

**PLANET EXPLORATION INC.**  
SECOND QUARTER SHAREHOLDERS' REPORT  
AS AT SEPTEMBER 30, 2005

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 interim consolidated financial statements for the six months ended September 30, 2005, the audited financial statements for the year ended March 31, 2005 and management's discussion and analysis for the year ended March 31, 2005. 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 2006 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 (MDZ). 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.

Throughout the year, Planet has carried out a methodical exploration of interesting geological and geophysical features to the northeast, south and west of the Main Discovery Zone. 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. In the first quarter of the year, 4,315m of diamond drilling, in 14 holes (RL-05-71 to RL-05-84), have been reported on the Sidace Lake JV project. In the second quarter, a further 4571m were drilled in another 13 holes. A simultaneous surface geochemical pilot study, and some overburden stripping and detailed geological mapping and sampling were also undertaken.

The Far West Zone is similar in lithology and stratigraphic position to the Main Discovery Zone, but is situated

about 2,500m to the west. One hole drilled in 2004 (RL-04-44) showed 2.5g/t Au over 3.85m. An additional hole, RL-05-97, drilled in fiscal 2006 to investigate this discovery further, returned no significant values.

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 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, seven holes have been drilled, all with interesting results, the best being 10.12g/t Au over 2.70m. A synclinal strike length of over 500m, to 100m vertical depth, has been drilled. The body is open in all directions. In the east, it strikes roughly due north, dipping steeply west but in the south it is folded sharply through 90° to strike due west.

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 values being 9.28g/t Au over 0.5m, and 7.91 g/t Au over 1m).

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, four holes were drilled as 300m (RL-05-77 & 96) and 800m (RL-05-84 & 94) step-out holes to the west along this Upper Duck strike trend. Both steps-out showed encouraging values within the same stratigraphic position (best values being 37.08g/t Au over 1.30m in RL-05-77) 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 Serpentinite under Anderson Lake until this year. 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. Although drilled for the Skarn Zone, RL-05-87 cuts across the northern end of this ultramafic body, the upper contact of which shows anomalous gold values (0.32g/t Au over 2.0m) which correlates with the more strongly developed gold bearing talc-carbonate zone in RL-05-89 (500m further to the WSW) which showed 11m averaging 1.28g/t Au, and shallower intervals of 1.89 g/t over 12.0m and 1.68g/t over 4m. RL-05-90, sited over a kilometre south of RL-05-89 has one significant assay which coincides with the magnetic high target.

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.

After a brief respite, drilling continues, with a further 1,550m in 7 holes planned for fall, and an increased pace in the winter and spring.

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 had made cash payments of \$65,000 (US), had issued \$24,000 (US) of its shares and by July 13, 2005, had met the requirement to expend a minimum of \$275,000 (US). 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 had received cash payments of \$90,000 (US) and UC had met its requirement to expend a minimum of \$750,000 (US) by July 13, 2005.

In July 2005, Planet renegotiated the February 13, 2004 agreement and 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.

The option was exercised subsequent to September 30, 2005 resulting in the disposition of the Company's entire Mexican mineral property interest.

### **Mongolia**

Planet's only Mongolian property, the Argalant (Ovoot) property (2,090 hectares) is located in Zavkhan province, Mongolia, lies in the southeastern portion of the Bayan-Airag gold-copper region of the Urgamal-Zavakhanmandeal metallogenic belt. In October, 2005, in consideration of \$100,000 (US), the Company entered into an agreement with UGL Enterprises ("UGL") entitling UGL to earn 60% of the Company's interest in the Argalant property by conducting a minimum of \$1,500,000 (US) in exploration prior to October, 2008. Also included is an option for UGL to purchase an additional 20% for \$1,000,000 (US) before April 6, 2009.

## Financial Results in Detail

Results of Operations	2 <sup>nd</sup> Quarter 3 months ended 30 <sup>th</sup> September			Year to Date 6 months ended 30 <sup>th</sup> September		
	2005	2004	% change	2005	2004	% change
Interest Revenue	\$51,504	\$34,487	49%	\$100,768	\$62,540	61%
Other Income	\$61,575	\$0		\$61,575	\$0	
General & Administrative Expenses	\$101,089	\$76,094	33%	\$135,042	\$129,976	4%
Net Income (Loss)	\$11,832	(\$41,607)	128%	\$3,993	(\$67,436)	106%
Basic Income (Loss) per share	\$0.001	(\$0.002)	150%	\$0.001	(\$0.003)	133%

Summary of Financial Conditions	As at 30 <sup>th</sup> September 2005	As at 31 <sup>st</sup> March 2004
Working Capital	\$7,375,005	\$7,762,504
Total Assets	\$12,078,233	\$11,772,798
Shareholders Equity	\$10,827,906	\$10,800,920
Basic and Diluted Shares		

<sup>(1)</sup> Note: a non GAAP measure, diluted shares includes outstanding shares and all warrants and options to purchase shares where the exercise price is at or below the average trading price of the shares during the quarter.

## Discussion on the Current Quarter and Year to Date

### *Results of Operations – Three months ended September 30, 2005 compared with three months ended September 30, 2004*

#### Revenues

For the quarter ended September 30, 2005, the Company earned interest revenues of \$51,504 compared to \$34,487 for the three months ended September 30, 2004. This increase of 49% was due to higher bank interest rates and increased deposits.

In July 2005, the Company granted an option to UC Resources Ltd. to purchase all of the outstanding shares of its Mexican subsidiary, Minera Planet Exploration S.A. de C.V. This has been recorded as other income of \$61,575.

#### General and Administrative Expenses

General and administrative expenses for the quarter ended September 30, 2005 were \$101,089 compared to \$76,094 for the three months ended September 30, 2004, an increase of 33%. The particular level of acquisitions, dispositions and exploration activities have a direct effect on the level of general and administrative costs.

#### Related Party Transactions

The Company incurred \$15,000 in consulting fees from an officer of the Company. These fees have been included in general and administrative expenses.

The Company incurred \$15,000 in legal fees from a law firm in which a director of the Company is principal.

These 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.

### ***Results of Operations - Six months ended September 30, 2005 compared with the six months ended September 30, 2004***

#### **Revenues**

For the six month period ended September 30, 2005, the Company earned interest revenues of \$100,768 compared to \$62,540 for the six month period ended September 30<sup>th</sup>, 2004. This is an increase of 61% which was due to higher bank interest rates and increased deposits.

In July 2005, the Company granted an option to UC Resources Ltd. to purchase all of the outstanding shares of its Mexican subsidiary, Minera Planet Exploration, SA de CV. This has been recorded as other income of \$61,575.

#### **General and Administrative Expense**

General and administrative expenses for the six months ended September 30<sup>th</sup>, 2005 were \$135,042 compared to \$129,976 for the six months to September 30, 2004. This represented an increased of 4%. The particular level of acquisitions, dispositions and exploration activities have a direct effect on the level of general and administrative costs.

#### **Stock Options**

During the six months ended September 30, 2005, 150,000 stock options were granted to a director of the Company at an exercise price of \$0.38. These options expire May 26, 2010.

#### **Related Party Transactions**

The Company incurred \$30,000 in consulting fees from and 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 a principal. These 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.

#### **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.

### **Critical Accounting Policies**

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 Audited Consolidated Financial Statements for the fiscal year ended March 31, 2005. The company has identified the following accounting policy, which is 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.

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.

### **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 this shareholder's 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,  
Secretary