

**PLANET EXPLORATION INC.**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
for the fiscal year ended March 31, 2005 unless otherwise noted

July 27, 2005

The following discussion and analysis of the results of operations and financial condition of the Company for the three fiscal years ending March 31, 2005, 2004 and 2003 should be read in conjunction with the Company's audited financial statements and the related notes. The financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") in Canada. Additional information regarding the Company including periodic quarterly reports and annual reports can be accessed at [www.sedar.com](http://www.sedar.com).

Statements in this document may contain forward-looking information. Estimates provided for fiscal 2005 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.

Planet is now focusing on carrying out a methodical exploration of interesting geological and geophysical features to the northeast, south and west of the Main Discovery Zone. A total of 9,539 metres in a further 32 holes, has been drilled as at June 30, 2005.

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. Two holes will be drilled in the current 2005 summer program 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 still being assessed.

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.

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.

### **Wulanbulang, China**

Following Planet's geological review and preliminary exploration on the Wulanbulang property Planet has elected to relinquish its interest in the property and has written off all costs associated with the property.

### **Mongolia**

Under the terms of an agreement dated June 26, 2002, Planet acquired three mineral investigation licenses in Mongolia and in October, 2003, Planet acquired an exploration license on the Argalant (Ovoot) property. Planet has reviewed these licenses and has decided to write-off the carrying value of all but the Argalant (Ovoot) property.

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 work on its Argalant (Ovoot) property.

Planet's (2,090 hectares) Argalant (Ovoot) 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.

Mapping and detailed sampling has been completed and an initial diamond drill exploration program of approximately 2,000 metres is planned in 2005 with a preliminary exploration budget of approximately \$400,000 (US). Planet is funding all direct exploration expenses on the Argalant property.

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.

## Selected Annual Information

	Twelve Months Ended Mar. 31, 2005 \$	Twelve Months Ended Mar. 31, 2004 \$	Twelve Months Ended Mar. 31, 2003 \$
<b>Financial</b>			
Interest income	155,307	57,155	-
Net Loss	302,813	549,541	220,732
Basic and diluted loss per share	0.012	0.032	0.033
Working capital	7,762,504	7,636,581	874,224
Mineral properties	3,897,316	3,950,795	917,946
Total assets	11,772,798	11,886,982	1,890,493
Shareholder's equity, March 31	10,800,920	10,747,983	1,792,170
Basic and diluted weighted average number of shares outstanding	24,852,752	17,022,962	6,596,936

### *Financial Results in Detail*

	Twelve Months Ended Mar. 31, 2005 \$	Twelve Months Ended Mar. 31, 2004 \$	Twelve Months Ended Mar. 31, 2003 \$	12 Mo. % change 2004/2005
Interest income	155,307	57,155	-	172
General & Administrative expense	262,227	421,727	183,232	(37)
Loss before income tax	(280,506)	(727,435)	(220,732)	(61)
Income tax expense (recovery)	(22,307)	(177,894)	-	n/a
Net loss	302,813	549,541	220,732	(45)

## Summary of Quarterly Results

	Fourth Quarter Ended Mar. 31, 2005 \$	Third Quarter Ended Dec. 31, 2004 \$	Second Quarter Ended Sept. 30, 2004 \$	First Quarter Ended Jun. 30, 2004 \$	Fourth Quarter Ended Mar. 31, 2004 \$	Third Quarter Ended Dec. 31, 2003 \$	Second Quarter Ended Sept. 30, 2003 \$	First Quarter Ended Jun. 30, 2003 \$
<b>Financial</b>								
Interest income	44,863	47,904	34,487	28,053	37,636	8,839	4,721	5,959
Net (loss)	(111,968)	(123,409)	(41,607)	(25,829)	(271,584)	(94,556)	(121,608)	(61,793)
Loss per share	0.004	0.005	0.002	0.001	0.014	0.006	0.008	0.004
Working Capital	7,762,504	7,458,516	7,509,286	7,577,782	7,636,581	6,672,386	772,519	531,980

## Results of Operations

In the fiscal year ended March 31, 2005, Planet conducted exploration activities on its China, Mongolia and Sidace Lake Project in the Red Lake gold camp, Ontario. Exploration activities on our Mexican property were conducted by a third party and the Company's only expenses in respect of this property related to title preservation and administrative costs.

The Company incurred a net loss of \$302,813 or \$0.012 per share for fiscal 2005 compared to a net loss of \$549,541 or \$0.032 per share for fiscal 2004, a decrease of \$246,728 which reflects lower general and administrative expenses and the absence of new stock-based compensation in the year.

The Company's only source of revenue is interest revenue. Interest income was \$155,307 in the year ended March 31, 2005 (compared to \$57,155 in the previous fiscal year). The increase in interest income is due to the financings which were carried out in fiscal 2004. 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.

The Company's general and administrative costs decreased by \$159,500 in fiscal 2005 compared to fiscal 2004 reflecting decreased activity in property acquisitions, exploration and financings by Planet directly and the fact that the majority of exploration activities on the Company's properties were conducted by joint venture partners.

During fiscal 2005, the Company's stock-based compensation costs recorded were nil compared to \$362,863 in fiscal year 2004. In fiscal 2004, the Company adopted a new accounting policy to account for stock-based compensation using the fair value method. The Company granted no options in fiscal 2005 compared to the 1,200,000 options issued in fiscal year 2004.

Management is not aware of any discernable quarterly trends in expenditures and accordingly, in the related loss per share.

## Liquidity and Capital Resources

The Company had a working capital position of \$7,762,504 as at March 31, 2005.

No financings were conducted during the 2005 fiscal year. The Company is well capitalized and will be able to meet its ongoing commitments.

## Mineral Properties

Planet capitalized \$654,200 and recovered \$530,975 related to the acquisition and exploration of its mineral properties in the year ended March 31, 2005 compared to capitalized costs of \$883,733 and recoveries of \$633,353 in the previous fiscal year.

## Income Taxes

Planet has non-capital losses for income tax purposes, which may be utilized to offset taxable income of future periods and expires as follows:

2006 - \$	68,450
2007 - \$	52,507
2008 - \$	14,657
2009 - \$	34,734
2010 - \$	214,813
2014 - \$	113,000
2015 - \$	106,000

## **Cash Flow From Operations**

Planet did not generate any cash flow from operations. The Company's only source of income is interest income.

## **Related Party Transactions**

The Company incurred \$142,500 (2004 - \$87,000) in legal and consulting fees with two directors and officers of the Company. These fees are measured at the exchange amount and recorded in general and administrative expenses. The Company incurred \$23,370 (2004 - \$11,900) in geological fees with another director and officer of the Company. These fees are measured at the exchange amount and recorded as additions to mineral properties. Accounts payable includes a total of \$10,700 (2004 - \$19,191) owing to related parties.

## **Financial Instruments**

The carrying values of cash and cash equivalents, term deposit, accounts receivable and accounts payable approximates their fair value due to the immediate or short term maturity of these instruments.

The quoted market value of the marketable securities at March 31, 2005 was \$12,500 (2004 - \$50,000)

## **Summary and Outlook**

Planet Exploration Inc. (the "Company") is a Canadian based company engaged in the business of mineral exploration, primarily with respect to the acquisition of minerals rights and the exploration of mineral properties in accordance with such mineral rights.

The Company's key assets are in the Red Lake Mining Division, in the Province of Ontario. The Company also has exploration projects in Mongolia and Mexico. The Company also has one wholly owned subsidiary company, Minera Planet Exploration SA de C.V., ("Planet Minera") a Mexican incorporated company. Planet Minera was incorporated to conduct exploration on and acquire title to the Copalquin property located in Durango, Mexico. The Company does not have any assets that are in production or that contain a reserve.

During the year ended March 31, 2005, the Company achieved a number of its stated objectives. Goldcorp exercised its option to earn 50% of the Sidace Lake Property and operatorship of the Sidace Lake Project was transferred to Goldcorp. Planet is now responsible for 50% of future exploration costs and is well funded to meet these commitments. Operatorship of the Mexico Property was transferred to UC Resources Ltd. ("UC"). UC has an option to purchase 100% of the Mexico Property before October 8, 2005. During the year, the Company completed its initial exploration program on the one remaining Mongolia property and conducted a geological evaluation on its China property which resulted in the Company relinquishing its interest in that property during the fiscal year.

The Company is well positioned with a strong treasury and active exploration to realize further shareholder growth. For the year 2005, the Company has planned exploration expenditures of approximately \$1 million on its Sidace Lake and Mongolia projects.

## **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 and debt 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

before any project is approved.

### **Critical Accounting Estimates**

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 2 to its Consolidated Financial Statements, of which 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:

Mineral properties consist of exploration and mining concessions, options and contracts. Acquisition and exploration costs are capitalized and deferred until such time as the property is put into production, or the property is disposed of either through sale or abandonment. If put into production, the costs of acquisition and exploration will be written off over the life of the property based on estimated economic reserves. Proceeds received from the sale of any interest in a property will be credited against the carrying value of the property, with any excess included in operations for the period. If a property is abandoned, the acquisition and deferred exploration costs will be written off to operations.

Management reviews capitalized costs on its mineral properties on a periodic basis and recognizes impairment in value based upon current exploration results and upon management's assessment of the future probability of profitable operations from the property or sale of the property.

### **New Accounting Standards for 2005**

There are no new accounting pronouncements in 2005 which upon adoption have had a significant effect on the Company's financial statements.

### **Outstanding Share Data**

At March 31, 2005, the Company had 25,259,190 common shares outstanding (2004 - 22,789,190). See Note 5(b) to the Company's March 31, 2005 Audited Consolidated Financial Statements for details of changes during the year.

### **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,  
Director