

PLANET EXPLORATION INC.

**INTERIM FINANCIAL STATEMENTS
SIX MONTHS ENDED
SEPTEMBER 30, 2002 AND 2001**

PLANET EXPLORATION INC.
BALANCE SHEETS
(Unaudited)

	September 30, 2002	March 31, 2002
	\$	\$
ASSETS		
CURRENT		
Cash	34,417	5,403
Due from Director and Officer (Note 4)	28,250	-
Accounts Receivable	19,885	-
GST Recoverable	<u>13,639</u>	<u>547</u>
	96,191	5,950
Mineral Properties	479,818	207,836
Incorporation Costs	<u>1,000</u>	<u>1,000</u>
	<u>577,009</u>	<u>214,786</u>
LIABILITIES		
CURRENT		
Accounts Payable	<u>101,631</u>	<u>4,167</u>
SHAREHOLDERS' EQUITY		
SHARE CAPITAL (Note 3)	811,502	498,177
DEFICIT	<u>(336,124)</u>	<u>(287,558)</u>
	<u>475,378</u>	<u>210,619</u>
	<u>577,009</u>	<u>214,786</u>

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

	Three Months Ended September 30		Six Months Ended September 30	
	2002	2001	2002	2001
	\$	\$	\$	\$
REVENUE	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENSES				
Stock Based Compensation	-	-	26,250	-
General and Administrative	<u>12,413</u>	<u>5,505</u>	<u>22,316</u>	<u>10,082</u>
	<u>12,413</u>	<u>5,505</u>	<u>48,566</u>	<u>10,082</u>
NET LOSS FOR THE PERIOD	(12,413)	(5,505)	(48,566)	(10,082)
DEFICIT, opening	<u>(323,711)</u>	<u>(109,181)</u>	<u>(287,558)</u>	<u>(104,604)</u>
DEFICIT, closing	<u>(336,124)</u>	<u>(114,686)</u>	<u>(336,124)</u>	<u>(114,686)</u>
Loss per share	<u>(0.002)</u>	<u>(0.001)</u>	<u>(0.009)</u>	<u>(0.002)</u>

PLANET EXPLORATION INC.
STATEMENTS OF CASH FLOW
(Unaudited)

	Three Months Ended September 30		Six Months Ended September 30	
	2002	2001	2002	2001
OPERATING ACTIVITIES	\$	\$	\$	\$
Net Loss for the Period	(12,413)	(5,505)	(48,566)	(10,082)
Item not affecting cash				
Stock-based compensation	<u>-</u>	<u>-</u>	<u>26,250</u>	<u>-</u>
Cash flow from operations	(12,413)	(5,505)	(22,316)	10,082
Net Changes in Non-cash Working Capital Items Related to Operations	<u>(53,664)</u>	<u>(731)</u>	<u>36,237</u>	<u>3,551</u>
	<u>(66,077)</u>	<u>(6,236)</u>	<u>13,921</u>	<u>(6,531)</u>
FINANCING ACTIVITIES				
Issue common shares	-	-	38,250	-
Issue flow through special warrants net of issuance costs of \$1,175	<u>206,325</u>	<u>-</u>	<u>248,825</u>	<u>-</u>
	<u>206,325</u>	<u>-</u>	<u>287,075</u>	<u>-</u>
INVESTING ACTIVITY				
Acquisition of Mineral Properties	(157,821)	(240)	(302,307)	(580)
Disposition of Mineral Properties	<u>30,325</u>	<u>-</u>	<u>30,325</u>	<u>-</u>
	(127,496)	(240)	(271,982)	(580)
INCREASE (DECREASE) IN CASH	12,752	(6,476)	29,014	(7,111)
CASH, BEGINNING OF PERIOD	<u>21,665</u>	<u>24,789</u>	<u>5,403</u>	<u>25,424</u>
CASH, END OF PERIOD	<u>34,417</u>	<u>18,313</u>	<u>34,417</u>	<u>18,313</u>

PLANET EXPLORATION INC.
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 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 September 30, 2002, the Company's pro forma net loss was \$86,066 and the basic loss per share was \$0.017.

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 September 30, 2002 the Company has issued 5,132,500 common shares for a total of \$562,677 and 2,500,000 Flow Through Special Warrants for a total of \$248,875 (net of issuance costs of \$1,175). Each Special Warrant entitles the holder to receive on exercise thereof, at no additional cost, one common share and one warrant to purchase one common share. Each warrant entitles the holder to purchase one common share at a price of \$0.125 per share over a period of two years from the date of issue. As at September 30, 2002, there were options outstanding to purchase 500,000 common shares.

The Company intends to issue up to 2,000,000 Special Warrants or Units to be priced at \$0.37 per Special Warrant or Unit. Each Special Warrant or Unit will entitle the holder to receive, on exercise thereof, in the case of Special Warrants, at no additional cost, one common share of the Company and one warrant to purchase one common share. Each warrant will entitle the holder to purchase one common share at a price of \$0.45 per share, exercisable for a period of one year from the date of issue.

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 \$28,250 relating to the purchase of common shares. This non-interest bearing amount is expected to be paid within the next quarter.

5. SUBSEQUENT EVENT

The Company has entered into an option agreement in respect of the remaining ownership interest in those certain mineral claims located in the Red Lake Mining Division of Ontario in which the Company presently holds an interest. The Company has agreed to pay \$100,000 in cash, or \$50,000 in cash along with 200,000 common shares as consideration for the grant of an option on its Red Lake property. If the option is exercised, the Company has agreed to issue 3,500,000 common shares subject to regulatory and shareholder approvals.

6. RESTATEMENT OF PRIOR PERIOD

The financial statements at June 30, 2002 inadvertently omitted a \$97,000 addition to mineral properties and a related account payable. The total mineral properties and accounts payable at June 30, 2002 should have been \$352,322 and \$125,622 respectively, not \$255,322 and \$28,622 respectively as previously reported. Also, the total mineral properties acquired during the three months ended June 30, 2002 should have been \$144,486 not the \$47,486 as previously reported.