

**PLANET EXPLORATION INC.**  
SECOND QUARTER SHAREHOLDERS' REPORT  
AS AT SEPTEMBER 30, 2007

MANAGEMENT'S 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 financial statements for the three and six months ended September 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 and future plans 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 by Planet as to 40% and Goldcorp Inc. ("Goldcorp") as to 60% under the terms of a joint venture. The Sidace Lake property is subject to a 1% Net Smelter Royalty. The joint venture is funded 60% by Goldcorp (who are the operators) and 40% by Planet.

Planet first took an interest in the property in 1998. Initially, the drilling was focussed on exploration, following targets located by geophysics. This strategy identified seven zones of interest within a 2.5 x 3.0 km area. These are the Main Discovery Zone ("MDZ"), Upper Duck Zone ("UDZ"), Far West, Deep Footwall, Western Duck, Skarn and the Anderson Zones. The following table shows progressive drilling on the property over the years on the Sidace Lake property. Until 2004, most efforts were concentrated on delineation and evaluation of the MDZ, but more recently, our focus has included the UDZ as another area of high potential. Only on the MDZ and UDZ has any detailed evaluation pattern drilling been done.

**History of holes drilled**

		Metres
1998	6	828
1999	11	2,638
2002	12	2,202
2003	12	2,554
2004	32	16,973

		Metres
2005	37	10,311
2006	33	11,071
2007	37	13,506
2007*	3	1,410
<b>TOTAL</b>	<b>183</b>	<b>61,493</b>

\* Drilled after September 30th 2007

### The Main Discovery Zone (“MDZ”)

The locus of the 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 65E. 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. 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, and this pattern continues in the latest round of drilling.

In this quarter, 13 holes were drilled on the MDZ, totalling 5,800 m. Significant intersections are detailed in the table below. Of particular note are the high grade intersections such as 26.06 g/t over a metre in RL07-159, 28.34 g/t over 2 metres and 16.53g/t over 4 metres in RL07-161 and 26.56g/t over a metre in RL07-168.

Our understanding of the geometry of the very complex structure of the MDZ means that, for the first time, we have been able to determine with some degree of confidence the true thickness of the mineralized body. This is a very significant step forward in understanding the nature of this mineralized body.

<u>Hole No</u>	<u>Final Depth</u> m	<u>Interval</u> <u>From</u> <u>To</u> m              m		<u>Intersect Thickness</u> m	<u>Au g/t</u>
RL07-156		no significant assays			
RL07-157	397	298.70	308.00	9.30	1.59
		363.00	393.00	30.00	1.88
RL07-158	281	224.00	226.00	2.00	0.96
		255.00	278.00	23.00	3.14
	includes	267.00	276.00	9.00	5.49
RL07-159	306	255.00	292.00	36.00	2.59
	includes	272.00	273.00	1.00	26.06
	and	282.00	284.00	2.00	7.75
RL07-160	577	hole abandoned - excessive deviation			
RL07-161	429	253.50	358.00	104.50	1.54
		396.00	398.00	2.00	28.34
		406.00	410.00	4.00	16.53
RL07-162	345	256.00	265.00	9.00	2.20
	includes	260.00	261.00	1.00	8.96
RL07-163	350	265.26	282.00	16.74	2.71
	includes	265.26	267.00	1.74	10.42
	and	280.00	281.00	1.00	7.18
RL07-164	339	255.85	275.00	19.15	1.47
RL07-165	630	526.70	532.00	5.30	1.04
RL07-166	558	415.00	420.00	5.00	1.56
		441.00	445.00	4.00	1.12

<u>Hole No</u>	<u>Final</u>	<u>Interval</u>		<u>Intersect</u>	<u>Au g/t</u>
	<u>Depth</u>	<u>From</u>	<u>To</u>	<u>Thickness</u>	
	<u>m</u>	<u>m</u>	<u>m</u>	<u>m</u>	
RL07-167	699	482.00	596.00	114.00	0.80
	includes	486.00	487.00	1.00	7.10
RL07-168	657	527.00	583.00	56.00	2.05
	includes	573.00	574.00	1.00	26.56
	and	582.00	583.00	1.00	12.27

This latest round of drilling brings to 74 the total number of holes in the MDZ area since commencement of the project in 1998. Current drilling on the MDZ continued evaluating from surface to 500m vertically below surface and demonstrates the zone persists at considerable depth with significant gold values.

### **Upper Duck Zone (“UDZ”)**

On completion of the MDZ drill program, the rig returned to the UDZ on which a well defined higher grade zone is beginning to emerge. 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. Strike length of the zone on which we are concentrating evaluation drilling is just under 300m down to 400m below surface.

Prior to this year, approximately 5,000 m in 18 holes had been drilled on the UDZ. We drilled a further 19 holes for a total of 6,300 m in the period January 2007 to June 2007. Results were particularly encouraging. During the quarter ended September 30, 2007 we drilled another 6 holes totalling 3,000 m. During October 2007 we drilled an additional hole, RL07-175 to a depth of 540 m. We are awaiting final assay results on this round of drilling.

### **Other Potential at Sidace Lake**

Banded iron formation like the UDZ occurs discontinuously for at least 800m west of the faulted cutoff of the UDZ. To date we had drilled only six holes to explore the potential of the Western Duck Zones: RL-04-77 showed 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.

A follow-up hole, RL07-176 to the encouraging results of RL04-77 was drilled in October 2007. Assays are awaited. Results are also pending on a further follow-up on the Skarn Zone RL07-177, drilled in October 2007.

Drilling on the Sidace lake property will restart this winter once the ground is frozen.

### **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. The Company holds a 100% interest in the Argalant property subject to the right of Red Hill Energy Inc. (“RH”) to earn and acquire an 80% interest by expending \$1.5 million in exploration on the property by August 2009 and by paying \$1.0 million within six months of that date.

## Selected Financial Information

	3 Months Ended September 2007	3 Months Ended September 30, 2006	% Change	6 Months Ended September 30, 2007	6 Months Ended September 30, 2006	% Change
Interest Revenue	\$ 90,023	\$ 89,421	0	\$ 172,120	\$ 172,223	0
General and Administrative expenses	\$ 114,089	\$ 70,376	62	\$ 185,248	\$ 134,781	37
Stock Based Compensation	\$ 5,734	\$ 2,488,000	130	\$ 5,734,000	\$ 2,488	130
Net (loss) Before Income Tax	\$ (29,910)	\$ 16,447	281	\$ (19,083)	\$ 34,734	155
Net (loss) After Income Tax	\$ (37,019)	(\$3, 876)	855	\$ (33,100)	\$ 15,294	316
Basic income per share	\$ 0	(\$0. 001)	0	\$ (0.001)	\$ 0	0
<b>Balance sheet as at</b>		<u>September 30, 2007</u>			<u>September 30, 2006</u>	
Working Capital		\$ 6,998,239			\$ 7,756,508	
Mineral Properties		\$ 4,942,603			\$ 4,207,322	
Total Assets		\$ 12,476,274			\$ 12,390,510	
Shareholders' Equity, September 30		\$ 11,288,232			\$ 11,045,302	
Weighted number of shares						
Basic		25,309,190			25,309,190	
Diluted		25,537,878			25,537,878	

## Operations Update

During the quarter ended September 30, 2007, Planet focused its efforts primarily on its diamond drilling program on the Sidace Lake Project. The Company drilled approximately 8,800 metres of which 5,800 metres were drilled on the Main Discovery Zone (MDZ) and 3,000 metres were drilled on the Upper Duck Zone (UDZ).

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

### Interest Income

Planet's only revenue comprised of interest income. Planet has not produced any income from operation since inception.

Interest income was \$90,023 for the quarter ended September 30, 2007 compared to \$89,421 in the quarter ended September 30, 2006.

### General and Administrative Expenses

General and administrative expenses for the quarter ended September 30, 2007 were \$114,089, compared to \$70,376 for the quarter ended September 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 used \$24,066 in cash from operations in the quarter ended September 30, 2007, compared to generating \$19,045 in cash flow from operations for the quarter ended September 30, 2006. This increased usage in cash is mainly due to an increase in general and administrative costs.

Planet has not commenced any mineral producing activities.

The Company drilled 19 holes totaling 8,800 m on its Sidace Lake property during the quarter ended September 30, 2007.

## **Stock Options**

During the quarter ended September 30, 2007, the Company issued to a consultant 30,000 stock options exercisable at a price of \$0.56 each for a period of five years from the date of grant.

## **Related Party Transactions**

For the three months ended September 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 September 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 principal. The Company also incurred \$nil (2006 - \$6,750) in management and consulting fees from a company controlled by Darold H. Parken.

For the three months ended September 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 principal 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 \$2,500 (2006 - \$12,316) in accounting fees from a company in which Salim Jivraj, a director of the Company is the principal shareholder. The Company also incurred \$4,500 (2006 - nil) in accounting fees from the director. These fees have been included in general and administrative expenses.

For the three months ended September 30, 2007, the Company incurred \$14,700 (2006 - \$nil) in geological and consulting fees 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 \$34,250 (2006 - \$19,905) owing to related parties.

## **Discussion of Financial Results - Six months ended September 30, 2007 compared with the six months ended September 30, 2006**

### **Interest Income**

Planet's only revenue comprised of interest income. Planet has not produced any income from operation since inception.

Interest income was \$172,120 for the six months ended September 30, 2007 compared to \$172,223 for the six months ended September 30, 2006.

## **General and Administrative Expenses**

General and administrative expenses for the six months ended September 30, 2007 were \$185,248 compared to \$134,781 for the six months ended September 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 discernible quarterly trends in expenditure.

## **Cash Flow From Operations**

Planet used \$13,128 in cash from operations in the six months ended September 30, 2007, compared to generating \$37,442 in cash from operations for the six months ended September 30, 2006. This increased usage in cash is mainly due to an increase in general and administrative costs.

Planet has not commenced mineral producing activities.

The Company drilled 37 holes for a total of 13,506 m during the six month period ended September 30, 2007.

## **Stock Options**

During the six months ended September 30, 2007, the Company issued to a consultant 30,000 stock options exercisable at a price of \$0.56 each for a period of two years from the date of grant.

## **Related Party Transactions**

For the six months ended September 30, 2007, the Company incurred \$30,000 (2006 - \$30,000) 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 six months ended September 30, 2007, the Company incurred \$30,000 (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 - \$30,000) in legal fees from a law firm in which Darold H. Parken, director is the principal. The Company also incurred \$6,750 (2006 - \$13,500) in management and consulting fees from a company controlled by Darold H. Parken.

For the six months ended September 30, 2007, the Company incurred \$30,000 (2006 - \$nil) in director's fees from a company in which Salim Jivraj, a director of the Company is the principal 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 \$2,500 (2006 - \$17,029) in accounting fees from a Company in which Salim Jivraj, a director of the Company is the principal shareholder. The Company also incurred \$4,500 (2006 - nil) in accounting fees from the director. These fees have been included in general and administrative expenses.

For the six months ended September 30, 2007, the Company incurred \$35,125 (2006 - \$14,841) in geological and consulting fees 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 \$34,250 (2006 - \$ 19,905) 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 certain 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. No title opinions have been obtained. 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.

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