

Planet Exploration Inc.

Financial Statements
For the years ended
March 31, 2007 and 2006



AUDITORS' REPORT

To the Shareholders of Planet Exploration Inc.

We have audited the balance sheets of Planet Exploration Inc. as at March 31, 2007 and 2006 and the statements of income and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting policies used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Kenway Mack Slusarchuk Stewart LLP

Calgary, Alberta
June 15, 2007

Chartered Accountants

Planet Exploration Inc.
Balance Sheets
As at March 31

	2007	2006
Assets		
Current		
Cash and cash equivalents	\$ 7,608,713	\$ 7,875,132
Accounts receivable	38,664	71,461
Marketable securities	6,100	6,100
	7,653,477	7,952,693
Mineral property interests (note 3)	4,400,410	4,441,602
Equipment	2,029	2,470
	\$ 12,055,916	\$ 12,396,765
Liabilities		
Current		
Accounts payable	\$ 99,917	\$ 467,907
Future income taxes (note 4)	640,402	901,338
	740,319	1,369,245
Shareholders' Equity		
Common shares (note 5 (b))	11,333,932	11,319,557
Contributed surplus (note 5 (e))	1,021,158	865,000
Deficit	(1,039,493)	(1,157,037)
	11,315,597	11,027,520
	\$ 12,055,916	\$ 12,396,765

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.
Statements of Income and Deficit
Years Ended March 31

	2007	2006
Interest revenue	\$ 346,925	\$ 232,748
Expenses		
General and administrative	324,343	305,000
Stock-based compensation	165,533	22,993
Amortization	441	630
	<u>490,317</u>	<u>328,623</u>
Loss before other items	(143,392)	(95,875)
Gain on sale of mineral property (note 3)	<u>-</u>	<u>339,120</u>
(Loss) income before income tax	(143,392)	243,245
Future income tax provision (note 4)	<u>(260,936)</u>	<u>39,638</u>
Net income	117,544	203,607
Deficit, beginning of year	<u>(1,157,037)</u>	<u>(1,360,644)</u>
Deficit, end of year	<u>\$ (1,039,493)</u>	<u>\$ (1,157,037)</u>
Net income per share - basic and diluted	<u>\$ 0.005</u>	<u>\$ 0.008</u>
Weighted average number of shares outstanding		
Basic	<u>25,280,012</u>	<u>25,259,190</u>
Diluted	<u>25,423,559</u>	<u>25,305,312</u>

See accompanying notes to financial statements

Planet Exploration Inc.
Statements of Cash Flows
Years Ended March 31

	2007	2006
Operating Activities		
Net income	\$ 117,544	\$ 203,607
Items not affecting cash		
Gain on sale of mineral property	-	(339,120)
Amortization	441	630
Future income tax provision	(260,936)	39,638
Stock-based compensation	165,533	22,993
	<u>22,582</u>	<u>(72,252)</u>
Net changes in non-cash working capital items related to operating activities (note 8)	<u>32,797</u>	<u>(59,833)</u>
	<u>55,379</u>	<u>(132,085)</u>
Financing Activities		
Issue of common shares	5,000	-
	<u>5,000</u>	<u>-</u>
Investing Activities		
Additions to mineral properties	(617,657)	(987,342)
Proceeds on mineral property agreements	658,849	781,876
Decrease in term deposit	-	509,639
Net changes in non-cash working capital items related to investing activities (note 8)	<u>(367,990)</u>	<u>349,157</u>
	<u>(326,798)</u>	<u>653,330</u>
(Decrease) increase in cash and cash equivalents	<u>(266,419)</u>	<u>521,245</u>
Cash and cash equivalents, beginning of year	<u>7,875,132</u>	<u>7,353,887</u>
Cash and cash equivalents, end of year	<u>\$ 7,608,713</u>	<u>\$ 7,875,132</u>
Cash and cash equivalents consist of		
Bank	\$ 82,795	\$ 149,615
Term Deposits	7,525,918	7,725,517
	<u>\$ 7,608,713</u>	<u>\$ 7,875,132</u>
Supplementary information:		
Interest received	<u>\$ 346,007</u>	<u>\$ 207,230</u>

See accompanying notes to financial statements

Planet Exploration Inc.
Notes to Financial Statements
Years Ended March 31, 2007 and 2006

1. NATURE OF OPERATIONS

Planet Exploration Inc. ("the Company") is in the business of acquiring, exploring and developing gold, copper, silver and other mineral properties, both directly and through joint ventures in Canada, and Mongolia. To date, the Company has not generated significant revenues from operations and is considered to be a development stage company.

These financial statements have been prepared on the assumption that the Company will continue as a going concern and realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company is in the process of exploring its mineral properties and has not yet determined whether these properties contain mineral reserves that are economically recoverable. The continued operations of the Company are primarily dependent upon its ability to raise exploration financing from equity markets or by selling or optioning its mineral properties. Recovery of the capitalized carrying costs shown for mineral properties will likely require the establishment of economically recoverable reserves, the securing of development financing and profitable production.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of consolidation

The financial statements for the year ended March 31, 2006 include the accounts of the Company and its wholly owned subsidiary, Minera Planet Exploration, S.A. de C.V. ("Minera"), until October 8, 2005 when the Company sold its interest in Minera (see note 3).

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reported period. Significant estimates and assumptions relate to the recoverability of mineral property interests. Also, the fair value of stock options and the related stock-based compensation expense is based on estimates using the Black-Scholes option pricing model. Actual results could differ significantly from those estimates.

Marketable securities

Marketable securities are carried at the lower of cost and market value. When market value is below cost, any unrealized loss is charged to income.

Planet Exploration Inc.
Notes to Financial Statements
Years Ended March 31, 2007 and 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation

Monetary assets and liabilities of the Company which are denominated in foreign currencies are translated into Canadian dollars at the rate of exchange in effect at the balance sheet date. Other assets, liabilities and items affecting earnings are translated into Canadian dollars at rates of exchange in effect at the date of the transaction. Gains or losses arising from these foreign currency transactions are included in the determination of income.

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 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.

Income taxes

Income taxes are calculated using the liability method of tax allocation accounting. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying value on the balance sheet are used to calculate future income tax liabilities or assets. Future income tax liabilities or assets are calculated using tax rates anticipated to apply in the periods that the temporary differences are expected to reverse. The effect on future income tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs. To the extent that the Company does not consider it to be more likely than not that a future tax asset will be recovered, it provides a valuation allowance against the excess.

Planet Exploration Inc.
Notes to Financial Statements
Years Ended March 31, 2007 and 2006

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Flow-through shares

Certain resource expenditure deductions for income tax purposes related to exploration and development activities funded by flow-through share arrangements are renounced to investors in accordance with tax legislation. To recognize the forgone tax benefits to the Company, the future income tax liability and the carrying value of the shares issued are adjusted by the effect of the tax benefits renounced to subscribers. The future income tax liability is recorded when the expenditures are renounced by the Company.

Stock-based compensation

The Company has a stock-based compensation plan as described in note 5d. Compensation expense is calculated using the fair value of the option at the date of grant determined using the Black-Scholes options pricing model. For options granted in respect of future services, compensation expense is recorded over the vesting period with a corresponding increase to contributed surplus. Upon the exercise of options, consideration received together with the amount previously recognized in contributed surplus is recorded as an increase to share capital. The Company has not incorporated an estimated forfeiture rate, rather the Company accounts for actual forfeitures as they occur.

Per share amounts

Per share amounts are based on the weighted average number of common shares outstanding during the year. Diluted amounts per share are based on the dilutive effect of stock options and other dilutive instruments using the treasury stock method that assumes any proceeds received by the Company upon the exercise of in-the-money stock options would be used to repurchase common shares at the average market price for the year.

Cash equivalents

Term deposits with a maturity date less than 90 days from the date of acquisition are considered cash equivalents.

Joint ventures

The Company conducts a majority of its mining activities on a joint venture basis. These financial statements reflect the Company's proportionate interest in such ventures.

Planet Exploration Inc.
Notes to Financial Statements
Years Ended March 31, 2007 and 2006

3. MINERAL PROPERTY INTERESTS

The Company's mineral properties are as follows:

				2007	2006
	Acquisition Costs (Net of Recoveries)	Deferred Exploration and Development Costs	Write-down of Capitalized Costs	Total	Total
Red Lake, Ontario	\$ 1,046,905	3,149,581	(163,322)	4,033,164	\$ 4,074,356
Mongolia	4,860	427,448	(65,062)	367,246	367,246
	<u>\$ 1,051,765</u>	<u>3,577,029</u>	<u>(228,384)</u>	<u>4,400,410</u>	<u>\$ 4,441,602</u>

The Red Lake, Ontario balance includes the amount of \$1,032,110 to give recognition to the future income tax liability related to the issuance of shares for the acquisition of mineral property interests in accordance with Section 85 of the Income Tax Act.

Red Lake, Ontario, Canada

The Company currently owns a 40% (March 31, 2006 – 50%) interest in the Red Lake, Ontario mineral property claims.

Under the terms of certain agreements dated October 15, 2002 and prior the Company acquired a 100% interest in certain mineral claims in the Red Lake mining district. By an agreement dated April 10, 2003, the Company granted options to Goldcorp Inc. to acquire a 60% interest in the Red Lake mineral claims for consideration of:

- First option to acquire up to a 50% interest:
 - Cash payments of \$600,000 by April 10, 2004, \$50,000 by April 10, 2005, and \$400,000 by April 10, 2006, all of which have been received.
 - Exploration expenditures of \$250,000 by April 10, 2004, \$500,000 by April 10, 2005 and \$750,000 by April 10, 2006, all of which have been made.
- Second option to acquire an additional 10% interest:
 - Cash payment of \$600,000 (US) by May 10, 2006, which has been received.

Mexico

In July 2005, Planet renegotiated a February 13, 2005 agreement and, in consideration of \$50,000(US), the Company granted an option to UC Resources Ltd. to acquire 100% of it's interest in the Copalquin property by purchasing all of the outstanding shares of the Company's wholly owned Mexican subsidiary, Minera for \$500,000(US) which option was exercised on October 8, 2005, resulting in a gain on disposition of \$339,120.

Planet Exploration Inc.
Notes to Financial Statements
Years Ended March 31, 2007 and 2006

3. MINERAL PROPERTY INTERESTS (continued)

Mongolia

Under the terms of an agreement dated June 26, 2002, the Company acquired three mineral investigation licenses in Mongolia in consideration of a cash payment of \$15,000(US) and the issuance of 200,000 shares of the Company. One of the mineral investigation licenses expired as of March 31, 2004. By agreement dated February 5, 2003, the Company granted an option to Canadian Shield Resources Inc. to acquire a 50% interest in the mineral investigation licenses in consideration of cash payments, exploration expenditures and the issuance of shares. The Company received \$10,000(US) cash and was issued 50,000 shares of Canadian Shield Resources Inc. In 2004, Canadian Shield Resources Inc terminated their option. In 2005, the Company reviewed the above referenced mineral investigation licences and determined that they were of no further interest to the Company and consequently, their carrying value was written off.

By agreement dated October 7, 2003 the Company acquired an exploration license for the Argalant (Ovoot) property in Mongolia in consideration of cash payments totalling \$40,000(US).

In October 2005, in consideration of \$100,000(US), the Company entered into an agreement with Red Hill Energy Inc., ("RH") formerly UGL Enterprises Ltd., entitling RH to earn 60% of the Company's interest in the Argalant (Ovoot) Mongolia property by conducting a minimum of \$1,500,000(US) in exploration prior to October 2008. The deposit is non-refundable.

If RH conducts the required exploration it has the option to purchase an additional 20% interest for \$1,000,000(US) before April 6, 2009.

4. INCOME TAX

The income tax provision differs from the amount that would be computed by applying the basic combined Canadian federal and provincial statutory income tax rate to the net income (loss) for the year. The reasons for the differences are as follows:

	<u>2007</u>	<u>2006</u>
Tax rate	33.6%	35.6%
Computed income tax (recovery)	\$ (48,180)	86,644
Non-taxable gain on sale of subsidiary shares	-	(60,397)
Non-deductible stock-based compensation	55,619	8,190
Tax rate adjustment	(112,928)	(34,466)
Current period losses not recognized	-	1,195
Share issuance costs previously unrecognized	-	39,419
Lower effective rate attributable to decreasing rates in the future	-	(4,458)
Valuation allowance	(155,447)	3,511
	<u>\$ (260,936)</u>	<u>39,638</u>

Planet Exploration Inc.
Notes to Financial Statements
Years Ended March 31, 2007 and 2006

4. INCOME TAX (continued)

At March 31, 2007 the Company had the following accumulated non-capital losses available for utilization in future years. These losses expire on the following dates:

March 31, 2025	\$	196,851
March 31, 2026		<u>13,386</u>
	\$	<u><u>210,237</u></u>

The components of the net future income tax liability are as follows:

	<u>2007</u>		<u>2006</u>
Net book value of mineral properties in excess of tax value	\$ 668,174	\$	969,627
Non-capital losses	(63,071)		(218,518)
Share issue costs	(27,772)		(68,289)
Valuation allowance	63,071		218,518
	<u>640,402</u>		<u>901,338</u>
Future income tax liability	\$ 640,402	\$	901,338

5. 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.

b) Common shares issued

	<u>2007</u>		<u>2006</u>	
	<u># of Shares</u>	<u>Consideration</u>	<u># of Shares</u>	<u>Consideration</u>
Balance, beginning of year	25,259,190	\$ 11,319,557	25,259,190	\$ 11,319,557
Shares issued for cash upon exercise of stock options	50,000	5,000	-	-
Contributed surplus attributed to options exercised	-	9,375	-	-
Balance, end of year	<u>25,309,190</u>	<u>\$ 11,333,932</u>	<u>25,259,190</u>	<u>\$ 11,319,557</u>

Planet Exploration Inc.
Notes to Financial Statements
Years Ended March 31, 2007 and 2006

5. SHARE CAPITAL (continued)

c) Warrants

	2007		2006	
	# of Warrants	Consideration	# of Warrants	Consideration
Balance, beginning of the year	-	\$ -	4,300,000	\$ 489,340
Expired during the year	-	-	(4,300,000)	(489,340)
Balance, end of the year	-	\$ -	-	\$ -
Exercisable, end of the year	-	\$ -	-	\$ -

d) Stock Option Plan

The Company has established a new stock option plan whereby the Company may grant options to its directors, officers, employees and key consultants for up to 10% of the outstanding common shares from time to time with vesting rights determined at each grant date. The exercise price of each option equals the market price of the Company's stock on the date of the grant (less any permitted discount, if any) and an option's maximum term is five years. The following is a continuity of stock options outstanding for which shares have been reserved. Specific details as to stock options outstanding are as follows:

	2007		2006	
	Number of Options	Weighted Average Exercise Price	Number of Options	Weighted Average Exercise Price
Balance, beginning of year	1,300,000	\$ 0.61	1,150,000	\$ 0.67
Granted	910,000	0.37	150,000	0.38
Exercised	(50,000)	0.10	-	-
Cancelled	(2,500)	0.40	-	-
Balance, end of year	2,157,500	\$ 0.52	1,300,000	\$ 0.61
Exercisable, end of year	1,957,500	\$ 0.52	1,300,000	\$ 0.61

Planet Exploration Inc.
Notes to Financial Statements
Years Ended March 31, 2007 and 2006

5. SHARE CAPITAL (continued)

d) Stock Option Plan (continued)

Number of common shares under option	Exercise price per common share	Weighted average remaining contractual life in years
500,000	0.600	1.16
500,000	0.700	1.01
100,000	0.750	1.16
150,000	0.380	3.16
7,500	0.400	4.42
900,000	0.370	4.52
<u>2,157,500</u>		<u>2.68</u>

The fair value of stock options is estimated using the Black Scholes option pricing model with the following weighted average assumptions:

	<u>2007</u>	<u>2006</u>
Risk free interest rate	4%	4%
Expected dividend rate	0%	0%
Expected stock price volatility	70%	41%
Expected option life	5 years	5 years
Weighted-average grant-date fair value per share of options granted	\$0.23	\$0.21

e) Contributed surplus

	<u>2007</u>	<u>2006</u>
Balance, beginning of year	\$ 865,000	\$ 352,667
Stock-based compensation	165,533	22,993
Contributed surplus attributed to options exercised during the year	(9,375)	-
Expiry of warrants	-	489,340
Balance, end of year	<u>\$ 1,021,158</u>	<u>\$ 865,000</u>

f) Per share amounts

Options to purchase 1,100,000 (2006 – 1,100,000) common shares that were outstanding during 2007 were not included in the calculation of weighted average number of diluted shares outstanding because the exercise prices of the options were greater than the average market price of the common shares.

Planet Exploration Inc.
Notes to Financial Statements
Years Ended March 31, 2007 and 2006

6. RELATED PARTY TRANSACTIONS

The Company incurred \$65,000 (2006 – \$65,000) in director's fees from Ranjeet Sundher, an officer of the Company. These fees have been included in general and administrative expenses and were paid at a fixed monthly rate of \$5,000 together with a one-time fee of \$5,000.

The Company incurred \$5,000 (2006 – \$5,000) in consulting fees from Darold H. Parken, a director of the Company. These fees were in respect of a single project. The Company also incurred \$60,000 (2006 – \$60,000) in legal fees to a law firm in which Darold H. Parken, director is the principle shareholder. The Company also incurred \$27,000 (2006 - \$31,500) in consulting and administrative fees to a company in which Darold H. Parken is the principal shareholder. The legal fees were billed at a monthly retainer rate of \$5,000. The consulting and administrative fees relate to office overhead. These fees have been included in general and administrative expenses.

The Company incurred \$5,000 (2006 – \$4,500) in fees from Salim Jivraj, a director of the Company. These fees were in respect of a single project and have been included in general and administrative expenses. The Company also incurred \$43,138 (2006 – \$16,172) in accounting fees and expenses to a company in which Salim Jivraj, director of the Company the principal shareholder. These fees were on individual projects and in consideration of time spent, degree of difficulty and time constraints and have been included in general and administrative expenses.

The Company incurred \$2,000 (2006 – \$2,000) in geological consulting fees from Adrian Mann, a director of the Company. These fees were in respect to a single project and have been included in general and administrative expenses. The Company also incurred \$35,312 (2006 – \$15,016) in geological consulting fees to a company in which Adrian Mann, a 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 \$nil (2006 - \$2,140) owing to related parties.

In 2006, the Company received \$100,000(US) in option proceeds in respect of its Mongolian Argalant (Ovoot) property from Red Hill Energy Inc. (formerly UGL Enterprises Ltd.). An officer and director of Planet is a director of Red Hill Energy Inc. The transaction was not in the normal course of operations. The monetary consideration received was recorded as a reduction of the deferred costs of the Mongolia mineral property. (See note 3 for additional information).

7. FINANCIAL INSTRUMENTS

The Company's carrying value of cash and cash equivalents, accounts receivable and accounts payable approximates its fair value due to the immediate or short term maturity of these instruments.

Planet Exploration Inc.
Notes to Financial Statements
Years Ended March 31, 2007 and 2006

8. SUPPLEMENTAL CASH FLOW INFORMATION

Changes in non-cash working capital were comprised of the following:

	<u>2007</u>	<u>2006</u>
Accounts receivable	\$ 32,797	\$ (68,405)
Accounts payable	<u>(367,990)</u>	<u>357,729</u>
Net change	<u>\$ (335,193)</u>	<u>\$ 289,324</u>
Net change by activity:		
Operating	\$ 32,797	\$ (59,833)
Investing	<u>(367,990)</u>	<u>349,157</u>
Net change	<u>\$ (335,193)</u>	<u>\$ 289,324</u>

9. SEGMENTED INFORMATION

The Company is in the business of acquiring, exploring and developing mineral properties. It does not operate in any other business segment. Its mineral properties are located in Red Lake, Ontario, and Mongolia. All of the Company's expenses incurred related to the acquisition, exploration and development of the Company's mineral properties are capitalized for accounting purposes. (See note 3 for capitalized costs by geographic region.)