

Planet Exploration Inc.

Interim Financial Statements
For the three and six month periods ended
September 30, 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 September 30, 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 September 30, 2005 and the interim consolidated statements of operations and deficit and cash flows for the three and six 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 September 30, 2005 and the Interim consolidated statements of income (loss) and deficit and cash flows for the three and six month periods then ended from information provided by the 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
October 20, 2005

DNTW, LLP
Chartered Accountants

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

	<u>September 30, 2005</u> (Unaudited)	<u>March 31, 2005</u> (Audited)
Assets		
Current		
Cash and cash equivalents	\$ 7,235,037	\$ 7,353,887
Term deposit	515,378	509,639
Accounts receivable	7,117	3,056
Marketable securities	6,100	6,100
	<u>7,763,632</u>	<u>7,872,682</u>
Mineral Properties (note 2)	4,311,815	3,897,316
Other property and equipment	2,786	2,800
	<u>\$ 12,078,233</u>	<u>\$ 11,772,798</u>
Liabilities		
Current		
Accounts Payable	\$ 388,627	\$ 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	489,340
Contributed surplus	375,660	352,667
Deficit	(1,356,651)	(1,360,644)
	<u>10,827,906</u>	<u>10,800,920</u>
	<u>\$ 12,078,233</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 September 30		Six months ended September 30	
	2005	2004	2005	2004
Interest Revenue	\$ 51,504	\$ 34,487	\$ 100,768	\$ 62,540
Other Income	61,575	-	61,575	-
	<u>113,079</u>	<u>34,487</u>	<u>162,343</u>	<u>62,540</u>
Expenses				
General and administrative	101,089	76,094	135,042	129,976
Stock-based Compensation	-	-	22,993	-
Depreciation	158	-	315	-
	<u>101,247</u>	<u>76,094</u>	<u>158,350</u>	<u>129,976</u>
Net income (loss) for the period	\$ 11,832	\$ (41,607)	\$ 3,993	\$ (67,436)
Deficit, beginning of period	<u>(1,368,483)</u>	<u>(1,083,660)</u>	<u>(1,360,644)</u>	<u>(1,057,831)</u>
Deficit, end of period	<u>\$ (1,356,651)</u>	<u>\$ (1,125,267)</u>	<u>\$ (1,356,651)</u>	<u>\$ (1,125,267)</u>
Income (loss) per share - basic and diluted	<u>\$ 0.001</u>	<u>\$ (0.002)</u>	<u>\$ 0.001</u>	<u>\$ (0.003)</u>
Weighted number of shares outstanding				
Basic	25,259,190	23,645,857	25,259,190	23,645,857
Diluted	25,296,003	23,870,830	25,296,003	23,870,830

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

	Three months ended September 30		Six months ended September 30	
	2005	2004	2005	2004
Operating Activities				
Net income (loss) for the period	\$ 11,832	\$ (41,607)	\$ 3,993	\$ (67,436)
Item not affecting cash				
Depreciation	158	-	315	-
Stock-based compensation	-	-	22,993	-
Cash flow from operations	11,990	(41,607)	27,301	(67,436)
Net changes in non-cash working capital items related to operations	(12,375)	26,218	(36,353)	(20,922)
	(385)	(15,389)	(9,052)	(88,358)
Financing Activities				
Issue of common shares	-	-	-	355,750
	-	-	-	355,750
Investing Activities				
Acquisition of mineral properties	(326,046)	(26,899)	(426,611)	(415,619)
Disposition of Mineral Properties	11,813	-	11,813	446,936
Decrease in non-cash working capital items related to investing activities	210,000	608,223	305,000	-
	(104,233)	581,324	(109,798)	31,317
Increase (decrease) in cash	(104,618)	565,935	(118,850)	298,709
Cash and cash equivalents,				
beginning of period	7,339,655	6,960,993	7,353,887	7,228,219
Cash and cash equivalents,				
end of period	<u>\$ 7,235,037</u>	<u>\$ 7,526,928</u>	<u>\$ 7,235,037</u>	<u>\$ 7,526,928</u>
Supplementary information:				
Interest received	\$ 51,504	\$ 34,487	\$ 100,768	\$ 62,540
Income tax paid	\$ -	\$ -	\$ -	\$ -

Planet Exploration Inc.
Notes to the Interim Consolidated Financial Statements
September 30, 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 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, 2005. The consolidated 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, 2005.

2. MINERAL PROPERTIES

The Company’s mineral properties are located as follows:

	<u>September 30, 2005</u>
Red Lake Ontario	\$ 3,513,627
Mongolia	486,044
Mexico	312,144
	<u>\$ 4,311,815</u>

Planet Exploration Inc.
Notes to the Interim Consolidated Financial Statements
September 30, 2005
(Unaudited – See Notice to Reader)

3. SHARE CAPITAL

a) Authorized 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:

	September 30, 2005	
	# of Shares	Consideration
Balance, beginning of year	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	-	-
	<u>25,259,190</u>	<u>\$ 11,319,557</u>

	September 30, 2005	
	# of Warrants	Consideration
Balance, beginning of the year	4,300,000	\$ 489,340
Exercised during the period	-	-
Balance, end of the year	<u>4,300,000</u>	<u>\$ 489,340</u>

Planet Exploration Inc.
Notes to the Interim Consolidated Financial Statements
September 30, 2005
(Unaudited – See Notice to Reader)

3. SHARE CAPITAL (continued)

Specific details as to warrants outstanding are as follows:

<u>Number</u>	<u>Price per common shares</u>	<u>Expiry date</u>
4,300,000	\$ 2	December 15, 2005

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	2.33
500,000	0.600	3.41
500,000	0.700	3.26
100,000	0.750	3.41
<u>150,000</u>	0.380	5.00
<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 as 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.

Planet Exploration Inc.
Notes to the Interim Consolidated Financial Statements
September 30, 2005
(Unaudited – See Notice to Reader)

4. RELATED PARTY TRANSACTIONS

The Company incurred \$30,000 in consulting fees from an officer of the Company. These fees have been included in general and administrative expenses.

The Company incurred \$30,000 in legal fees from a law firm in which a director of the Company is principal. The fees have been included in general and administrative expenses.

The Company incurred \$2,500 in fees from a director of the Company. These fees have been included in general and administrative expenses.

The Company incurred \$15,016 in fees from a company in which a director of the Company is principal. These fees have been capitalized to mineral properties.

5. SUBSEQUENT EVENTS

In July 2005, in consideration of US \$50,000, 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, exercisable on or before October 8, 2005. The option was exercised subsequent to the period end date resulting in the disposition of the Company's entire Mexican mineral property interest.

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. Also included is an option for UGL to purchase an additional 20%, for US \$1,000,000 before April 6, 2009.