

Planet Exploration Inc.

Interim Consolidated Financial Statements
For the three and nine month periods ended
December 31, 2005



PLANET EXPLORATION INC.

UNAUDITED INTERIM CONSOLIDATED 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 consolidated financial statements for the period ended December 31, 2005.

NOTICE TO READER OF THE INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The interim consolidated financial statements of Planet Exploration Inc. comprising the accompanying interim consolidated balance sheet as at December 31, 2005 and the interim consolidated statements of income (loss) and deficit and cash flows for the three and nine month periods then ended are the responsibility of the Company's management.

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

"Ranjeet Sundher"

Ranjeet Sundher, Director

"Darold H. Parken"

Darold H. Parken, Director



NOTICE TO READER

We have compiled the interim consolidated balance sheet of Planet Exploration Inc. as at December 31, 2005 and the interim consolidated statements of income (loss) and deficit and cash flows for the three and nine month periods then ended from information provided by management. We have not audited, reviewed or otherwise attempted to verify the accuracy or completeness of such information. Readers are cautioned that these interim consolidated financial statements may not be appropriate for their purposes.

Calgary, Alberta
February 24, 2006

Ascend Chartered Accountants

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

	<u>December 31, 2005</u> (Unaudited)	<u>March 31, 2005</u> (Audited)
Assets		
Current		
Cash and cash equivalents	\$ 7,970,732	\$ 7,353,887
Term deposit	498,263	509,639
Accounts receivable	41,015	3,056
Marketable securities	6,100	6,100
	<u>8,516,110</u>	<u>7,872,682</u>
Mineral properties (note 2)	4,152,348	3,897,316
Other property and equipment	2,628	2,800
	<u>\$ 12,671,086</u>	<u>\$ 11,772,798</u>
Liabilities		
Current		
Accounts payable	\$ 600,936	\$ 110,178
Future income taxes	861,700	861,700
Shareholders' Equity		
Common shares (note 3)	11,319,557	11,319,557
Warrants (note 3)	-	489,340
Contributed surplus	865,000	352,667
Deficit	(976,107)	(1,360,644)
	<u>11,208,450</u>	<u>10,800,920</u>
	<u>\$ 12,671,086</u>	<u>\$ 11,772,798</u>

Approved on behalf of the Board:

"Darold H. Parken"
Darold H. Parken, Director

"Ranjeet Sundher"
Ranjeet Sundher, Director

See notes to consolidated financial statements

Planet Exploration Inc.
Consolidated Statements of Income (Loss) and Deficit
(Unaudited - See Notice to Reader)

	Three months ended		Nine months ended	
	December 31		December 31	
	2005	2004	2005	2004
Interest revenue	\$ 60,795	\$ 47,904	\$ 161,563	\$ 110,444
Other income (notes 2 & 5)	118,798	-	180,373	-
	<u>179,593</u>	<u>47,904</u>	<u>341,936</u>	<u>110,444</u>
Expenses				
General and administrative	76,437	62,789	211,479	192,765
Stock-based compensation	-	-	22,993	-
Depreciation	157	-	472	-
	<u>76,594</u>	<u>62,789</u>	<u>234,944</u>	<u>192,765</u>
Net income (loss) before unusual items for the period	\$ 102,999	\$ (14,885)	\$ 106,992	\$ (82,321)
Gain on sale of mineral property	277,545	-	277,545	-
Write down of mineral property	<u>-</u>	<u>(108,524)</u>	<u>-</u>	<u>(108,524)</u>
Net income (loss) for the period	380,544	(123,409)	384,537	(190,845)
Deficit, beginning of period	<u>(1,356,651)</u>	<u>(1,125,267)</u>	<u>(1,360,644)</u>	<u>(1,057,831)</u>
Deficit, end of period	<u>\$ (976,107)</u>	<u>\$ (1,248,676)</u>	<u>\$ (976,107)</u>	<u>\$ (1,248,676)</u>
Income (loss) per share - basic and diluted	<u>\$ 0.015</u>	<u>\$ (0.005)</u>	<u>\$ 0.015</u>	<u>\$ (0.008)</u>
Weighted number of shares outstanding				
Basic	<u>25,259,190</u>	<u>24,719,735</u>	<u>25,259,190</u>	<u>24,719,735</u>
Diluted	<u>25,299,998</u>	<u>24,899,134</u>	<u>25,299,998</u>	<u>24,899,134</u>

Planet Exploration Inc.
Consolidated Statements of Cash Flows
(Unaudited - See Notice to Reader)

	Three months ended		Nine months ended	
	December 31		December 31	
	2005	2004	2005	2004
Operating Activities				
Net income (loss) for the period	\$ 380,544	\$ (123,409)	\$ 384,537	\$ (190,845)
Item not affecting cash				
Write down of mineral property	-	108,524	-	108,524
Depreciation	157	-	472	-
Stock-based compensation	-	-	22,993	-
Gain on sale of mineral property	(277,545)	-	(277,545)	-
Cash flow from operations	103,156	(14,885)	130,457	(82,321)
Net changes in non-cash working capital items related to operations	(82,015)	48,052	(118,368)	27,130
	21,141	33,167	12,089	(55,191)
Financing Activities				
Issue of common shares	-	-	-	355,750
	-	-	-	355,750
Investing Activities				
Acquisition of mineral properties	(152,677)	(114,039)	(579,288)	(529,658)
Disposition of mineral properties	589,689	78,164	601,502	78,164
Increase (decrease) in non-cash working capital items related to investing activities	277,542	(568)	582,542	446,368
	714,554	(36,443)	604,756	(5,126)
Increase (decrease) in cash	735,695	(3,276)	616,845	295,433
Cash and cash equivalents,				
beginning of period	7,235,037	7,526,928	7,353,887	7,228,219
Cash and cash equivalents,				
end of period	\$ 7,970,732	\$ 7,523,652	\$ 7,970,732	\$ 7,523,652
Supplementary information:				
Interest received	\$ 60,795	\$ 47,904	\$ 161,563	\$ 110,444
Income tax paid	\$ -	\$ -	\$ -	\$ -

Planet Exploration Inc.
Notes to the Interim Consolidated Financial Statements
December 31, 2005
(Unaudited – See Notice to Reader)

1. **BASIS OF PRESENTATION**

The interim consolidated financial statements of Planet Exploration Inc. (the “Company”) have been prepared by management in accordance with accounting principles generally accepted in Canada. The interim consolidated financial statements have been prepared following the same accounting policies and methods in computation as the consolidated financial statements for the fiscal year ended March 31, 2005. The interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto in the Company’s annual report for the year ended March 31, 2005.

2. **MINERAL PROPERTIES**

The Company’s mineral properties are located as follows:

	<u>December 31, 2005</u>
Red Lake Ontario	\$ 3,666,304
Mongolia	486,044
Mexico	-
	<u>\$ 4,152,348</u>

In July 2005, in consideration of US \$50,000, included in other income, the Company granted an option to UC Resources Ltd. to purchase all of the outstanding shares of the Company’s wholly owned Mexican subsidiary, Minera Planet Exploration, S.A de C.V., for US \$500,000, which was exercised on October 8, 2005 resulting in the disposition of the Company’s entire Mexican mineral property interest.

Planet Exploration Inc.
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3. 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.

The issued common shares are as follows:

	December 31, 2005	
	# of Shares	Consideration
Balance March 31, 2005	25,259,190	\$ 11,319,557
Common shares issued for cash upon exercise of warrants	-	-
Exercise of warrants	-	-
Shares issued for cash upon exercise of stock options	-	-
Balance December 31, 2005	25,259,190	\$ 11,319,557

	December 31, 2005	
	# of Warrants	Consideration
Balance March 31, 2005	4,300,000	\$ 489,340
Expired during the period	(4,300,000)	(489,340)
Balance December 31, 2005	-	\$ -

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3. **SHARE CAPITAL (continued)**

Specific details as to stock options outstanding are as follows:

<u>Number of common shares under option</u>	<u>Exercise price per common share</u>	<u>Weighted average remaining contractual life (years)</u>
50,000	0.100	2.08
500,000	0.600	3.16
500,000	0.700	3.01
100,000	0.750	3.16
<u>150,000</u>	0.380	4.75
<u><u>1,300,000</u></u>		

The Company recorded \$22,993 in stock-based compensation related to 150,000 stock options granted to a director in the quarter ended June 30, 2005. The amount has been recorded in expenses with a corresponding amount credited to contributed surplus. These options are not included in the outstanding weighted average number of shares due to their anti dilutive nature.

The fair value of the stock options was estimated using the Black-Scholes option-pricing model with the following assumptions: dividend yield – nil; expected volatility – 39%; risk-free interest rate-4% and a life of 5 years.

4. **RELATED PARTY TRANSACTIONS**

The Company incurred \$50,000 in consulting fees from an officer of the Company. These fees have been included in general and administrative expenses.

The Company incurred \$5,000 in consulting fees from a director of the Company. The Company also incurred \$45,000 in legal fees from a law firm and \$24,750 in consulting and administrative fees from a firm in which a director of the Company is principal. The fees have been included in general and administrative expenses.

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4. RELATED PARTY TRANSACTIONS (continued)

The Company incurred \$2,500 in accounting fees from a director of the Company and \$5,539 in accounting fees from a firm in which the director of the Company is principal. These fees have been included in general and administrative expenses.

The Company incurred \$2,000 in geological consulting fees from a director of the Company. These fees have been included in general and administrative expenses. The Company also incurred \$15,016 in geological consulting fees from a company in which the director of the Company is principal. These fees have been capitalized to mineral properties.

5. Other Income

In October 2005, in consideration of US \$100,000, the Company entered into an agreement with UGL Enterprise Ltd. entitling UGL to earn 60% of the Company's interest in the Argalant Mongolia property by conducting a minimum of US \$1,500,000 in exploration prior to October, 2008. The deposit is non refundable and is included in other income.

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