

# **Planet Exploration Inc.**

Interim Financial Statements  
For the three and six month periods ended  
September 30, 2006



## PLANET EXPLORATION INC.

### UNAUDITED INTERIM 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 financial statements for the period ended September 30, 2006.

### NOTICE TO READER OF THE INTERIM FINANCIAL STATEMENTS

The interim financial statements of Planet Exploration Inc. comprising the accompanying interim balance sheet as at September 30, 2006 and the interim 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 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 financial statements have been prepared by management and include the selection of appropriate accounting principles, judgments and estimates necessary to prepare these financial statements in accordance with Canadian generally accepted accounting principles.

"Salim Jivraj"

Salim Jivraj, Director

"Darold H. Parken"

Darold H. Parken, Director



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## NOTICE TO READER

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We have compiled the interim balance sheet of Planet Exploration Inc. as at September 30, 2006 and the interim 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 financial statements may not be appropriate for their purposes.

Calgary, Alberta  
November 7, 2006

Chartered Accountants

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

	<u>September 30, 2006</u> (Unaudited)	<u>March 31, 2006</u> (Audited)
<b>Assets</b>		
Current		
Cash and cash equivalents	\$ 8,145,567	\$ 7,875,132
Accounts receivable	29,271	71,461
Marketable securities	<u>6,100</u>	<u>6,100</u>
	8,180,938	7,952,693
Mineral Properties (note 2)	4,207,322	4,441,602
Other property and equipment	<u>2,250</u>	<u>2,470</u>
	<u>\$ 12,390,510</u>	<u>\$ 12,396,765</u>
<b>Liabilities</b>		
Current		
Accounts Payable	\$ 424,430	\$ 467,907
Future Income Taxes	<u>920,778</u>	<u>901,338</u>
	1,345,208	1,369,245
<b>Shareholders' Equity</b>		
Common Shares (note 3)	11,319,557	11,319,557
Contributed surplus	867,488	865,000
Deficit	<u>(1,141,743)</u>	<u>(1,157,037)</u>
	<u>11,045,302</u>	<u>11,027,520</u>
	<u>\$ 12,390,510</u>	<u>\$ 12,396,765</u>

Approved on behalf of the Board:

"Darold H. Parken"

Darold H. Parken, Director

"Salim Jivraj"

Salim Jivraj, Director

See accompanying notes to financial statements

Planet Exploration Inc.  
Statement of Income (Loss) and Deficit  
For the Three and Six Month Periods Ended September 30  
(Unaudited - See Notice to Reader)

	Three months ended September 30		Six months ended September 30	
	2006	2005	2006	2005
Interest Revenue	\$ 89,421	\$ 51,504	\$ 172,223	\$ 100,768
<b>Expenses</b>				
General and administrative	70,376	101,089	134,781	135,042
Stock-based Compensation	2,488	-	2,488	22,993
Depreciation	110	158	220	315
	<u>72,974</u>	<u>101,247</u>	<u>137,489</u>	<u>158,350</u>
<b>Net income (loss) before unusual items for the period</b>	<b>\$ 16,447</b>	<b>\$ (49,743)</b>	<b>34,734</b>	<b>(57,582)</b>
Gain on sale of Mineral Property	-	61,575	-	61,575
<b>Net income before tax</b>	<b>\$ 16,447</b>	<b>\$ 11,832</b>	<b>\$ 34,734</b>	<b>\$ 3,993</b>
Future Income tax provision	20,323	-	19,440	-
<b>Net income (loss) for the period</b>	<b>\$ (3,876)</b>	<b>\$ 11,832</b>	<b>\$ 15,294</b>	<b>\$ 3,993</b>
Deficit, beginning of period	(1,137,867)	(1,368,483)	(1,157,037)	(1,360,644)
Deficit, end of period	<u>\$ (1,141,743)</u>	<u>\$ (1,356,651)</u>	<u>\$ (1,141,743)</u>	<u>\$ (1,356,651)</u>
Income (loss) per share - basic and diluted	<u>\$ (0.001)</u>	<u>\$ 0.001</u>	<u>\$ 0.001</u>	<u>\$ 0.001</u>
<b>Weighted number of shares outstanding</b>				
Basic	<u>25,259,190</u>	<u>25,259,190</u>	<u>25,259,190</u>	<u>25,259,190</u>
Diluted	<u>25,323,074</u>	<u>25,296,003</u>	<u>25,322,875</u>	<u>25,296,003</u>

Planet Exploration Inc.  
Statement of Cash Flows  
For the Three and Six Month Periods Ended September 30  
(Unaudited - See Notice to Reader)

	Three months ended September 30		Six months ended September 30	
	2006	2005	2006	2005
<b>Operating Activities</b>				
Net income (loss) for the period	\$ (3,876)	\$ 11,832	\$ 15,294	\$ 3,993
Item not affecting cash				
Depreciation	110	158	220	315
Future income tax	20,323	-	19,440	-
Stock-based compensation	2,488	-	2,488	22,993
Cash flow from operations	19,045	11,990	37,442	27,301
Net changes in non-cash working capital items related to operations	(5,148)	(12,375)	42,190	(36,353)
	<u>13,897</u>	<u>(385)</u>	<u>79,632</u>	<u>(9,052)</u>
<b>Investing Activities</b>				
Acquisition of mineral properties	(399,781)	(326,046)	(424,569)	(426,611)
Disposition of Mineral Properties	-	11,813	658,849	11,813
Changes in non-cash working capital items related to investing activities	373,901	210,000	(43,477)	305,000
	<u>(25,880)</u>	<u>(104,233)</u>	<u>190,803</u>	<u>(109,798)</u>
Increase (decrease) in cash	(11,983)	(104,618)	270,435	(118,850)
Cash and cash equivalents, beginning of period	8,157,550	7,339,655	7,875,132	7,353,887
Cash and cash equivalents, end of period	<u>\$ 8,145,567</u>	<u>\$ 7,235,037</u>	<u>\$ 8,145,567</u>	<u>\$ 7,235,037</u>
<b>Cash and cash equivalents consist of</b>				
Cash	\$ 256,689	\$ (29,329)	\$ 256,689	\$ (29,329)
Term deposits	7,888,878	7,264,366	7,888,878	7,264,366
	<u>\$ 8,145,567</u>	<u>\$ 7,235,037</u>	<u>\$ 8,145,567</u>	<u>\$ 7,235,037</u>
<b>Supplementary information:</b>				
Interest received	<u>\$ 89,421</u>	<u>\$ 51,504</u>	<u>\$ 172,223</u>	<u>\$ 100,768</u>

**Planet Exploration Inc.**  
**Notes to the Interim Financial Statements**  
**September 30, 2006**  
**(Unaudited – See Notice to Reader)**

**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, 2006. 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, 2006.

**2. MINERAL PROPERTIES**

The Company's mineral properties are located as follows:

	<b>September 30, 2006</b>
Sidace Lake (Red Lake Mining District, Ontario)	\$ 3,840,076
Mongolia	367,246
	\$ 4,207,322

During the quarter ended June 30, 2006, Goldcorp Inc. exercised its option to increase its ownership of the Sidace Lake (Red Lake Mining District, Ontario) mineral property from 50% to 60% for consideration equivalent to \$658,849 (600,000 USD).

**3. SHARE CAPITAL**

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:

	<b>September 30, 2006</b>	
	<b># of Shares</b>	<b>Consideration</b>
Balance, March 31, 2006	25,259,190	\$ 11,319,557
Common shares issued	-	-
Exercise shares repurchased	-	-
Balance September 30, 2006	25,259,190	\$ 11,319,557

**Planet Exploration Inc.**  
**Notes to the Interim Financial Statements**  
**September 30, 2006**  
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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	0.58
500,000	0.600	1.66
500,000	0.700	1.51
100,000	0.750	1.66
150,000	0.380	3.66
<u>10,000</u>	0.400	4.92
<u><u>1,310,000</u></u>		

The Company recorded \$2,488 (2005 - \$22,993) in stock-based compensation during the six month period ended September 30. The value of stock options granted are recorded in expenses with a corresponding amount credited to contributed surplus.

The fair value of the stock options was estimated using the Black-Scholes option-pricing model with the following assumptions: dividend yield of nil; expected annualized volatility of 72.25%; risk-free interest rate of 4% and a life of 5 years.

Options to purchase 1,100,000 (2005 – Nil) common shares were outstanding during the period but were not included in the diluted earnings per share because the exercise prices of the options were greater than the average market price of the common shares.

**4. RELATED PARTY TRANSACTIONS**

For the six month period ended September 30, the Company incurred \$30,000 (2005 - \$35,000) in consulting fees from an officer of the Company. These fees have been included in general and administrative expenses.

For the six month period ended September 30, the Company incurred \$30,000 (2005 - \$30,000) in legal fees from a law firm in which a director of the Company is principal. The company also incurred \$13,500 (2005 – nil) in consulting and administrative fees from a firm in which the director of the Company is principal. The fees have been included in general and administrative expenses.

**Planet Exploration Inc.**  
**Notes to the Interim Financial Statements**  
**September 30, 2006**  
**(Unaudited – See Notice to Reader)**

**4. RELATED PARTY TRANSACTIONS (continued)**

For the six month period ended September 30, the Company incurred \$nil (2005 - \$2,500) in fees from a director of the Company. The Company also incurred \$17,029 (2005 - \$2,000) 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.

For the six month period ended September 30, the Company incurred \$14,841 (2005 - \$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.

Accounts payable includes \$19,905 (2005 - \$5,500) owing to related parties.

**5. COMPARATIVE FIGURES**

The comparative statements of income (loss) and deficit and cash flow are presented on a consolidated basis as the Company had a wholly owned subsidiary during the comparative period.

The comparative amounts have been adjusted to conform to the current period presentation.