



**TABLE OF CONTENTS**

**PART I**

ITEM 1. FINANCIAL STATEMENTS .....3  
    Unaudited Balance Sheets as of March 31, 2007 .....4  
    Unaudited Statements of Income for the three months ended March 31, 2007 and 2006.....5  
    Unaudited Statements of Cash Flows for the three months ended March 31, 2007 and 2006 .....6  
    Notes to the Unaudited Financial Statements.....7  
ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS .....16  
ITEM 3. CONTROLS AND PROCEDURES .....26

**PART II**

ITEM 1. LEGAL PROCEEDINGS .....26  
ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES .....26  
ITEM 3. DEFAULTS UPON SENIOR SECURITIES.....29  
ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITIES HOLDERS .....29  
ITEM 5. OTHER INFORMATION.....29  
ITEM 6. EXHIBITS.....29  
SIGNATURES.....30  
INDEX TO EXHIBITS.....31

## **PART I**

### **ITEM 1. FINANCIAL STATEMENTS**

As used herein, the term “Company,” refers to Planktos Corp. (formerly “Diatom Corporation”), a Nevada corporation and its predecessors, unless otherwise indicated. In the opinion of management, the accompanying unaudited financial statements included in this Form 10-QSB reflect all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the results of operations for the periods presented. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the full year.

**PLANKTOS CORP.**  
**(formerly Diatom Corporation)**  
**(A Development Stage Company)**  
**BALANCE SHEETS**

	March 31, 2007 <u>(unaudited)</u>	December 31, 2006 <u></u>
<b>ASSETS</b>		
CURRENT ASSETS		
Cash	\$ 238,184	\$ 67,121
Advances receivable – related party	<u>485,823</u>	<u>5,824</u>
Total Current Assets	<u>724,007</u>	<u>72,945</u>
PROPERTY AND EQUIPMENT		
Vessels and equipment, net	<u>805,434</u>	<u>-</u>
Total Other Assets	<u>805,434</u>	<u>-</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>1,529,441</u></b>	<b>\$ <u>72,945</u></b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
CURRENT LIABILITIES		
Accounts payable	\$ 3,872	\$ 245
Loan payable – related party	<u>97,511</u>	<u>174,511</u>
Total Current Liabilities	<u>101,383</u>	<u>174,756</u>
COMMITMENTS AND CONTINGENCIES	<u>-</u>	<u>-</u>
STOCKHOLDERS' EQUITY (DEFICIT)		
Common stock, authorized 1,000,000,000 shares of \$0.001 par value, issued and outstanding 83,073,838 at March 31, 2007 and 77,438,838 at December 31, 2006	83,074	77,439
Additional paid-in capital	5,086,513	3,393,148
Deficit accumulated during development stage	<u>(3,741,529)</u>	<u>(3,572,398)</u>
Total Stockholders' Equity (Deficit)	<u>1,428,058</u>	<u>(101,811)</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>	<b>\$ <u>1,529,441</u></b>	<b>\$ <u>72,945</u></b>

The accompanying condensed notes are an integral part of these interim financial statements.

**PLANKTOS CORP.**  
**(formerly Diatom Corporation)**  
**(A Development Stage Company)**  
**STATEMENTS OF OPERATIONS**

	For the Three Months Ended March 31,		From Inception (December 10, 1998) to March 31, 2007
	2007 (unaudited)	2006 (unaudited)	(unaudited)
REVENUES	\$ -	\$ -	\$ -
OPERATING EXPENSES			
General and administrative	169,131	12,815	3,488,670
Total Operating Expenses	169,131	12,815	3,488,670
LOSS FROM OPERATIONS	(169,131)	(12,815)	(3,488,670)
OTHER INCOME (EXPENSE)			
Loss on sale of securities	-	-	(12,108)
Gain on settlement of debt	-	-	9,249
Write down of marketing rights	-	-	(250,000)
Total Other Income (Expense)	-	-	(252,859)
NET LOSS BEFORE INCOME TAX	(169,131)	(12,815)	(3,741,529)
INCOME TAX EXPENSE	-	-	-
NET LOSS	\$ (169,131)	\$ (12,815)	\$ (3,741,529)
NET LOSS PER SHARE	\$ nil	\$ nil	\$ (0.10)
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	83,073,838	76,840,029	38,160,364

The accompanying condensed notes are an integral part of these interim financial statements.

**PLANKTOS CORP.****(formerly Diatom Corporation)****(A Development Stage Company)****STATEMENTS OF CASH FLOWS**

	For the Three Months Ended March 31,		From Inception (December 10, 1998) to March 31, 2007
	2007 (unaudited)	2006 (unaudited)	(unaudited)
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net loss	\$ (169,131)	\$ (12,815)	\$ (3,741,529)
Adjustments to reconcile net loss to net cash (used) in operating activities:			
Depreciation	8,707	-	8,707
Stock issued for services	43,000	-	1,524,000
Warrant expense	-	-	500,347
Loss on sale of securities	-	-	12,108
Write down of marketing rights	-	-	250,000
Gain on settlement of notes receivable	-	-	(9,249)
(Increase) decrease in advances receivable	(479,999)	-	(485,823)
Increase (decrease) in accounts payable	3,627	424	3,722
Increase (decrease) in accounts payable related party	-	-	179,936
Net Cash (Used in) Operating Activities	<u>(593,796)</u>	<u>(12,391)</u>	<u>(1,757,781)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Proceeds from sale of securities	-	-	492
Purchase of marketing rights	-	-	(250,000)
Purchase of vessel and other assets	(814,141)	-	(814,141)
Payment on notes receivable	-	-	(3,351)
Net Cash (Used in) Investing Activities	<u>(814,141)</u>	<u>-</u>	<u>(1,067,000)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Capital contributions	-	-	1,500
Issuance of common stock for cash	1,656,000	-	2,023,800
Loan payable	(77,000)	-	(2,030)
Proceeds from officer	-	-	201,839
Proceeds from notes payable - related party	-	-	836,856
Proceeds from subscription receivable	-	-	1,000
Net Cash Provided by Financing Activities	<u>1,579,000</u>	<u>-</u>	<u>3,062,965</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>			
	171,063	(12,391)	238,184
<b>CASH AT BEGINNING OF YEAR</b>			
	<u>67,121</u>	<u>34,768</u>	<u>-</u>
<b>CASH AT END OF YEAR</b>			
	<u>\$ 238,184</u>	<u>\$ 22,377</u>	<u>\$ 238,184</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION CASH PAID FOR:</b>			
Interest	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
Income taxes	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>

The accompanying condensed notes are an integral part of these interim financial statements.

**PLANKTOS CORP.**  
**(formerly Diatom Corporation)**  
**(A Development Stage Company)**  
**STATEMENTS OF CASH FLOWS**  
*(Continued)*

---

NON-CASH FINANCING AND INVESTING TRANSACTIONS:

In January 2000, a marketable security valued at \$12,600 was received in exchange for a notes receivable of \$3,351. The market value of the securities at December 31, 2000 is \$415.

In April 2001, the Company issued 4,500 shares of its common stock for services valued at \$75,000.

In May 2001, the Company issued 75,000 shares of its common stock to an office of the Company for services valued at \$50,000.

In May 2001, the Company issued 10,500 shares of its common stock for services valued at \$175,000.

In July 2001, the Company issued 15,000 shares of its common stock for services valued at \$200,000.

In December 2001, the Company issued 3,000,000 shares of its common stock to an office of the Company for services valued at \$20,000.

In December 2001, debt in the amount of \$41,685 was forgiven by officers of the Company.

During January 2002, the Company issued 750,000 shares of previously authorized but unissued common stock for services rendered value at \$125,000.

During January 2002, the Company canceled 7,500 shares of common stock.

During September 2002, the Company issued 600,000 shares of previously authorized but unissued common stock for reduction of debt value at \$80,000.

During September 2002, the Company authorized a ten for one (10:1) reverse split of its common stock.

In October 2002, the Company issued 32,700,000 shares of common stock at \$0.02 per share for services revalued during the year at a total value of \$436,000.

In January 2003, the Company issued 30,000,000 shares of its common stock to an officer of the Company for services valued at \$400,000.

During 2005, the Company issued 78,711,311 shares of common stock to satisfy debt of \$997,010.

During 2006, the Company converted \$99,541 of accounts payable – related party to loan payable – related party.

In March 2007, the Company issued 50,000 shares of common stock to a director for services valued at \$43,000.

**PLANKTOS CORP.**  
**(formally Diatom Corporation)**  
**CONDENSED NOTES TO UNAUDITED FINANCIAL STATEMENTS**  
**MARCH 31, 2007**

---

**NOTE 1 – DESCRIPTION OF BUSINESS**

Planktos Corp. (formerly Diatom Corporation) (“the Company”) was incorporated as eWorld Travel Corp on December 10, 1998 under the laws of the State of Nevada. On September 23, 2002, the Company changed its name to GYK Ventures, Inc. and on July 8, 2005, the Company changed its name again to Diatom Corporation. The Company originally was organized to provide internet-based travel services. The Company has not yet secured operations and is in the development stage according to Financial Accounting Standards Board Statement No. 7. It is concentrating substantially all of its efforts in raising capital and defining its business operation in order to generate significant revenues.

Pursuant to a marketing agreement, the Company has acquired the marketing rights to an “Iron-Fertilization” technology used for the sequestration of CO<sub>2</sub>. The process is to remove carbon dioxide (CO<sub>2</sub>) from the atmosphere, and place it into a stable storage medium in planktons in the ocean. The Company intends to assist with the prove-out of the technology and then market the environmental CO<sub>2</sub> reducer credits to companies required to assist in environmental improvement

On March 8, 2007, the Company amended its articles of incorporation to reflect a name change from “Diatom Corporation” to “Planktos Corp.”

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES**

This summary of significant accounting policies of Diatom Corporation is presented to assist in understanding the Company’s financial statements. The financial statements and notes are representations of the Company’s management, which is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States of America, and have been consistently applied in the preparation of the financial statements.

Accounting Method

The Company’s financial statements are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Cash and Cash Equivalents

For purposes of the statement of cash flows, the Company considers all highly liquid investments and short-term debt instruments with original maturities of three months or less to be cash equivalents.

**PLANKTOS CORP.**  
**(formally Diatom Corporation)**  
**CONDENSED NOTES TO UNAUDITED FINANCIAL STATEMENTS**  
**MARCH 31, 2007**

---

Derivative Instruments

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (hereinafter "SFAS No. 133"), as amended by SFAS No. 137, "Accounting for Derivative Instruments and Hedging Activities – Deferral of the Effective Date of FASB No. 133", and SFAS No. 138, "Accounting for Certain Derivative Instruments and Certain Hedging Activities", and SFAS No. 149, "Amendment of Statement 133 on Derivative Instruments and Hedging Activities". These statements establish accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. They require that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value.

If certain conditions are met, a derivative may be specifically designated as a hedge, the objective of which is to match the timing of gain or loss recognition on the hedging derivative with the recognition of (i) the changes in the fair value of the hedged asset or liability that are attributable to the hedged risk or (ii) the earnings effect of the hedged forecasted transaction. For a derivative not designated as a hedging instrument, the gain or loss is recognized in income in the period of change.

At December 31, 2006 and 2005, the Company has not engaged in any transactions that would be considered derivative instruments or hedging activities.

Earnings Per Share

The Company has adopted Statement of Financial Accounting Standards No. 128, which provides for calculation of "basic" and "diluted" earnings per share. Basic earnings per share includes no dilution and is computed by dividing net income (loss) available to common shareholders by the weighted average common shares outstanding for the period. Diluted earnings per share reflect the potential dilution of securities that could share in the earnings of an entity similar to fully diluted earnings per share. Basic and diluted loss per share were the same, at the reporting dates, as there were no common stock equivalents outstanding.

Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Fair Value of Financial Instruments

The Company's financial instruments as defined by Statement of Financial Accounting Standards No. 107, "Disclosures about Fair Value of Financial Instruments," include cash, trade accounts receivable, and accounts payable and accrued expenses. All instruments are accounted for on a historical cost basis, which, due to the short maturity of these financial instruments, approximates fair value at December 31, 2006 and 2005.

**PLANKTOS CORP.**  
**(formally Diatom Corporation)**  
**CONDENSED NOTES TO UNAUDITED FINANCIAL STATEMENTS**  
**MARCH 31, 2007**

---

Going Concern

As shown in the accompanying financial statements at December 31, 2006, the Company had negative working capital, no revenues and an accumulated deficit. The Company is currently putting technology in place which will, if successful, mitigate these factors which raise substantial doubt about the Company's ability to continue as a going concern. The financial statements do not include any adjustments relating to the recoverability and classification of recorded assets, or the amounts and classification of liabilities that might be necessary in the event the Company cannot continue in existence.

Management's plans are to seek additional capital from new equity securities offerings that will provide funds needed to increase liquidity, fund internal growth and fully implement its business plan.

Long-lived Assets

In accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". This standard establishes a single accounting model for long-lived assets to be disposed of by sale, including discontinued operations, and requires that these long-lived assets be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or discontinued operations. Accordingly, the Company reviews the carrying amount of long-lived assets for impairment where events or changes in circumstances indicate that the carrying amount may not be recoverable. The determination of any impairment would include a comparison of estimated future cash flows anticipated to be generated during the remaining life of the assets to the net carrying value of the assets. For the year ended December 31, 2006, the Company impaired the entire \$250,000 paid for the perpetual marketing rights and intellectual property rights from Solar Energy, Limited.

Provision for Taxes

Income taxes are provided based upon the liability method of accounting pursuant to Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes." Under this approach, deferred income taxes are recorded to reflect the tax consequences in future years of differences between the tax basis of assets and liabilities and their financial reporting amounts at each year-end. A valuation allowance is recorded against deferred tax assets if management does not believe the Company has met the "more likely than not" standard imposed by SFAS No. 109 to allow recognition of such an asset.

**PLANKTOS CORP.**  
**(formally Diatom Corporation)**  
**CONDENSED NOTES TO UNAUDITED FINANCIAL STATEMENTS**  
**MARCH 31, 2007**

---

Vessels

Vessels and other fixed assets, net are stated at cost less accumulated depreciation. Vessels and other fixed assets are depreciated when the asset is ready for its intended use.

Depreciation is calculated, based on cost, less estimated residual value, using the straight-line method, over the remaining economic life of each asset. The costs of significant replacements, renewals and betterments are capitalized and depreciated over the shorter of the assets remaining estimated useful life or the estimated life of the renewal or betterment. Expenditures for routine maintenance and repairs are expensed as incurred.

Following are the estimated useful lives of vessels and other fixed assets:

- i. Vessels under 25 years old—on a straight line basis over their remaining lives of 25 years from the date of construction.
- ii. Vessels over 25 years old—on a straight line basis from date of acquisition to the scheduled date of the next special survey (including any IACS Classification Society accepted extension).
- iii. Marine equipment on a straight line basis from date of acquisition over a period of five years.

Recent Accounting Pronouncements

In February, 2007, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities – Including an amendment of FASB Statement No. 115” (hereinafter SFAS No. 159”). This statement permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This Statement is expected to expand the use of fair value measurement, which is consistent with the Board’s long-term measurement objectives for accounting for financial instruments. This statement is effective as of the beginning of an entity’s first fiscal year that begins after November 15, 2007, although earlier adoption is permitted. Management has not determined the effect that adopting this statement would have on the Company’s financial condition or results of operation.

Reclassification

Certain amounts from prior periods have been reclassified to conform to the current period presentation. This reclassification has resulted in no changes to the Company’s accumulated deficit or net losses presented.

**PLANKTOS CORP.**  
**(formally Diatom Corporation)**  
**CONDENSED NOTES TO UNAUDITED FINANCIAL STATEMENTS**  
**MARCH 31, 2007**

---

Stock Options and Warrants Granted to Employees and Nonemployees

On January 1, 2006, the Company adopted SFAS No. 123 (revised 2004) (SFAS No. 123R), "Share-Based Payment," which addresses the accounting for stock-based payment transactions in which an enterprise receives employee services in exchange for (a) equity instruments of the enterprise or (b) liabilities that are based on the fair value of the enterprise's equity instruments or that may be settled by the issuance of such equity instruments. In January 2005, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin (SAB) No. 107, which provides supplemental implementation guidance for SFAS No. 123R. SFAS No. 123R eliminates the ability to account for stock-based compensation transactions using the intrinsic value method under Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees," and instead requires that such transactions be accounted for using a fair-value-based method. The Company uses the Black-Scholes-Merton ("BSM") option-pricing model to determine the fair-value of stock-based awards under SFAS No. 123R, consistent with that used for pro forma disclosures under SFAS No. 123, "Accounting for Stock-Based Compensation." The Company has elected the modified prospective transition method as permitted by SFAS No. 123R and accordingly prior periods have not been restated to reflect the impact of SFAS No. 123R. The modified prospective transition method requires that stock-based compensation expense be recorded for all new and unvested stock options, restricted stock, restricted stock units, and employee stock purchase plan shares that are ultimately expected to vest as the requisite service is rendered beginning on January 1, 2006.

Stock-based compensation expense for awards granted prior to January 1, 2006 is based on the grant date fair-value as determined under the pro-forma provisions of SFAS No. 123.

Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**NOTE 3 – VESSEL AND EQUIPMENT**

Vessel and equipment consist of the following at March 31, 2007 and December 31, 2006:

	March 31, 2007	December 31, 2006
	<u>          </u>	<u>          </u>
Research Vessel "Weatherbird II"	\$ 800,000	\$ -
Marine Equipment	14,141	-
	<u>814,141</u>	<u>-</u>
Accumulated Depreciation	(8,707)	-
Net Vessel & Equipment	<u>\$ 805,434</u>	<u>\$ -</u>

**PLANKTOS CORP.**  
**(formally Diatom Corporation)**  
**CONDENSED NOTES TO UNAUDITED FINANCIAL STATEMENTS**  
**MARCH 31, 2007**

---

**NOTE 4 – RELATED PARTY TRANSACTIONS**

During 2005, the Company incurred payables to a shareholder for unsecured, non-interest bearing advances in the amount of \$99,541. In December 2006, this debt was assigned to a related party.

On March 13, 2007, the Company issued 50,000 common shares to a director for services valued at \$43,000.

During 2005, the Company received loan advances of \$74,970 from a third party. These loans bear no interest and are unsecured. During December 2006, this related party purchased the debt of \$99,541 from a former related party, as described above.

During the quarter ended March 31, 2007, the Company received an additional \$98,000 from this related party. The Company additionally paid back \$175,000 during the quarter. As of March 31, 2007, the Company owes this related party \$97,511.

**NOTE 5 – CAPITAL STOCK**

Common Stock

The Company is authorized to issue 1,000,000,000 shares of common stock. All shares have equal voting rights, are non-assessable and have one vote per share. Voting rights are not cumulative and, therefore, the holders of more than 50% of the common stock could, if they choose to do so, elect all of the directors of the Company.

In its initial capitalization on December 10, 1998, the Company issued 300 shares of common stock for a total of \$20,000 cash.

In June 2005, the Company issued 78,711,311 shares of its common stock to a related party for settlement of debt valued at \$997,010.

During August 2005, officers of the Company canceled 70,500,000 shares of common stock. Also in 2005, the Company issued 1,500,000 shares of its common stock to a related party for cash of \$250,000 and issued 600,000 shares of common stock to a non-related party for cash of \$80,000.

During 2006, there were no issuances of common stock.

In January 2007 the Company completed a private placement for 4,327,500 units at \$0.27 per unit for cash proceeds of \$1,154,000. Each unit consists of one common share and one share purchase warrant exercisable into one common share at \$0.27 for a period of two years.

**PLANKTOS CORP.**  
**(formally Diatom Corporation)**  
**CONDENSED NOTES TO UNAUDITED FINANCIAL STATEMENTS**  
**MARCH 31, 2007**

---

In February 2007 the Company completed a private placement for 1,257,500 units at \$0.40 per unit for cash proceeds of \$502,000. Each unit consists of one common share and one share purchase warrant exercisable into one common share at \$0.50 for a period of two years.

On March 8, 2007, the Company affected a 1:1.5 forward split of its common stock. All references in the financial statements to shares, share prices, per share amounts and stock plans have been adjusted retroactively for the 1:1.5 forward stock split.

On March 13, 2007, the Company issued 50,000 common shares for services valued at \$43,000.

Warrants

A summary of the Company's warrants at March 31, 2007 and December 31, 2006 and the changes for 2007.

	<u>Warrants</u>	<u>Weighted Average Exercise</u>	<u>Weighted Average Remaining</u>
Balance, December 31, 2006	-	\$ -	-
Issued	5,585,000	0.32	
Exercised / Cancelled / Expired	<u>-</u>	<u>-</u>	<u>-</u>
Balance March 31, 2007	<u>5,585,000</u>	<u>\$ 0.32</u>	<u>1.80 years</u>

**NOTE 6 – MARKETING RIGHTS AND COMMITMENTS**

On August 17, 2005, the Company entered an agreement with Planktos, Inc. to buy perpetual marketing rights and intellectual property rights from Solar Energy Limited, in exchange for developmental funding and a royalty agreement. The purchase price was \$250,000 cash, on closing, plus additional funding commitments.

Pursuant to the marketing agreement, the Company committed to provide 25% of the cost of the prove-out phase of the development. This commitment is estimated to be \$322,500.

The \$250,000 already paid by the Company is part of this commitment, leaving \$72,500 remaining to fund the prove-out. Solar Energy and its subsidiary, Planktos, Inc., are contractually delegated to fund the remaining 75% of the prove-out phase estimated at \$967,750.

In accordance with Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" the Company impaired, at December 31, 2006, the entire \$250,000 paid for the perpetual marketing rights and intellectual property rights from Solar Energy Limited.

**PLANKTOS CORP.**  
**(formally Diatom Corporation)**  
**CONDENSED NOTES TO UNAUDITED FINANCIAL STATEMENTS**  
**MARCH 31, 2007**

---

On January 12, 2007, the Company entered into a securities exchange agreement and plan of exchange with Solar Energy, Ltd. to acquire 100% ownership of Planktos, Inc. (a subsidiary of Solar) in exchange for an aggregate of 45,000,000 shares of common stock of Planktos Corp., and the fulfillment of certain conditions on or before closing. The conditions include: (a) making available working capital of no less than \$1,000,000 to Planktos on or before the acquisition is completed, (b) cancellation of 45,000,000 shares of issued and outstanding common share capital on or before the acquisition is completed, and (c) obtaining shareholder approval of the transaction. The transaction has not yet obtained shareholder approval.

**NOTE 7 – CONCENTRATIONS**

Bank Accounts

The Company maintains its cash accounts in a single commercial bank. During the year, the Company may maintain balances in excess of the federally insured amounts in the accounts that are maintained in the United States.

## **ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS**

The following discussion and analysis of our financial condition and results of operation should be read in conjunction with the financial statements and accompanying notes and the other financial information appearing elsewhere in this report. The Company's fiscal year end is December 31.

### **General**

The Company was incorporated as eWorld Travel Corp on December 10, 1998 to provide internet-based travel services. The Company changed its name to GYK Ventures, Inc. on September 23, 2002, and to Diatom Corporation on July 8, 2005. Subsequent to the year ended December 31, 2006, we changed our name to Planktos Corp.

### **Description of Business**

On August 17, 2005, the Company entered into an Iron-Fertilization Prove-Out and Purchase Agreement with Planktos, Inc. ("Planktos") and its parent company, Solar Energy Limited ("Solar") to provide developmental funding for Planktos' "iron-fertilization" prove out program of its carbon dioxide ("CO<sub>2</sub>") sequestration process. The process is designed to capture CO<sub>2</sub> from the earth's marine environment using a proprietary "iron fertilization" process to generate commercial quantities of verifiable carbon credits to meet global demands for CO<sub>2</sub> reduction made part of international agreements such as the Kyoto Protocol. We agreed to provide up to 25% of the program's cost in exchange for exclusive marketing and intellectual property rights to Planktos the marine based sequestration process. We advanced \$250,000 pursuant to this agreement and anticipate that Planktos will initiate the "iron-fertilization" prove out program this year.

On January 12, 2007, we entered into a Securities Exchange Agreement and Plan of Exchange with Solar to acquire 100% ownership of Planktos, in exchange for an aggregate of 45,000,000 shares of our common stock, and the fulfillment of certain conditions on or before closing. The conditions include that we (a) make available working capital of no less than \$1,000,000 to Planktos on or before the acquisition is completed, (b) cancel 45,000,000 shares of our issued and outstanding common share capital on or before the acquisition is completed, and (c) obtain shareholder approval of the transaction. The transaction has not obtained shareholder approval as of the date of this report.

### ***Planktos, Inc.***

Planktos is a Foster City, California based business focused on reviving marine as well as land based ecosystem health and biodiversity with the intention to slow global climate change. Planktos has launched a two year pilot project series to restore hundreds of millions of tons of missing plankton plant life in the open seas that will sequester tens of millions of tons of carbon dioxide ("CO<sub>2</sub>") in the deep ocean for centuries or more. On land, Planktos' Hungarian subsidiary KlimaFa (translated as "Climate Forest") intends to plant thousands of hectares of new, permanently protected, native forests or "climate parks" in the national parks system of the European Union and elsewhere.

Both ocean plankton and forest ecorestoration projects remove huge quantities of global warming CO<sub>2</sub> from the atmosphere. Long term CO<sub>2</sub> reductions can now be banked and traded like a commodity in international carbon markets. Consequently, Planktos' business model will not only restore the planet's most vital biological systems but will generate the largest volume of lowest cost greenhouse gas offsets or "carbon credits" available to commercial, governmental and green consumer clients.

Rarely in history has a globally recognized environmental crisis and a remedial technology emerged with such auspicious synchronicity. Planktos is pioneering natural science intensive marine and terrestrial ecorestoration regimes that affordably offer unprecedented gains for the climate, the biosphere and the company's commercial objectives. Simply, restoring ocean plankton plant life to 1980's levels of health will remove 3-4 billion tons of global warming CO<sub>2</sub> and generate tens of billions of dollars in tradable carbon credit value.

Years before global warming began claiming headlines around the world, Planktos researchers were building on a decade of ocean international science investigations with micronutrient revival of lifeless regions of the sea. Although this restoration science was once proposed as a potent technique to revive the collapsing marine food chain, it was neither funded nor developed as an effective technology. The advent of the Kyoto Protocol, the enormous carbon sequestration potential of this work, and the developing global trade in carbon credits, has become the focus of the Planktos business model.

The Kyoto Protocol enables companies and governments to offset regulated greenhouse emission restrictions by investing in CO<sub>2</sub> reduction programs in exchange for Carbon Emission Reduction ("CER") credits. European nations began trading CER credits as of January 2005. CER credits are traded much like commodities with an average value of between \$6 and \$16 per CER (which represents one ton of CO<sub>2</sub> or equivalent) dependent on whether the carbon credit is certified or not and depending on the date and origin of the carbon credit. The Kyoto Protocol became law effective February 16, 2005, the result of which should be a rapidly expanding multi-billion-dollar market for CER credits.

Planktos has cultivated working partnerships with government labs and ocean science institutions to assist with measurement and verification procedures and to optimize project designs. Bankable, tradable investment grade CER credits for corporate buyers and fund managers will be verified and certified with satellite & aerial mapping, underwater analysis methods, and bloom measuring sensors on Planktos' proprietary autonomous ocean rovers.

Russ George, the president of Planktos, has been involved with ocean restoration and CO<sub>2</sub> sequestration since 1997 and was responsible for establishing the Planktos Foundation. Planktos' management team is supported by an Advisory Group headed by Dr. Noel Brown (formerly the United Nations Environmental Program director) and Dr. Scott Chubb (US Naval Research Laboratory).

### ***Forests of the Ocean***

Plankton in our oceans is well documented in its utilization of photosynthesis to absorb CO<sub>2</sub>. Planktos' near-term commercial objective is to produce CER credits at a cost of less than \$1 per ton utilizing proprietary technology designed to stimulate plankton growth in the world's oceans as a means by which to sequester (isolate from the atmosphere) CO<sub>2</sub>.

Specifically, Planktos expects to implement its program of sequestration by "iron fertilization" of the ocean, restoring this micronutrient that is vital for ocean plant growth and photosynthesis which is now scarce in marine waters. The iron is similar to that nature has delivered to sustain the oceans throughout history, but that has been on the decline for thirty years owing to changes in land use. The fertilization process is intended to trigger vast plankton blooms which will absorb the carbon in CO<sub>2</sub>, 30-40% of which sinks deep enough to be verified as sequestered.

Planktos' initial calculations have determined that the introduction of one ton of iron results in the biological fixation of up to 100,000 tons of CO<sub>2</sub>. Moreover, this process has three additional benefits that help to restore ecosystems of the open ocean:

- Support and restore diminished fish populations (additional plankton means more food)
- Adds to global O2 levels (more plankton results in more oxygen as some 60% of the earth's O2 is produced by plankton)
- Preserves coral reefs by reducing the acidity of the oceans.

Planktos is committed to the implementation of the iron-fertilization prove out program during 2007.

The process of stimulating plankton growth and the overall mission of Planktos can be viewed on its website: [www.planktosinc.com](http://www.planktosinc.com).

### ***Forests of the Land***

A tree is composed of about 50% carbon which is produced by removing CO2 from the air through photosynthesis. KlimaFa, a Hungarian subsidiary of Planktos, is dedicated to afforestation and reforestation projects in Europe and the Americas. Studies are now underway to develop an ecologically sound indigenous species mix and planting model of flora to maximize wildlife habitat and biodiversity in the respective regions. KlimaFa is currently involved in several government-assisted carbon forest projects in Hungary that intend to restore native mixed growth forests in national parks and then afforest vast tracts of retired agricultural lands.

The Kyoto Protocol recognizes a variety of mechanisms to reduce atmospheric CO2 and other greenhouse gases, and has approved carbon sequestration from new forests. The development of forests ultimately produces valuable carbon credits. KlimaFa estimates that carbon credits produced in this manner will cost approximately \$4.00 per ton. KlimaFa's target is to plant up to 100,000 hectares over the next 24 months.

The science and news surrounding eco-restoration can be viewed on KlimaFa's website: [www.klimafa.com](http://www.klimafa.com).

### **Plan of Operation**

During the quarter ended March 31, 2007, the Company was involved in monitoring Solar's efforts to implement the sea trials contemplated in the Iron-Fertilization Prove-Out and Purchase Agreement to confirm the effectiveness of the Planktos CO2 sequestration process, conducting a private placement of common stock with warrants attached and purchasing the research vehicle Weatherbird II. We are now focused on closing the acquisition of Planktos and the development of its business plan.

### ***Planktos, Inc.***

Planktos is currently working with U.S. and European marine research teams to plan and launch significant ocean iron fertilization projects during 2007. Initial efforts will be modest in scope and research-intensive, but are still designed to verifiably sequester carbon between hundreds of thousands and millions of tonnage per voyage.

Planktos is approaching this work with an array of qualifications:

- Years of experience in the basic science of the field;
- Collaborative arrangements and working relationships with internationally recognized marine science project partners required for certification;
- Sustainable resource maximization plan designs;
- Expertise in resource value computation and certification procedures;
- Market access for resource monetization and trade; and
- Experience in structuring all preceding factors into viable binding business plans.

Planktos expects to launch in 2007 the first of a series of up to 6 commercial scale ocean plankton blooms over 24 months designed to verifiably sequester a total of between 24 and 30 million tons of CO<sub>2</sub>. Post 2008 follow on projects include new ships, and larger blooms with a target of 250 million tons of verified CO<sub>2</sub> sequestration by 2010.

Our plan of operation for Planktos will require \$1,500,000 in funding over the next 12 months, of which a minimum of \$1,000,000 will be provided by us on or before the closing of the Securities Exchange Agreement and Plan of Exchange. We are confident that the remaining funds required to complete the “iron fertilization” prove out phase of the Planktos business model will be made available from additional debt or equity financings tied our common stock.

### **Results of Operations**

The Company has been funded since inception from public or private debt or equity placements or by major shareholders in the form of loans. Virtually all of the capital raised to date has been allocated for general and administrative costs, financial obligations tied to the Iron-Fertilization Prove-Out and Purchase Agreement and the Securities Exchange Agreement and Plan of Exchange and the purchase of the research vessel Weatherbird II.

### **Net Losses**

For the period from inception until March 31, 2007, the Company incurred a net loss of \$3,741,529. Net losses for the three month period ended March 31, 2007 were \$169,131 as compared to \$12,815 for the three months ended March 31, 2006. The Company’s net losses are primarily attributable to general and administrative expenses. General and administrative expenses include financing costs, accounting costs, consulting fees, leases, employment costs, professional fees and costs associated with the preparation of disclosure documentation. We did not generate any revenues during this period.

The Company expects to continue to incur losses through the year ended 2007.

### **Income Tax Expense (Benefit)**

The Company has a prospective income tax benefit resulting from a net operating loss carryforward and start up costs that will offset any future operating profit.

### **Impact of Inflation**

The Company believes that inflation has had a negligible effect on operations over the past three years.

### **Capital Expenditures**

The Company expended no significant amounts on capital expenditures for the period from inception to December 31, 2006.

### **Liquidity and Capital Resources**

As of March 31, 2007, the Company had current assets totaling \$724,007 and a working capital surplus of \$622,624. These assets consist of cash on hand of \$238,184 and advances receivable of \$485,823. Net stockholders' equity in the Company was \$1,428,058 at March 31, 2007. The Company is in the development stage and, since inception, has experienced significant changes in liquidity, capital resources and shareholders' equity.

Cash flow used in operating activities was \$1,757,781 for the period from inception to March 31, 2007. Cash flow used in operating activities for the three month period ended March 31, 2007 was \$593,796 as compared to \$12,391 for the three months ended March 31, 2006. The increase in cash flow used in operating activities in the current three month period was due primarily to an increase in net losses and an increase in advances receivable.

Cash flow provided by financing activities was \$3,062,965 for the period from inception to March 31, 2007. Cash flow provided by operating activities for the three month period ended March 31, 2007 was \$1,579,000 as compared to \$0 for the three months ended March 31, 2006. Cash flow provided by financing activities in the current three month period can be attributed to the sale of common stock on a private placement basis.

Cash flows used for investing activities was \$1,067,000 for the period from inception to March 31, 2007. Cash flow used for investing activities for the three month period ended March 31, 2007 was \$814,141 as compared to \$0 for the three months ended March 31, 2006. Cash flow used for investing activities can be attributed to the purchase of the research vehicle Weatherbird II in the current three month period.

The Company's current assets are insufficient to conduct our plan of operation over the next twelve (12) months and we will have to seek debt or equity financing to fund operations. The Company has no current commitments or arrangements with respect to, or immediate sources of funding. Further, no assurances can be given that funding, if needed, would be available or available to the Company on acceptable terms. The Company's shareholders would be the most likely source of new funding in the form of loans or equity placements though none have made any commitment for future investment and we have no agreement formal or otherwise. The Company's inability to obtain funding would have a material adverse affect on our plan of operation.

Further, there can be no assurance offered to the public by these disclosures, or otherwise, that the Company will be successful, or that we will ultimately succeed as a going concern. To the extent that existing resources and any future earnings prove insufficient to fund our activities, we will need to raise additional funds through debt or equity financing. The Company cannot provide any assurance that such additional financing will be available or that, if available, it can be obtained on terms favorable to us and our shareholders. In addition, any equity financing would result in dilution to the Company shareholders and any debt financing could involve restrictive covenants with respect to future capital raising activities or other financial or operational matters. The Company's inability to obtain adequate funds will adversely affect our operations and the ability to implement is plan of operation.

The Company has no current plans for the purchase or sale of any plant or equipment.

The Company has no current plans to make any changes in the number of employees.

### **Forward Looking Statements and Factors That May Affect Future Results and Financial Condition**

The statements contained in the section titled *Management's Plan of Operations*, with the exception of historical facts, are forward looking statements within the meaning of Section 27A of the Securities Act. A safe-harbor provision may not be applicable to the forward looking statements made in this prospectus because of certain exclusions under Section 27A (b). Forward looking statements reflect our current expectations and beliefs regarding our future results of operations, performance, and achievements. These statements are subject to risks and uncertainties and are based upon assumptions and beliefs that may or may not materialize. These statements include, but are not limited to, statements concerning:

- our anticipated financial performance and business plan;
- the sufficiency of existing capital resources;
- our ability to raise additional capital to fund cash requirements for future operations;
- uncertainties related to the Company's future business prospects;
- the ability of the Company to generate revenues to fund future operations;
- the volatility of the stock market and;
- general economic conditions.

We wish to caution readers that the Company's operating results are subject to various risks and uncertainties that could cause our actual results to differ materially from those discussed or anticipated including the factors set forth in the section entitled "*Risk Factors*" included elsewhere in this report. We also wish to advise readers not to place any undue reliance on the forward looking statements contained in this report, which reflect our beliefs and expectations only as of the date of this report. We assume no obligation to update or revise these forward looking statements to reflect new events or circumstances or any changes in our beliefs or expectations, other than is required by law.

### **Critical Accounting Policies**

In the notes to the audited consolidated financial statements for the year ended December 31, 2006 included in the Company's Form 10-KSB, we discuss those accounting policies that are considered to be significant in determining the results of operations and our financial position. The Company believes that the accounting principles utilized by us conform to accounting principles generally accepted in the United States of America.

The preparation of financial statements requires management to make significant estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. By their nature, these judgments are subject to an inherent degree of uncertainty. On an on-going basis, the Company evaluates our estimates, including those related to bad debts, inventories, intangible assets, warranty obligations, product liability, revenue, and income taxes. We base our estimates on historical experience and other facts and circumstances that are believed to be reasonable, and the results form the basis for making judgments about the carrying value of assets and liabilities. The actual results may differ from these estimates under different assumptions or conditions.

## Stock-Based Compensation

On January 1, 2006, we adopted SFAS No. 123 (revised 2004) (SFAS No. 123R), Share-Based Payment, which addresses the accounting for stock-based payment transactions in which an enterprise receives employee services in exchange for (a) equity instruments of the enterprise or (b) liabilities that are based on the fair value of the enterprise's equity instruments or that may be settled by the issuance of such equity instruments. In January 2005, the Securities and Exchange Commission (SEC) issued Staff Accounting Bulletin (SAB) No. 107, which provides supplemental implementation guidance for SFAS No. 123R. SFAS No. 123R eliminates the ability to account for stock-based compensation transactions using the intrinsic value method under Accounting Principles Board (APB) Opinion No. 25, Accounting for Stock Issued to Employees, and instead generally requires that such transactions be accounted for using a fair-value-based method. We use the Black-Scholes-Merton ("BSM") option-pricing model to determine the fair-value of stock-based awards under SFAS No. 123R, consistent with that used for pro forma disclosures under SFAS No. 123, Accounting for Stock-Based Compensation. We have elected the modified prospective transition method as permitted by SFAS No. 123R and accordingly prior periods have not been restated to reflect the impact of SFAS No. 123R. The modified prospective transition method requires that stock-based compensation expense be recorded for all new and unvested stock options, restricted stock, restricted stock units, and employee stock purchase plan shares that are ultimately expected to vest as the requisite service is rendered beginning on January 1, 2006, the first day of our fiscal year 2006. Stock-based compensation expense for awards granted prior to January 1, 2006 is based on the grant date fair-value as determined under the pro forma provisions of SFAS No. 123.

Prior to the adoption of SFAS No. 123R, we measured compensation expense for our employee stock-based compensation plans using the intrinsic value method prescribed by APB Opinion No. 25. We applied the disclosure provisions of SFAS No. 123 as amended by SFAS No. 148, Accounting for Stock-Based Compensation – Transition and Disclosure, as if the fair-value-based method had been applied in measuring compensation expense. Under APB Opinion No. 25, when the exercise price of the Company's employee stock options was equal to the market price of the underlying stock on the date of the grant, no compensation expense was recognized.

We account for equity instruments issued in exchange for the receipt of goods or services from other than employees in accordance with SFAS No. 123 and the conclusions reached by the Emerging Issues Task Force ("EITF") in Issue No. 96-18. Costs are measured at the estimated fair market value of the consideration received or the estimated fair value of the equity instruments issued, whichever is more reliably measurable. The value of equity instruments issued for consideration other than employee services is determined on the earliest of a performance commitment or completion of performance by the provider of goods or services as defined by EITF 96-18.

## Recent Accounting Pronouncements

In February 2006, the FASB issued SFAS No. 155, "Accounting for Certain Hybrid Financial Instruments-an amendment of FASB Statements No. 133 and 140", to simplify and make more consistent the accounting for certain financial instruments. SFAS No. 155 amends SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" to permit fair value remeasurement for any hybrid financial instrument with an embedded derivative that otherwise would require bifurcation, provided that the whole instrument is accounted for on a fair value basis. SFAS No. 155 amends SFAS No. 140, "Accounting for the Impairment or Disposal of Long-Lived Assets", to allow a qualifying special-purpose entity to hold a derivative financial instrument that pertains to a beneficial interest other than another derivative financial instrument. SFAS No. 155 applies to all financial instruments acquired or issued after the beginning of an entity's first fiscal year that begins after September 15, 2006, with earlier application allowed. This standard is not expected to have a significant effect on the Company's future reported financial position or results of operations.

In March 2006, the FASB issued SFAS No. 156, "Accounting for Servicing of Financial Assets, an amendment of FASB Statement No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities". This statement requires all separately recognized servicing assets and servicing liabilities be initially measured at fair value, if practicable, and permits for subsequent measurement using either fair value measurement with changes in fair value reflected in earnings or the amortization and impairment requirements of Statement No. 140. The subsequent measurement of separately recognized servicing assets and servicing liabilities at fair value eliminates the necessity for entities that manage the risks inherent in servicing assets and servicing liabilities with derivatives to qualify for hedge accounting treatment and eliminates the characterization of declines in fair value as impairments or direct write-downs. SFAS No. 156 is effective for an entity's first fiscal year beginning after September 15, 2006. This adoption of this statement is not expected to have a significant effect on the Company's future reported financial position or results of operations.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements". The objective of SFAS 157 is to increase consistency and comparability in fair value measurements and to expand disclosures about fair value measurements. SFAS 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 applies under other accounting pronouncements that require or permit fair value measurements and does not require any new fair value measurements. The provisions of SFAS No. 157 are effective for fair value measurements made in fiscal years beginning after November 15, 2007. The adoption of this statement is not expected to have a material effect on the Company's future reported financial position or results of operations.

In September 2006, the FASB issued SFAS No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans – an amendment of FASB Statements No. 87, 88, 106, and 132(R)". This statement requires employers to recognize the over funded or under funded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income of a business entity or changes in unrestricted net assets of a not-for-profit organization. This statement also requires an employer to measure the funded status of a plan as of the date of its year-end statement of financial position, with limited exceptions. The provisions of SFAS No. 158 are effective for employers with publicly traded equity securities as of the end of the fiscal year ending after December 15, 2006. The adoption of this statement is not expected to have a material effect on the Company's future reported financial position or results of operations.

In September 2006, the SEC issued Staff Accounting Bulletin (“SAB”) No. 108, “Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current Year Financial Statements.” SAB No. 108 addresses how the effects of prior year uncorrected misstatements should be considered when quantifying misstatements in current year financial statements. SAB No. 108 requires companies to quantify misstatements using a balance sheet and income statement approach and to evaluate whether either approach results in quantifying an error that is material in light of relevant quantitative and qualitative factors. SAB No. 108 is effective for periods ending after November 15, 2006. The Company is currently evaluating the impact of adopting SAB No. 108 but does not expect that it will have a material effect on our financial position and results of operations.

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities”. This Statement permits entities to choose to measure many financial assets and financial liabilities at fair value. Unrealized gains and losses on items for which the fair value option has been elected are reported in earnings. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The Company is currently assessing the impact of SFAS No. 159 on our financial position and results of operations.

### **Risks Related to Our Business**

Our future operating results are highly uncertain. Before deciding to invest in us or to maintain or increase your investment, you should carefully consider the risks described below, in addition to the other information contained in this quarterly report. If any of these risks actually occur, our business, financial condition or results of operations could be seriously harmed. In that event, the market price for our common stock could decline and you may lose all or part of your investment.

*We have a history of significant operating losses and such losses may continue in the future.*

Since our inception in 1998, our operations have resulted in a continuation of losses and an accumulated deficit which reached \$3,572,398 at December 31, 2006 that had increased to \$3,741,529 at March 31, 2007. During fiscal 2006, we recorded a net loss of \$169,131. The Company has never realized revenue from operations. Our only expectation of future profitability is dependent upon the successful implementation of the company’s business model. Therefore, we may never be able to achieve profitability.

*Our intended subsidiary will not likely be profitable in the next twelve months and may never be profitable.*

Planktos is in the process of its iron-fertilization prove-out program and will not likely be profitable within the next twelve months. While the operation have very high potential profit, it cannot be assured that iron-fertilization will live up to our expectations. Therefore, the possibility of future profits by our intended subsidiary is purely speculative.

*We will need additional financing to fund our intended subsidiary*

We will need additional capital to fund Planktos for its iron-fertilization prove-out program. In our efforts to raise capital or obtain additional financing, we may be obligated to issue additional shares of common stock or warrants or other rights to acquire common stock on terms that will result in dilution to existing shareholders or place restrictions on operations. If adequate funds are not available or are not available on acceptable terms, our ability to fund our intended subsidiary would be significantly limited.

*The market for our stock is limited and our stock price may be volatile.*

The market for our common stock has been limited due to low trading volume and the small number of brokerage firms acting as market makers. Because of the limitations of our market and volatility of the market price of our stock, investors may face difficulties in selling shares at attractive prices when they want to. The average daily trading volume for our stock has varied significantly from week to week and from month to month, and the trading volume often varies widely from day to day.

*We may incur significant expenses as a result of being quoted on the Over the Counter Bulletin Board, which may negatively impact our financial performance.*

We may incur significant legal, accounting and other expenses as a result of being listed on the Over the Counter Bulletin Board. The Sarbanes-Oxley Act of 2002, as well as related rules implemented by the Commission, has required changes in corporate governance practices of public companies. We expect that compliance with these laws, rules and regulations, including compliance with Section 404 of the Sarbanes-Oxley Act of 2002 as discussed in the following risk factor, may substantially increase our expenses, including our legal and accounting costs, and make some activities more time-consuming and costly. As a result, there may be a substantial increase in legal, accounting and certain other expenses in the future, which would negatively impact our financial performance and could have a material adverse effect on our results of operations and financial condition.

*Our internal controls over financial reporting may not be considered effective, which could result in a loss of investor confidence in our financial reports and in turn have an adverse effect on our stock price.*

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, beginning with our annual report for the year ending December 31, 2008, we may be required to furnish a report by our management on our internal controls over financial reporting. Such report will contain, among other matters, an assessment of the effectiveness of our internal controls over financial reporting as of the end of the year, including a statement as to whether or not our internal controls over financial reporting are effective. This assessment must include disclosure of any material weaknesses in our internal controls over financial reporting identified by management. The report will also contain a statement that our independent registered public accounting firm has issued an attestation report on management's assessment of internal controls. If we are unable to assert that our internal controls are effective as of December 31, 2008, or if our independent registered public accounting firm is unable to attest that our management's report is fairly stated or they are unable to express an opinion on our management's evaluation or on the effectiveness of our internal controls, investors could lose confidence in the accuracy and completeness of our financial reports, which in turn could cause our stock price to decline.

### **Going Concern**

Due to the uncertainty of our ability to meet our current operating expenses and the capital expenses noted above, in their report on the annual financial statements for the year ended December 31, 2006, our independent auditors included an explanatory paragraph regarding concerns about our ability to continue as a going concern. Our financial statements contain additional note disclosures describing the circumstances that lead to this disclosure by our independent auditors.

The Company's ability to continue as a going concern is subject to our ability to realize a profit and /or obtain funding from outside sources. Management's plan to address our ability to continue as a going concern, include: (a) obtaining funding from private placement sources; (b) obtaining additional funding from the sale of the Company's securities; and (c) obtaining loans and grants from various financial institutions, where possible. Although management believes that we will be able to obtain the necessary funding to allow us to remain a going concern through the methods discussed above, there can be no assurances that such methods will prove successful.

### **ITEM 3. CONTROLS AND PROCEDURES**

The Company's president acts both as our chief executive officer and chief financial officer and is responsible for establishing and maintaining disclosure controls and procedures for the Company.

#### **(a) Evaluation of Disclosure Controls and Procedures**

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934 ("Exchange Act"), as of March 31, 2007. Based on this evaluation, our principal executive officer and our principal financial officer concluded that, as of the end of the period covered by this report, our disclosure controls and procedures were effective and adequately designed to ensure that the information required to be disclosed by us in the reports we submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the applicable rules and forms and that such information was accumulated and communicated to our chief executive officer and chief financial officer, in a manner that allowed for timely decisions regarding required disclosure.

#### **(b) Changes in Internal Controls**

During the period ended March 31, 2007, there has been no change in internal control over financial reporting that has materially affected, or is reasonably likely to materially affect our internal control over financial reporting.

## **PART II**

### **ITEM 1. LEGAL PROCEEDINGS**

None.

### **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES**

On January 11, 2007, the Company authorized the issuance of 2,133,750 shares of common stock with 2,133,750 purchase warrants attached valued at \$0.27 per unit to Sunrise Alliance Holdings Limited, for cash consideration of \$577,000 pursuant to the exemptions from registration provided by Regulation S and Section 4(2) of the Securities Act of 1933, as amended.

The Company complied with Section 4(2) based on the following factors: (1) the issuance was an isolated private transaction that did not involve a public offering; (2) there was one offeree who was issued the stock for cash consideration; (3) the offeree stated an intention not to resell the stock; (4) there were no subsequent or contemporaneous public offerings of the stock; (5) the stock was not broken down into smaller denominations; and (6) the negotiations that lead to the issuance of the stock took place directly between the offeree and the Company.

Regulation S provides generally that any offer or sale that occurs outside of the United States is exempt from the registration requirements of the Securities Act, provided that certain conditions are met. Regulation S has two safe harbors. One safe harbor applies to offers and sales by issuers, securities professionals involved in the distribution process pursuant to contract, their respective affiliates, and persons acting on behalf of any of the foregoing (the “issuer safe harbor”), and the other applies to resales by persons other than the issuer, securities professionals involved in the distribution process pursuant to contract, their respective affiliates (except certain officers and directors), and persons acting on behalf of any of the foregoing (the “resale safe harbor”). An offer, sale or resale of securities that satisfied all conditions of the applicable safe harbor is deemed to be outside the United States as required by Regulation S. The distribution compliance period for shares sold in reliance on Regulation S is one year.

The Company complied with the requirements of Regulation S by having made no directed offering efforts in the United States, by offering only to an offeree who were outside the United States at the time the stock was issued, and ensuring that the offeree to whom the stock was issued was a non-U.S. offeree with an address in a foreign country.

On January 11, 2007, the Company authorized the issuance of 2,133,750 shares of common stock with 2,133,750 purchase warrants attached valued at \$0.27 per unit to Roseaux Consulting, Inc., for cash consideration of \$577,000 pursuant to the exemptions from registration provided by Regulation S and Section 4(2) of the Securities Act of 1933, as amended.

The Company complied with Section 4(2) based on the following factors: (1) the issuance was an isolated private transaction that did not involve a public offering; (2) there was one offeree who was issued the stock for cash consideration; (3) the offeree stated an intention not to resell the stock; (4) there were no subsequent or contemporaneous public offerings of the stock; (5) the stock was not broken down into smaller denominations; and (6) the negotiations that lead to the issuance of the stock took place directly between the offeree and the Company.

The Company complied with the requirements of Regulation S by having made no directed offering efforts in the United States, by offering only to an offeree who were outside the United States at the time the stock was issued, and ensuring that the offeree to whom the stock was issued was a non-U.S. offeree with an address in a foreign country.

On March 13, 2007, the Company authorized the issuance of 50,000 shares of common stock valued at \$0.86 per share to Robert Fisher, a director and former officer of the Company, in consideration of services of \$43,000 pursuant to the exemptions from registration provided by Regulation S and Section 4(2) of the Securities Act of 1933, as amended.

The Company complied with Section 4(2) based on the following factors: (1) the issuance was an isolated private transaction that did not involve a public offering; (2) there was one offeree, a director and former officer of the Company, who was issued the stock for services rendered; (3) the offeree stated an intention not to resell the stock; (4) there were no subsequent or contemporaneous public offerings of the stock; (5) the stock was not broken down into smaller denominations; and (6) the negotiations that lead to the issuance of the stock took place directly between the offeree and the Company.

The Company complied with the requirements of Regulation S by having made no directed offering efforts in the United States, by offering only to an offeree who were outside the United States at the time the stock was issued, and ensuring that the offeree to whom the stock was issued was a non-U.S. offeree with an address in a foreign country.

On April 5, 2007, the Company authorized the issuance of 315,000 shares of common stock with 315,000 purchase warrants attached valued at \$0.40 per unit to Bank Sal. Oppenheim Jr. & Cie, for cash consideration of \$126,000 pursuant to the exemptions from registration provided by Regulation S and Section 4(2) of the Securities Act of 1933, as amended.

The Company complied with Section 4(2) based on the following factors: (1) the issuance was an isolated private transaction that did not involve a public offering; (2) there was one offeree who was issued the stock for cash consideration; (3) the offeree stated an intention not to resell the stock; (4) there were no subsequent or contemporaneous public offerings of the stock; (5) the stock was not broken down into smaller denominations; and (6) the negotiations that lead to the issuance of the stock took place directly between the offeree and the Company.

The Company complied with the requirements of Regulation S by having made no directed offering efforts in the United States, by offering only to an offeree who were outside the United States at the time the stock was issued, and ensuring that the offeree to whom the stock was issued was a non-U.S. offeree with an address in a foreign country.

On April 5, 2007, the Company authorized the issuance of 312,500 shares of common stock with 312,500 purchase warrants attached valued at \$0.40 per unit to Manorhill International, Inc., for cash consideration of \$125,000 pursuant to the exemptions from registration provided by Regulation S and Section 4(2) of the Securities Act of 1933, as amended.

The Company complied with Section 4(2) based on the following factors: (1) the issuance was an isolated private transaction that did not involve a public offering; (2) there was one offeree who was issued the stock for cash consideration; (3) the offeree stated an intention not to resell the stock; (4) there were no subsequent or contemporaneous public offerings of the stock; (5) the stock was not broken down into smaller denominations; and (6) the negotiations that lead to the issuance of the stock took place directly between the offeree and the Company.

The Company complied with the requirements of Regulation S by having made no directed offering efforts in the United States, by offering only to an offeree who were outside the United States at the time the stock was issued, and ensuring that the offeree to whom the stock was issued was a non-U.S. offeree with an address in a foreign country.

On April 5, 2007, the Company authorized the issuance of 315,000 shares of common stock with 315,000 purchase warrants attached valued at \$0.40 per unit to Affaires Financieres S.A., for cash consideration of \$126,000 pursuant to the exemptions from registration provided by Regulation S and Section 4(2) of the Securities Act of 1933, as amended.

The Company complied with Section 4(2) based on the following factors: (1) the issuance was an isolated private transaction that did not involve a public offering; (2) there was one offeree who was issued the stock for cash consideration; (3) the offeree stated an intention not to resell the stock; (4) there were no subsequent or contemporaneous public offerings of the stock; (5) the stock was not broken down into smaller denominations; and (6) the negotiations that lead to the issuance of the stock took place directly between the offeree and the Company.

The Company complied with the requirements of Regulation S by having made no directed offering efforts in the United States, by offering only to an offeree who were outside the United States at the time the stock was issued, and ensuring that the offeree to whom the stock was issued was a non-U.S. offeree with an address in a foreign country.

On April 5, 2007, the Company authorized the issuance of 630,000 shares of common stock with 630,000 purchase warrants attached valued at \$0.40 per unit to Affaires Financieres S.A., for cash consideration of \$252,000 pursuant to the exemptions from registration provided by Regulation S and Section 4(2) of the Securities Act of 1933, as amended.

The Company complied with Section 4(2) based on the following factors: (1) the issuance was an isolated private transaction that did not involve a public offering; (2) there was one offeree who was issued the stock for cash consideration; (3) the offeree stated an intention not to resell the stock; (4) there were no subsequent or contemporaneous public offerings of the stock; (5) the stock was not broken down into smaller denominations; and (6) the negotiations that lead to the issuance of the stock took place directly between the offeree and the Company.

The Company complied with the requirements of Regulation S by having made no directed offering efforts in the United States, by offering only to an offeree who were outside the United States at the time the stock was issued, and ensuring that the offeree to whom the stock was issued was a non-U.S. offeree with an address in a foreign country.

**ITEM 3.           DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4.           SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

None.

**ITEM 5.           OTHER INFORMATION**

None.

**ITEM 6.           EXHIBITS**

Exhibits required to be attached by Item 601 of Regulation SB are listed in the Index to Exhibits on page 31 of this Form 10-QSB and are incorporated herein by this reference.

## **SIGNATURES**

In accordance with the requirements of the Exchange Act, the registrant caused this report to be signed on its behalf by the undersigned, hereunto duly authorized, this 15<sup>th</sup> day of May 2007.

### **PLANKTOS CORP.**

/s/ Russ George

Russ George

Chief Executive Officer, Chief Financial Officer and Principal Accounting Officer

## EXHIBITS

<i>Exhibit No.</i>	<i>Page No.</i>	<i>Description</i>
3(i)	*	Articles of Incorporation (incorporated by reference to the Company's Form 10-SB filed with the Commission on January 31, 2000)
3(ii)	*	By-laws (incorporated herein by reference to the Company's Form 10-SB filed with the Commission on January 31, 2000)
10(i)	*	Iron-Fertilization Prove-Out and Purchase Agreement with Solar Energy Limited, dated August 17, 2005 (incorporated by reference to the Company's Form 10-QSB/A filed with the Commission on September 7, 2005)
10(ii)	*	Securities Exchange Agreement and Plan of Exchange with Solar Energy Limited dated January 12, 2007 (incorporated by reference to the Company's Form 8-K filed with the Commission on January 19, 2007)
31	32	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	33	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

\* Incorporated herein by reference

## EXHIBIT 31

### CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER PURSUANT TO SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Russ George certify that:

1. I have reviewed this report on Form 10-QSB ("Report") of Planktos Corp.;
2. Based on my knowledge, this Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Report;
3. Based on my knowledge, the financial statements, and other financial information included in this Report, fairly present in all material respects the financial condition, results of operations and cash flows of the small business issuer as of, and for, the period presented in this Report;
4. I am responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the small business issuer and have:
  - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under my supervision, to ensure that material information relating to the small business issuer is made known to me by others within those entities, particularly during the period in which this Report is being prepared;
  - b) Evaluated the effectiveness of the small business issuer's disclosure controls and procedures and presented in this Report my conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Report based on such evaluation; and
  - c) Disclosed in this Report any change in the small business issuer's internal control over financial reporting that occurred during the small business issuer's most recent fiscal quarter (the small business issuer's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the small business issuer's internal control over financial reporting; and
5. I have disclosed, based on my most recent evaluation, to the small business issuer's auditors and the audit committee of small business issuer's board of directors (or persons performing the equivalent functions):
  - a) All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the small business issuer's ability to record, process, summarize and report financial information; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the small business issuer's internal controls over financial reporting.

Date: May 15, 2007

/s/ Russ George

Russ George

Chief Executive Officer and Chief Financial Officer

**EXHIBIT 32**

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF  
THE SARBANES-OXLEY ACT OF 2002**

In connection with the report on Form 10-QSB of Planktos Corp. for the quarterly period ended March 31, 2007 as filed with the Securities and Exchange Commission on the date hereof (“Report”), I, Russ George, do hereby certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) This Report complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in this Report fairly represents, in all material respects, the financial condition of the small business issuer at the end of the period covered by this Report and results of operations of the small business issuer for the period covered by this Report.

/s/ Russ George

Russ George

Chief Executive Officer and Chief Financial Officer

May 15, 2007

This certification accompanies this Report pursuant to §906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by the Sarbanes-Oxley Act of 2002, be deemed filed by the small business issuer for the purposes of §18 of the Securities Exchange Act of 1934, as amended. This certification shall not be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended (whether made before or after the date of this Report), irrespective of any general incorporation language contained in such filing.

A signed original of this written statement required by §906 has been provided to the small business issuer and will be retained by the small business issuer and furnished to the Securities and Exchange Commission or its staff upon request.