

Planet Exploration Inc.

Interim Financial Statements
For the three and six month periods ended
September 30, 2007



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, 2007.

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, 2007 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, MacKay 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



NOTICE TO READER

On the basis of information provided by management, we have compiled the balance sheet of Planet Exploration Inc. as at September 30, 2007 and the interim statements of operations and deficit and cash flows for the three and six month periods then ended.

We have not performed an audit or a review engagement in respect of these financial statements and, accordingly, we express no assurance thereon.

Readers are cautioned that these financial statements may not be appropriate for their purposes.

Calgary, Alberta
November 16, 2007

"Ascend LLP"
Chartered Accountants

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

	<u>September 30, 2007</u> (Unaudited)	<u>March 31, 2007</u> (Audited)
Assets		
Current		
Cash and cash equivalents	\$ 7,489,061	\$ 7,608,713
Accounts receivable	36,701	38,664
Marketable securities	6,100	6,100
	<u>7,531,862</u>	<u>7,653,477</u>
Mineral properties (note 3)	4,942,603	4,400,410
Other property and equipment	1,809	2,029
	<u>\$ 12,476,274</u>	<u>\$ 12,055,916</u>
Liabilities		
Current		
Accounts payable	\$ 533,623	\$ 99,917
Future income taxes	654,419	640,402
	<u>1,188,042</u>	<u>740,319</u>
Shareholders' Equity		
Common shares (note 4)	11,333,932	11,333,932
Contributed surplus	1,026,892	1,021,158
Deficit	(1,072,592)	(1,039,493)
	<u>11,288,232</u>	<u>11,315,597</u>
	<u>\$ 12,476,274</u>	<u>\$ 12,055,916</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 Operations 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	
	2007	2006	2007	2006
Interest Revenue	\$ 90,023	\$ 89,421	\$ 172,120	\$ 172,223
Expenses				
General and administrative	114,089	70,376	185,248	134,781
Stock-based Compensation	5,734	2,488	5,734	2,488
Depreciation	110	110	221	220
	<u>119,933</u>	<u>72,974</u>	<u>191,203</u>	<u>137,489</u>
Net (loss) income before tax	\$ (29,910)	\$ 16,447	\$ (19,083)	\$ 34,734
Future Income tax provision	<u>7,109</u>	<u>20,323</u>	<u>14,017</u>	<u>19,440</u>
Net and comprehensive (loss) income for the period	\$ (37,019)	\$ (3,876)	\$ (33,100)	\$ 15,294
Deficit, beginning of period	<u>(1,035,573)</u>	<u>(1,137,867)</u>	<u>(1,039,492)</u>	<u>(1,157,037)</u>
Deficit, end of period	<u>\$ (1,072,592)</u>	<u>\$ (1,141,743)</u>	<u>\$ (1,072,592)</u>	<u>\$ (1,141,743)</u>
(Loss) income per share - basic and diluted	<u>\$ (0.001)</u>	<u>\$ (0.001)</u>	<u>\$ (0.001)</u>	<u>\$ 0.001</u>
Weighted number of shares outstanding				
Basic	<u>25,309,190</u>	<u>25,259,190</u>	<u>25,309,190</u>	<u>25,259,190</u>
Diluted	<u>25,537,878</u>	<u>25,323,074</u>	<u>25,537,878</u>	<u>25,322,875</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	
	2007	2006	2007	2006
Operating Activities				
Net (loss) income for the period	\$ (37,019)	\$ (3,876)	\$ (33,100)	\$ 15,294
Item not affecting cash				
Depreciation	110	110	221	220
Future income tax	7,109	20,323	14,017	19,440
Stock-based compensation	5,734	2,488	5,734	2,488
Cash (used) flow from operations	(24,066)	19,045	(13,128)	37,442
Net changes in non-cash working capital items related to operations	(22,892)	(5,148)	1,963	42,190
	(46,958)	13,897	(11,165)	79,632
Investing Activities				
Acquisition of mineral properties	(410,057)	(399,781)	(542,193)	(424,569)
Disposition of mineral properties	-	-	-	658,849
Changes in non-cash working capital items related to investing activities	371,136	373,901	433,706	(43,477)
	(38,921)	(25,880)	(108,487)	190,803
(Decrease) increase in cash	(85,879)	(11,983)	(119,652)	270,435
Cash and cash equivalents, beginning of period	7,574,940	8,157,550	7,608,713	7,875,132
Cash and cash equivalents, end of period	\$ 7,489,061	\$ 8,145,567	\$ 7,489,061	\$ 8,145,567
Cash and cash equivalents consist of				
Cash	\$ 163,581	\$ 256,689	\$ 163,581	\$ 256,689
Term deposits	7,325,480	7,888,878	7,325,480	7,888,878
	\$ 7,489,061	\$ 8,145,567	\$ 7,489,061	\$ 8,145,567
Supplementary information:				
Interest received	\$ 90,023	\$ 89,421	\$ 172,120	\$ 172,223

Planet Exploration Inc.
Notes to the Interim Financial Statements
September 30, 2007
(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, 2007. 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, 2007.

2. CHANGE IN ACCOUNTING POLICY

Effective April 1, 2007, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA") relating to the recognition, measurement, disclosure and presentation of financial instruments. These new standards have been adopted on a prospective basis with no restatement of prior period financial statements.

(i) *Comprehensive income (Section 1530)*

Comprehensive income is the change in shareholders' equity during a period from transactions and other events from non-owner sources. This standard requires certain gains and losses that would otherwise be recognized as part of net income (loss) to be presented in "other comprehensive income" until it is considered appropriate to be recognized in net income (loss). This standard also requires the presentation of accumulated other comprehensive income, and its components. Accordingly, the Company now includes comprehensive income (loss) within its consolidated statement of loss and deficit.

(ii) *Financial instruments – Recognition and measurement (Section 3855)*

This standard requires all financial instruments within its scope, including derivatives, to be accounted for at either fair value, or in circumstances where fair value may not be considered the most relevant, at cost or amortized cost. Changes in fair value are recognized in the statement of loss.

All financial assets and liabilities are recognized when the Company becomes a party to the underlying contract. As such, all of the Company's financial assets and liabilities were re-measured in accordance with the new standard as at April 1, 2007.

The application of these standards (*Section 1530 and 3855*) did not result in comprehensive loss differing from net loss for the period presented or in prior periods.

Planet Exploration Inc.
Notes to the Interim Financial Statements
September 30, 2007
(Unaudited – See Notice to Reader)

3. MINERAL PROPERTIES

The Company's mineral properties are located as follows:

	<u>September 30, 2007</u>	<u>September 30, 2006</u>
Sidace Lake (Red Lake Mining District, Ontario)	\$ 4,575,357	\$ 3,840,079
Mongolia	367,246	367,246
	<u>\$ 4,942,603</u>	<u>\$ 4,207,325</u>

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). The Company owns the remaining 40% of the Sidace Lake property.

The Company holds a 100% interest in the Mongolian property subject to the right of Red Hill Energy Inc. to earn and acquire up to 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.

4. 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.

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>
500,000	0.600	0.66
500,000	0.700	0.51
100,000	0.750	0.66
150,000	0.380	2.66
7,500	0.400	3.92
900,000	0.370	4.02
30,000	0.560	1.78
<u>2,187,500</u>		

Planet Exploration Inc.
Notes to the Interim Financial Statements
September 30, 2007
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4. SHARE CAPITAL (continued)

The Company has recorded \$5,734 (2006 - \$2,488) in stock-based compensation related to stock options in the six months ended September 30, 2007 and the vesting of options previously granted. The amount is included in general selling and administration expense on the income statement and a corresponding amount is 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 68.77%; risk-free interest rate of 4% and a life of 2 years.

Options to purchase 1,130,000 (2006 – 1,100,000) 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.

5. RELATED PARTY TRANSACTIONS

For the six month period ended September 30, 2007 the Company incurred \$30,000 (2006 - \$30,000) in director 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 month period ended September 30, 2007 the Company incurred \$30,000 (2006 - \$nil) in director 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 is principal. The Company also incurred \$6,750 (2006 – \$13,500) in consulting and administrative fees from a company controlled by the director. The fees were billed at a monthly rate of \$2,250 ending June 30, 2007, and have been included in general and administrative expenses.

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

For the six month period ended September 30, 2007 the Company incurred \$35,125 (2006 - \$14,841) in geological consulting fees from a company in which Adrian Mann, an officer and director of the Company, is principal. These fees have been capitalized to mineral properties.

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Notes to the Interim Financial Statements
September 30, 2007
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5. RELATED PARTY TRANSACTIONS (continued)

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 \$66,954 (2006 - \$19,905) owing to related parties.

6. COMPARATIVE FIGURES

The comparative statements of operations and deficit and cash flow are presented on a consolidated basis as the Company had a wholly owned subsidiary during the comparative period. Some of the comparative figures have been adjusted to conform to the current period presentation.