

**PLANET EXPLORATION INC.**  
**FIRST QUARTER SHAREHOLDERS' REPORT**  
**AS AT JUNE 30, 2007**

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 consolidated financial statements for the three months ended June 30, 2007, the audited financial statements for the year ended March 31, 2007 and management's discussion and analysis for the year ended March 31, 2007. 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 2008 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**

**Location and Ownership**

Planet's primary property comprises 63 unpatented contiguous mining claims covering an area of 12,288 Ha, located 25 km northeast of Balmertown, Red Lake Mining Division, Ontario. The property is owned 100% by the Planet/Goldcorp joint venture (less 1% NSR). The joint venture is owned and funded 60% by Goldcorp (who are the operators) and 40% by Planet.

**History**

Planet first took an interest in the property in 1998. Initially, the drilling was primarily explorational, following targets located by geophysics, and identified seven zones of interest within a 2.5 x 3.0km area. These are the Main Discovery Zone ("MDZ"), Upper Duck Zone ("UDZ"), Far West, Deep Footwall, Western Duck, Skarn and the Anderson Zones. Only on the MDZ and UDZ has any detailed evaluation pattern drilling been done.

Between 1998 and June 2007, we drilled 182 holes totaling 62,867m on the Sidace Lake property. A lot of effort, especially in 1999, 2004 and 2006, was paid to delineation and evaluation of the Main Discovery Zone (MDZ). Last year and this year, our focus has included the Upper Duck Zone as another area of high potential.

**The Main Discovery Zone**

The locus of the Main Discovery Zone ("MDZ") is a tight 'Z' fold, in which pervasive gold values in a thick envelope are associated with disseminated arsenopyrite mineralization in quartz-sericite schist, in which there are abundant quartz veinlets, commonly with realgar, stibnite and pyrite. The dips of the fold limbs and the

plunges of the fold noses are steep, mostly above 65°. The central (Main) limb, which is almost vertical, has a strike of about 200m near surface, increasing as the fold eases in depth to 350m at 500m vertically below surface. The concept that gold values wrap around the fold onto the North limb as well is being tested in the ongoing drill program. Drilling has now followed the MDZ down to just short of 1,000m vertically below surface. The MDZ has had numerous exciting intersections in both thickness and grade. In particular, attention is drawn to the results of our 2006 drilling which returned such values as: 9.65g/t over 14m in RL06-107; 10.63g/t over 11m in RL06-109; 11.66 over 18m in RL06-112; 14.57g/t over 7m in RL06-128 and 24.90g/t over 23m in RL06-134A. Of special note are 8.31g/t and 11.46g/t values in RL06-137, that demonstrate the zone persists at considerable depth, with significant gold values. The complexity of folding has, so far, precluded an estimation of true thicknesses.

As a follow-up to the 2006 drilling, in July 2007 we started a drill program designed to complete the evaluation of the Main limb above 500m vertically below surface. We have drilled 12 holes for a total of approximately 5,000m, of which 2 were abandoned due to severe deviation. We are awaiting results for this drill program. In the meantime we will be resuming drilling at the Upper Duck Zone ("UDZ").

### The Upper Duck Zone

The UDZ, 1,200m to the southwest of the MDZ, is an entirely separate and different feature. Originally a silicate-sulphide facies banded iron formation, it is now garnetiferous, rich in magnetite, and commonly shows minute specks of visible gold in pyrite-pyrrhotite-arsenopyrite bands. The zone strikes roughly due west, dipping steeply north. To the east, it is disrupted by intrusion of a porphyry stock and is eventually cut off by gabbro. To the west, the feature is interrupted by faulting and some porphyry dykes. Overall mean true thickness appears to be about two metres, with considerable local complication by folding and dyke interference. Delineation drilling has followed the UDZ down to 400m below surface. Strike length of the zone on which we are concentrating evaluation drilling is just under 300m.

Since January 2007, we have drilled 19 holes for a total of 6,270m on this feature. Results have been particularly encouraging, and we will return to the UDZ for another round of drilling this fall, as soon as drilling on the MDZ is complete.

The following table outlines the results of drilling to date on the Upper Duck Zone:

Hole	Length m	from m	to m	Interval m	Au gpt	Report
RL-04-41	825.00	260.00	261.00	1.00	3.80	Jun. 14 2004
RL-04-61	460.00	42.00	46.00	4.00	8.28	Nov. 24 2004
RL-05-66	169.00	121.00	128.80	7.80	9.71	Mar. 22 2005
RL-05-67	326.00	100.50	104.50	4.00	15.18	Mar. 22 2005
RL-05-68	171.00	30.00	45.00	15.00	4.08	Mar. 22 2005
	including	36.00	37.00	1.00	59.15	Mar. 22 2005
RL-05-70	246.00	133.00	140.50	7.50	5.23	Mar. 22 2005
RL-05-78	348.00	157.00	158.00	1.00	16.75	Jun. 23 2005
RL-05-79	351.00	180.00	183.58	3.58	6.62	Jun. 23 2005
RL-05-80	165.00	49.00	50.00	1.00	5.65	Jun. 23 2005
RL-05-81	225.00	33.00	34.00	1.00	2.44	Jun. 23 2005
RL-06-115	213.00	41.00	42.00	1.00	14.09	May 5 2006
		196.00	197.00	1.00	3.19	
RL-06-116	195.00	77.00	78.00	1.00	1.03	May 5 2006
RL-06-117	201.00	140.60	145.90	5.30	0.56	May 5 2006
RL-06-120	216.00	No	Significant	Assays		May 5 2006
RL-06-123	255.00	No	Significant	Assays		May 5 2006
RL-06-126	174.00	74.00	76.00	2.00	2.75	May 5 2006

Hole	Length m	from m	to m	Interval m	Au gpt	Report
RL-06-127	219.00	141.50	142.00	0.50	3.54	May 5 2006
RL-06-129	300.00	258.00	259.00	1.00	1.25	May 5 2006
RL-07-138	582.00	335.00	336.00	1.00	10.39	May 17 2007
		467.50	468.50	1.00	5.24	
RL-07-139	405.00	335.20	338.80	3.60	36.46	May 17 2007
		346.00	351.00	5.00	1.95	
RL-07-140	390.00	306.00	307.00	1.00	2.47	May 17 2007
RL-07-141	339.00	226.00	229.90	3.90	3.14	Jun. 14 2007
		295.80	297.00	1.20	4.87	
RL-07-142	354.00	278.40	278.80	0.40	35.92	Jun. 14 2007
		318.00	319.00	1.00	8.18	
RL-07-143	351.00	256.00	257.00	1.00	2.00	Jun. 14 2007
		270.00	271.00	1.00	5.42	
RL-07-144	234.00	135.50	136.50	1.00	5.53	Aug 23 2007
RL-07-145	330.00	172.70	177.20	4.50	5.01	Aug 23 2007
RL-07-146	303.00	153.10	157.60	4.50	4.44	Aug 23 2007
		243.00	244.00	1.00	8.02	
RL-07-147	426.00	275.70	276.40	0.70	10.10	Aug 23 2007
		324.00	325.00	1.00	12.40	
		333.00	334.00	1.00	8.83	
		382.00	387.00	5.00	6.37	
RL-07-148	468.00	282.00	283.00	1.00	3.31	Aug 23 2007
		313.00	314.00	1.00	2.96	
RL-07-149	240.00	150.00	151.20	1.20	3.24	Aug 23 2007
		177.00	182.15	5.15	0.95	
RL-07-150	351.00	226.70	227.20	0.50	15.12	Aug 23 2007
		282.50	284.10	1.60	3.13	
RL-07-151	324.00	228.20	229.00	0.80	5.27	Aug 23 2007
		261.60	266.00	4.40	2.28	
RL-07-152	228.00	113.00	114.00	1.00	3.17	Aug 23 2007
	159.00	179.00	20.00	6.22	65.60	
RL-07-153	300.00	199.00	204.90	5.90	20.54	Aug 23 2007
	214.00	217.00	3.00	2.22	9.80	
RL-07-154	294.00	188.00	190.00	2.00	2.14	Aug 23 2007
RL-07-155	177.00	27.50	29.10	1.60	3.66	Aug 23 2007
		36.00	38.50	2.50	4.10	
RL-07-156	174.00	No	significant	assays		Aug 23 2007

Attention is drawn to the numerous intersections of a half ounce or better in these holes.

#### Other Potential at Sidace Lake

#### Western Duck, Anderson, Far West, Deep Footwall, and Skarn Zones.

Banded iron formation like the Upper Duck Zone occurs discontinuously for at least 800m west of the faulted cutoff of the UDZ. To date we have drilled only six holes to explore the potential of the Western Duck Zones. RL-04-77 sowed 37.08g/t over 1m in banded iron formation at 249.7m, and RL05-81 showed 4.51g/t over 2.0m at 156.5m. Further follow-up is required.

The Zone under Anderson Lake, which is about 2,000m south of UDZ, is on the extension of the East Bay Serpentinite (EBS). This is particularly important in the regional context because the EBS and similar ultramafic bodies are associated with many of the most significant gold deposits of the Red Lake area. These include the Madsen and Cocheneur mines. The following intersections from around and beneath Anderson Lake, all drilled in 2005, which we have identified as interesting anomalies, have yet to be followed up:

Hole #	Final Depth	From	To	Au g/t	interval
RL-05-087	462.00	100.00	101.00	5.64	1.00
RL-05-089	558.00	222.00	223.00	7.38	1.00
RL-05-093	417.00	48.00	49.00	11.62	1.00
		302.00	304.00	9.76	2.00
RL-05-102	393.00	252.00	254.00	11.28	2.00
RL-05-104	201.00	40.00	41.00	14.35	1.00

In addition to the above, our earlier drilling identified several interesting anomalies in the Far West, Deep Footwall, and Skarn zones. The Far West is a quartz-serucite schist, which may be akin to the MDZ; and, despite strong metamorphism, there are lithological similarities between the Deep Footwall Zone and the Upper Duck. Several gold bearing iron formations, encountered while drilling the Skarn Zone, should also be revisited.

We are currently investigating the best ways of further evaluating these other zones at Sidace Lake.

The continued participation of both Planet and Goldcorp in this aggressive drilling program reflects our confidence in both the discoveries on MDZ and UDZ, and the unrealized potential of the other, less mature, exploration targets.

### **Mongolia**

Planet's only Mongolian property, the Argalant (Ovoot) property (2,090 hectares) is located in the Zavkhan province, and lies in the south-eastern portion of the Bayan-Airag gold-copper region of the Urgamal-Zavakhanmandeal metallogenic belt. In October, 2005 for a consideration of \$100,000 (US), the Company entered into an agreement with Red Hill Energy Inc. ("RH"), formerly UGL Enterprises Ltd, entitling RH to earn 60% of the Company's interest in the property by maintaining the property in good standing and conducting a minimum of \$1,500,000 (US) in exploration prior to October 2008. The deposit is non-refundable.

If RH conducts the required exploration, it has the option to purchase an additional 20% interest for \$1,000,000 (US) before April 6, 2009.

### **First Quarter Ended June 30, 2007**

#### **Selected Financial Information**

	<b>First Quarter Ended June 30, 2007</b>	First Quarter Ended June 30, 2006
Interest Revenue	\$ 82,097	\$ 82,802
Net Income	\$ 3,920	\$ 19,170
Basic Income per share	\$ 0.001	\$ 0.001
Working capital	\$ 7,432,362	\$ 8,137,244

	<b>First Quarter Ended June 30, 2007</b>	First Quarter Ended June 30, 2006
Mineral properties	\$ 4,532,546	\$ 3,807,541
Total assets	\$ 12,129,314	\$ 11,997,674
Shareholder's equity, June 30	\$ 11,319,517	\$ 11,046,690
Basic number of shares outstanding as at June 30	25,309,190	25,259,190

## Operating Results

During the quarter ended June 30, 2007, Planet focussed its efforts primarily on its diamond drilling program on the Sidace Lake Project. The Company drilled approximately 4,000 metres in the UDZ.

	<b>First Quarter Ended June 30, 2007</b>	First Quarter Ended June 30, 2006	<b>% change</b>
General & Administrative expense	\$ 71,159	\$ 64,405	10
Net Income	\$ 3,920	\$ 19,170	(80)

The Company has no revenue from operations. The Company's only revenue comprised of interest income. 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. The Company accrued a future income tax provision of \$6,908 for the quarter ended June 30, 2007 compared to a future income tax recovery of \$883 for the quarter ended June 30, 2006.

### ***Discussion of Financial Results – Three months ended June 30, 2007 compared with three months ended June 30, 2006***

Planet had no revenue from operations during the quarter ended June 30, 2007 and has not produced any revenue from operations since its inception. Planet's only revenue comprised interest income.

#### **Interest Income**

Interest income was \$82,097 for the quarter ended June 30, 2007 compared to \$82,802 in the quarter ended June 30, 2006.

#### **General and Administrative Expenses**

General and administrative expenses for the quarter ended June 30, 2007 were \$71,159, compared to \$64,405 for the quarter ended June 30, 2006. All expenses relate to general and administrative costs. 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 expenditure.

**Cash Flow From Operations**

Planet generated \$10,938 in cash flow from investing its cash resources in the quarter ended June 30, 2007, compared to \$18,397 for the quarter ended June 30, 2006. Planet has not commenced mineral producing activities.

### **Stock Options**

No stock options were granted during the quarter ended June 30, 2007.

### **Related Party Transactions**

For the three months ended June 30, 2007, the Company incurred \$15,000 (2006 - \$15,000) in director's 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.

For the three months ended June 30, 2007, the Company incurred \$15,000 (2006 - \$nil) in director's fees from Darold H. Parken, a director of the Company. These fees were billed at a monthly rate of \$5,000 and have been included in general and administrative expenses. The Company also incurred \$nil (2006 - \$15,000) in legal fees from a law firm in which Darold H. Parken, director is the principle shareholder. The Company also incurred \$6,750 (2006 - \$6,750) in management and consulting fees from a firm in which Darold H. Parken is the principle shareholder. These fees were billed at a monthly rate of \$2,250 and have been included in general and administrative expenses.

For the three months ended June 30, 2007, the Company incurred \$15,000 (2006 - \$nil) in director's fees from a company in which Salim Jivraj, a director of the Company is the principle shareholder. These fees have been included in general and administrative expenses and were paid at a fixed monthly rate of \$5,000. The Company also incurred \$nil (2006 - \$4,713) in accounting fees from a company in which Salim Jivraj, a director of the Company is the principle shareholder. These fees have been included in general and administrative expenses.

For the three months ended June 30, 2007, the Company incurred \$nil (2006 - \$678) in geological consulting fees from Adrian Mann, an officer and director of the Company. The Company also incurred \$20,425 (2006 - 14,841) from a company in which Adrian Mann, an officer and director of the Company is the principal shareholder. These fees have been capitalized to mineral properties.

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 includes a total of \$27,575 (2006 - \$18,965) owing to related parties.

### **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.

### **Mineral Properties**

Acquisition and exploration costs of mineral property interests are capitalized and deferred until such time as the property is put into production, the property is disposed of either through sale or abandonment or the property is considered uneconomic in the foreseeable future. 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 or option proceeds with respect to undeveloped properties are credited against the carrying value of the property, with any excess included in operations for the period. If a property is abandoned or considered uneconomic in the foreseeable future, the acquisition and deferred exploration costs are written off to operations.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property may be subject to unregistered prior agreements or inadvertent non-compliance with regulatory requirements.

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.