAL PROPERTIES

The Company's mineral properties are located as follows:

	December 31, 2003
	\$
Red Lake Ontario	3,574,120
Mongolia	151,497
Mexico	<u>120,157</u>
	<u><u>3,845,774</u></u>

The Red Lake Ontario balance includes a \$1,045,259 additional amount to give recognition to future income taxes. See Notes 3 and 4 for additional information.

An option agreement pertaining to a property in Mexico has been entered into by the Company. Under the terms of the option agreement, in order to earn a 100% interest, Planet is obligated to make a series of cash payments totaling \$415,000 (US) over five years, to issue a total of \$24,000 (US) in Planet shares and is required to conduct exploration programs on the property in the amount of \$1,000,000 (US) over five years. The Company will then earn 100% interest in the property. At the feasibility study stage, and subject to regulatory approval at that time, 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 to the owner and has an option to purchase 1.5% for \$1,000,000 (US). Planet has paid a finders 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.

A cooperation agreement pertaining to the Wulanbulang, China property has been entered into by the Company. Terms of the cooperation agreement call for Planet to make cash payments totalling US\$600,000 over three years to earn an 80% interest in the Wulanbulang project. Planet is required to fund a minimum \$500,000(US) exploration program over three years. Planet also has been granted an option to purchase 80% of the three mining licenses and mill. The terms of the cooperation agreement call for Planet to first earn its interest in the exploration property, once this is done, Planet can purchase the 80% in the mining licenses and mill for US\$1.8 million. A formal Joint Venture Agreement is presently being negotiated.

3. FUTURE INCOME TAXES

During the current period, an election under the terms of section 85 of the Income Tax Act was used to acquire mineral properties. This resulted in the properties acquired having a lower tax value than the consideration paid. Consequently, \$1,045,259 in future income taxes has been recognized in the accounts. See Notes 2 and 4 for additional information.

4. SHARE CAPITAL

a) Authorized capital

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

Unlimited number of first preferred shares.

Unlimited number of second preferred shares.

The issued common shares are as follows:

	December 31, 2003	
	<u>Number of Shares</u>	<u>Consideration \$</u>
Balance, beginning of the period	11,385,445	2,242,431
Common shares issued for cash	4,300,000	5,977,000
Common shares issued for cash upon exercise of warrants	1,592,945	695,504
Shares issued for cash upon exercise of stock options	50,000	5,000
Shares issued for mineral properties	3,500,000	1,715,000
Stock option compensation	-	3,000
Share issuance costs	<u>-</u>	<u>(462,887)</u>
	<u>20,828,390</u>	<u>10,175,048</u>

Warrants

	December 31, 2003	
	<u>Number of Warrants</u>	<u>Consideration \$</u>
Balance, beginning of the period	5,802,945	58,029
Issued during the period	4,300,000	43,000
Exercised during the period	<u>(1,592,945)</u>	<u>(15,929)</u>
	<u>8,510,000</u>	<u>85,100</u>

Specific details as to warrants outstanding are as follows:

<u>Number</u>	<u>Price per Common Share</u> \$	<u>Expiry Date</u>
1,880,000	0.60	March 10, 2004
2,330,000	0.125	June 9, 2004
<u>4,300,000</u>	2.00	December 15, 2005
<u><u>8,510,000</u></u>		

The Company can force conversion of the warrants exercisable for \$2.00 per share, if at any time after June 15, 2004 the trading price of the Company's shares close at a price equal to or higher than \$3.00 per share for a consecutive period of 20 trading days.

- b) As at December 31, 2003, there were stock options outstanding to purchase 1,350,000 common shares.
- c) As at December 31, 2003 there were broker warrants outstanding to purchase 215,000 Units at a price of \$1.40 per unit. The expiry date is December 12, 2005. Each unit consists of one common share and one non-transferable common share purchase warrant. The terms for the common share purchase warrants are the same as the \$2.00 warrants noted above.
- d) For the nine months ended December 31, 2003, the Company's pro-forma net loss was \$277,957 (2002 - \$99,162) and the Company's pro-forma basic net loss per share was \$0.018 (2002 - \$0.017). For the three months ended December 31, 2003 and 2002 there are no pro-forma amounts to report.

5. RELATED PARTIES TRANSACTIONS

The Company incurred \$45,000 (2002 - \$Nil) in legal fees with a director and officer of the Company and \$20,250 for consulting with a director and officer of the Company. Accounts payable includes a total of \$7,250 (2002 - \$Nil) owing to the individual and his company. All fees are measured at the exchange amount and recorded in general administrative expenses. The Company incurred \$11,900 (2002 - \$Nil) in geological fees with an officer and director of the Company. All the 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 two months in the next quarter. This advance was non-interest bearing and was earned during the quarter.