

PLANET EXPLORATION INC.

**INTERIM FINANCIAL STATEMENTS
NINE MONTHS ENDED
DECEMBER 31, 2002 AND 2001**

PLANET EXPLORATION INC.
BALANCE SHEETS
(Unaudited)

	December 31, 2002	March 31, 2002
	\$	\$
ASSETS		
CURRENT		
Cash	301,446	5,403
Due from Director and Officer (Note 4)	60,005	-
Accounts Receivable	55,000	-
GST Recoverable	<u>13,530</u>	<u>547</u>
	429,981	5,950
Mineral Properties	674,716	207,836
Incorporation Costs	<u>1,000</u>	<u>1,000</u>
	<u><u>1,105,697</u></u>	<u><u>214,786</u></u>
LIABILITIES		
CURRENT		
Accounts Payable	<u>168,868</u>	<u>4,167</u>
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 3)	1,286,049	498,177
DEFICIT	<u>(349,220)</u>	<u>(287,558)</u>
	<u>936,829</u>	<u>210,619</u>
	<u><u>1,105,697</u></u>	<u><u>214,786</u></u>

PLANET EXPLORATION INC.
STATEMENTS OF LOSS AND DEFICIT
(Unaudited)

	Three Months Ended December 31		Nine Months Ended December 31	
	2002	2001	2002	2001
	\$	\$	\$	\$
REVENUE	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENSES				
Stock Based Compensation	3,750	-	30,000	-
General and Administrative	<u>9,346</u>	<u>1,529</u>	<u>31,662</u>	<u>11,611</u>
	<u>13,096</u>	<u>1,529</u>	<u>61,662</u>	<u>11,611</u>
NET LOSS FOR THE PERIOD	(13,096)	(1,529)	(61,662)	(11,611)
DEFICIT, opening	<u>(336,124)</u>	<u>(114,686)</u>	<u>(287,558)</u>	<u>(104,604)</u>
DEFICIT, closing	<u>(349,220)</u>	<u>(116,215)</u>	<u>(349,220)</u>	<u>(116,215)</u>
Basis and fully diluted loss per share	<u>(0.002)</u>	<u>(0.0003)</u>	<u>(0.011)</u>	<u>(0.002)</u>

PLANET EXPLORATION INC.
STATEMENTS OF CASH FLOW
(Unaudited)

	Three Months Ended December 31		Nine Months Ended December 31	
	2002	2001	2002	2001
OPERATING ACTIVITIES	\$	\$	\$	\$
Net Loss for the Period	(13,096)	(1,529)	(61,662)	(11,611)
Item not affecting cash				
Stock-based compensation	<u>3,750</u>	<u>-</u>	<u>30,000</u>	<u>-</u>
Cash flow from operations	(9,346)	(1,529)	(31,662)	(11,611)
Net Changes in Non-cash Working Capital Items Related to Operations	<u>476</u>	<u>(5,248)</u>	<u>36,713</u>	<u>(1,697)</u>
	<u>(8,870)</u>	<u>(6,777)</u>	<u>5,051</u>	<u>(13,308)</u>
FINANCING ACTIVITIES				
Issue common shares	-	-	38,250	-
Issue flow through Special Warrants net of issuance costs of \$12,468	<u>470,797</u>	<u>-</u>	<u>719,622</u>	<u>-</u>
	<u>470,797</u>	<u>-</u>	<u>757,872</u>	<u>-</u>
INVESTING ACTIVITY				
Acquisition of Mineral Properties	(194,898)	(240)	(497,205)	(820)
Disposition of Mineral Properties	<u>-</u>	<u>-</u>	<u>30,325</u>	<u>-</u>
	(194,898)	(240)	(466,880)	(820)
INCREASE (DECREASE) IN CASH	267,029	(7,017)	296,043	(14,128)
CASH, BEGINNING OF PERIOD	<u>34,417</u>	<u>18,313</u>	<u>5,403</u>	<u>25,424</u>
CASH, END OF PERIOD	<u><u>301,446</u></u>	<u><u>11,296</u></u>	<u><u>301,446</u></u>	<u><u>11,296</u></u>

PLANET EXPLORATION INC.
NOTES TO THE FINANCIAL STATEMENTS
DECEMBER 31, 2002
(Unaudited)

1. BASIS OF PRESENTATION

The interim financial statements of Planet Exploration Inc. (the "Company") have been prepared 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, 2002. 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, 2002.

2. CHANGE IN ACCOUNTING POLICY

Effective April 1, 2002, the Company adopted the recommendations of the Canadian Institute of Chartered Accountants with respect to accounting for stock-based compensation arrangements. The Company has elected to continue to use the intrinsic value-based method of accounting for its stock options plans, whereby no compensation expense is recorded for employee stock options that have an exercise price equal to the fair value of the stock at the date options are granted. The Company will disclose the pro forma results of using the fair value method, under which compensation expense is recorded based on the estimated fair value of the options. Pro forma results are presented only for the effects of options granted subsequent to April 1, 2002.

Stock options awarded to non-employees must be accounted for using the fair value method. The compensation is reflected in the financial statements as an expense and an increase to share capital at the time the stock options are granted.

The Black-Scholes option pricing model is not appropriate for an illiquid security. Therefore, fair value has been 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.

For the three months ended December 31, 2002, the Company's pro forma net loss was \$13,096 and the pro forma basic loss per share was \$0.002. For the nine months ended December 31, 2002, the Company's pro forma net loss was \$99,162 and the basic loss per share was \$0.018.

3. SHARE CAPITAL

The Company is authorized to issue an unlimited number of common voting shares and an unlimited number of non-voting first and second preferred shares. As at December 31, 2002 the Company has issued 8,935,445 common shares for a total of \$1,218,020 and 3,802,945 Warrants for a total of \$38,029. A total of 2,500,000 Warrants entitle the holder to purchase one common share at \$0.125 per share with an expiry date of June 9, 2004. The remaining 1,302,945 Warrants entitle the holder to purchase one common share at \$0.45 per share with an expiry date of November 28, 2003. All the flow through Special Warrants have been converted to common shares. The share capital also includes \$30,000 in stock option compensation. As at December 31, 2002, there were options outstanding to purchase 450,000 common shares.

The Company has committed to issuing 200,000 common shares in connection with the acquisition of three mineral exploration licenses in Mongolia.

4. RELATED PARTY

A director and officer owes the Company \$60,005 relating to the purchase of flow through Special Warrants. This non-interest bearing amount is expected to be paid within the next quarter.

5. FOREIGN SEGMENT REPORTING

Mineral properties includes \$66,061 in costs associated with properties located in Mongolia.