

**PLANET EXPLORATION INC.**  
**MANAGEMENT'S DISCUSSION & ANALYSIS**  
for the fiscal year ended March 31, 2007 unless otherwise noted

July 30, 2007

The following discussion and analysis of the results of operations and financial condition of the Company for the three fiscal years ending March 31, 2007, 2006 and 2005 should be read in conjunction with the Company's audited financial statements and the related notes. The financial statements have been prepared in accordance with generally accepted accounting principles ("GAAP") in Canada. Additional information regarding the Company including periodic quarterly reports and annual reports can be accessed at [www.sedar.com](http://www.sedar.com).

Statements in this document may contain forward-looking information. Estimates provided for fiscal 2007 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.

## **NATURE OF OPERATIONS**

Planet Exploration Inc. ("Planet" or the "Company") is a junior mineral exploration company that is listed as "PXI" on the TSX Venture Exchange.

### **Operations Update**

## **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 100% by the Planet/Goldcorp joint venture (less 1% NSR). The joint venture is owned and funded 60% by Goldcorp (who are the operators) and 40% by Planet.

#### **History**

Planet first took an interest in the property in 1998. Initially, the drilling was primarily explorational, following targets located by geophysics, and identified seven zones of interest within a 2.5 x 3.0km area. These are the Main Discovery Zone ("MDZ"), Upper Duck Zone ("UDZ"), Far West, Deep Footwall, Western Duck, Skarn and the Anderson Zones. Only on the MDZ and UDZ has any detailed evaluation pattern drilling been done. Between 1998 and June 2007, we have drilled 182 holes totaling 60,000m on the Sidace Lake property.

A lot of effort, especially in 1999, 2004 and 2006, was paid to delineation and evaluation of the Main Discovery Zone (MDZ). More recently, our focus now includes the Upper Duck Zone as another area of high potential.

#### **The Main Discovery Zone**

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 65°. The central (Main) limb has a strike of about 200m near surface, increasing as the fold eases in depth to 350m at 500m vertically below surface, the concept that gold values wrap around the fold onto the North limb as well is currently being tested in the ongoing drill program. 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. In particular, attention is drawn to the results of our 2006 drilling which returned such values as: 9.65g/t over 14m in RL06-107; 10.63g/t over 11m in RL06-109; 11.66 over 18m in RL06-112; 14.57g/t over 7m in RL06-128 and 24.90g/t over 23m in RL06-134A. Of special note are 8.31g/t and 11.46g/t values in RL06-137, that demonstrate the zone persists at considerable depth, with significant gold values. The complexity of folding has, so far, precluded an estimation of true thicknesses.

As a follow-up to the 2006 drilling, in July 2007 we commenced a drill program of 14 holes, for a total of approximately 6,000m designed to:

1. complete the evaluation of the Main limb above 500m vertically below surface; and
2. assess the wrap of the higher grade shoot around the fold nose.

We should have all logs and assays for this phase completed by the end of September, 2007.

### **The Upper Duck Zone**

We have focused our attention on the Upper Duck Zone (UDZ) and have drilled 19 holes for a total of 6,000m since January, 2007. We drilled six holes for a total of 2,400m during the first quarter ended March 31, 2007, and 13 holes for a total of 3,600m during the second quarter ended June 30, 2007.

Our initial program of 6 holes in 2007 included such results as 36.46g/t over 3.6m in RL07-139. Results from the final 13 holes should likely be available in August, 2007.

Drilling in 2004 returned such intersections as 8.28g/t over 4.00m in RL04-61. Follow-up in 2005 gave us further encouragement, such as 9.71g/t over 7.80m in RL05-66 and 6.62g/t over 3.58m in RL05-79. Overall mean true thickness appears to be about two metres, with considerable local complication by folding and dyke interference. Delineation drilling has followed the UDZ down to 400m below surface.

Once results from our current round of drilling have been received and fully analysed, we expect to resume evaluation drilling on the UDZ in fall 2007.

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.

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

#### **Western Duck, Anderson, Far West, Deep Footwall, and Skarn Zones.**

Banded iron formation like the Upper Duck Zone occurs discontinuously for at least 800m west of the faulted cutoff of the UDZ. To date we have drilled only six holes to explore the potential of the Western Duck Zone. The results are as follows:

Hole#	Final Depth	From m	To	Au Grade g/t	Thickness m
RL-05-84	333.00	156.50	158.50	4.51	2.00
		179.00	181.00	3.98	2.00
RL-05-94	324.00	158.00	159.00	0.68	1.00
RL-05-95	243.00	56.50	58.00	0.13	1.50
RL-04-77	399.00	249.70	250.70	37.08	1.00
RL-05-105	102.00	19.95	22.75	2.76	2.80
RL-05-96	267.00	218.00	222.00	0.65	4.00

The Zone under Anderson Lake, which is about 2,000m south of UDZ, is on the extension of the East Bay Serpentinite (EBS). This is particularly important in the regional context because the EBS and similar ultramafic bodies are associated with many of the most significant gold deposits of the Red Lake area. These include the Madsen and Cocheneur mines. The following intersections from around and beneath Anderson Lake, all drilled in 2005, which we have identified as interesting anomalies, have yet to be followed up:

Hole Number	Final Depth m	From m	To m	Au Grade g/t	Thickness m
RL-05-087	462.00	100.00	101.00	5.64	1.00
RL-05-089	558.00	222.00	223.00	7.38	1.00
RL-05-093	417.00	48.00	49.00	11.62	1.00
		302.00	304.00	9.76	2.00
RL-05-100	327.00	133.00	136.00	2.20	3.00
RL-05-102	393.00	252.00	254.00	11.28	2.00
RL-05-104	201.00	40.00	41.00	14.35	1.00

In addition to the above, our earlier drilling has identified several interesting anomalies in the Far West, Deep Footwall, and Skarn zones.

The continued participation of both Planet and Goldcorp in this aggressive drilling program reflects our confidence in both the discoveries on MDZ and UDZ, and the unrealized potential of the other, less mature, exploration targets.

### 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. In October, 2005 for a 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 property by maintaining the property in good standing and 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.

## Selected Annual Information

	Twelve Months Ended Mar. 31, 2007 \$	Twelve Months Ended Mar. 31, 2006 \$	Twelve Months Ended Mar. 31, 2005 \$
Interest income	346,925	232,748	155,307
Net Income (loss)	117,544	203,607	(302,813)
Basic and diluted income (loss) per share	0.005	0.008	(0.012)
Working capital	7,553,560	7,484,786	7,762,504
Mineral properties	4,400,410	4,441,602	3,897,316
Total assets	12,055,916	12,396,765	11,772,798
Shareholder's equity as at March 31	11,315,597	11,027,520	10,800,920
Basic and diluted weighted average number of shares outstanding as at March 31	25,423,559	25,305,312	24,852,752

### Financial Results in Detail

	Twelve Months Ended Mar. 31, 2007 \$	Twelve Months Ended Mar. 31, 2006 \$	Twelve Months Ended Mar. 31, 2005 \$	12 Mo. % change 2006/2007
Interest income	346,925	232,748	155,307	49%
General & Administrative expense	324,784	305,630	262,227	6%
(Loss) Income before income tax	(143,392)	243,245	(280,506)	(159%)
Future Income tax provision (recovered)	(260,936)	39,638	22,307	758%
Net Income (loss)	117,544	203,607	(302,813)	(42%)

### Summary of Quarterly Results

	Fourth Quarter Ended Mar. 31, 2007 \$	Third Quarter Ended Dec. 31, 2006 \$	Second Quarter Ended Sept. 30, 2006 \$	First Quarter Ended Jun. 30, 2006 \$	Fourth Quarter Ended Mar. 31, 2006 \$	Third Quarter Ended Dec. 31, 2005 \$	Second Quarter Ended Sept. 30, 2005 \$	First Quarter Ended Jun. 30, 2005 \$
<b>Financial</b>								
Interest income	84,372	90,330	89,421	82,802	71,185	60,795	51,504	49,264
Net Income (loss)	321,374	(219,124)	(3,876)	19,170	(180,930)	380,544	11,832	(7,839)
Net Income (loss) per share	0.014	(0.009)	(0.001)	0.001	(0.007)	0.015	0.001	-
Working Capital	7,553,560	7,661,304	7,756,508	8,137,244	7,484,786	7,915,174	7,375,005	7,677,249

### Discussion of the Current Quarter and the Fiscal Year Ended March 31, 2007.

#### Results of Operations

During the three month period ended March 31, 2007, the Company focused its efforts on the Upper Duck Zone and drilled six holes for a total of 2,400m.

The Company had net income of \$321,374 or \$0.014 per share for the three month period ended March 31, 2007 compared to a net loss of (\$180,930) or (\$0.007) per share for the three month period ended March 31, 2006. This was mainly due to a recovery of future income tax provision.

The Company's only source of income is interest revenue. Interest revenue was \$84,372 for the three month period ended March 31, 2007 compared to \$71,185 for the three month period ended March 31, 2006. The increase in interest income is mainly due to increasing bank deposit rates.

The Company's general and administrative were \$99,598 for the three month period ended March 31, 2007 compared to \$93,679 for the three month period ended March 31, 2006. 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 expenditures and accordingly, in the related profit per share.

### **Mineral Properties**

Planet incurred expenditures of \$92,628 during the three month period ended March 31, 2007 compared to \$38,369 for the three month period ended March 31, 2006. The Company drilled six holes totaling 2,400m in the Upper Duck Zone of its Red Lake property.

### **Related Party Transactions**

The Company incurred \$15,000 (2006 - \$15,000) in consulting 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.

The Company also incurred \$15,000 (2006 - \$15,000) in legal fees to a law firm in which Darold H. Parken, director is the principle shareholder. The Company also incurred \$11,250 (2006 - \$6,750) in consulting and administrative fees to a company in which Darold H. Parken is the principle 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 \$Nil (2006 - \$2,000) 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 \$19,579 (2006 - \$10,633) in accounting fees and expenses to a company in which Salim Jivraj, a director of the Company is the principle 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 also incurred \$20,471 (2006 - \$Nil) 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.

## **Fiscal Year Ended March 31, 2007**

### **Results of Operations**

In the fiscal year ended March 31, 2007, the Company focused its efforts delimiting and evaluating both the Main Discovery Zone and the Upper Duck Zone of its Red Lake property.

The Company had net income of \$117,544 or \$0.005 per share for fiscal 2007 compared to a net income of \$203,607 or \$0.008 per share for fiscal 2006.

The Company's only source of income is interest revenue. Interest revenue was \$346,925 in the year ended March 31, 2007, compared to \$232,748 in the previous fiscal year. The increase in interest income is mainly due to increasing bank deposit rates.

The Company's general and administrative costs during the fiscal year March 31, 2007, were \$324,784 compared to \$305,630 in the previous fiscal year. The particular level of acquisition and exploration activity has a direct effect on the level of general and administrative costs.

During fiscal 2007, the Company's stock-based compensation costs recorded were \$165,533 compared to \$22,993 in fiscal year 2006. In fiscal 2004, the Company adopted a new accounting policy to account for stock-based compensation using the fair value method. The Company granted 910,000 options in fiscal 2007 compared to 150,000 options issued in fiscal year 2006.

Management is not aware of any discernable quarterly trends in expenditures and accordingly, in the related profit per share.

### **Liquidity and Capital Resources**

The Company had a working capital position of \$7,553,560 as at March 31, 2007, compared to \$7,484,786 as at March 31, 2006.

No financings were conducted during the 2007 fiscal year. The Company is well capitalized and will be able to meet its ongoing commitments.

### **Mineral Properties**

Planet incurred expenditures of \$617,657 and received proceeds on mineral property agreements of \$658,849 during the year ended March 31, 2007 compared to expenditures of \$987,342 and proceeds of \$781,876 in the previous fiscal year. In May, 2006, Goldcorp exercised its second option to acquire an additional 10%, to increase its share in the Red Lake property to 60% by making a cash payment of \$600,000 (US).

### **Income Taxes**

Planet has accumulated non-capital losses for income tax purposes, which may be utilized to offset taxable income of future periods and expire as follows:

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

### **Cash Flow From Operations**

Planet did not generate any cash flow from operations. The Company's only source of income is interest

revenue.

### **Related Party Transactions**

The Company incurred \$65,000 (2006 - \$65,000) in consulting 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 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 principle 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, a director of the Company is the principle 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.

### **Financial Instruments**

The carrying values of cash and cash equivalents, term deposit, accounts receivable and accounts payable approximates their fair value due to the immediate or short term maturity of these instruments.

The quoted market value of the marketable securities at March 31, 2007 was \$12,500 (2006 - \$10,000)

### **Summary and Outlook**

Planet is a Canadian based company engaged in the business of mineral exploration, primarily with respect to the acquisition of minerals rights and the exploration of mineral properties in accordance with such mineral rights.

The Company's key asset is Sidace Lake Property in the Red Lake Mining District, in the Province of Ontario. The Company also has an exploration project in Mongolia.

The Company does not have any assets that are in production or that contain a reserve.

The Company's main focus at the present time is to concentrate drilling on the Main Discovery Zone and the Upper Duck Zone at its Red Lake property. The Company is well positioned with a strong treasury and active exploration to realize further shareholder growth.

## **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 and debt 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 before any project is approved.

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 noncompliance with regulatory requirements.

## **Critical Accounting Estimates**

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 Consolidated Financial Statements, of which the company has identified the following accounting policies, which are 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.

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.

## **New Accounting Standards for 2007**

There are no new accounting pronouncements in 2007 which upon adoption have had a significant effect on the Company's financial statements.

## **Outstanding Share Data**

At March 31, 2007, the Company had 25,309,190 common shares outstanding (2006 - 25,259,190).

## **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 the annual 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.

Salim Jivraj,  
Director

Darold H. Parken,  
Director