

**SECURITIES AND EXCHANGE COMMISSION**  
**Washington, D.C. 20549**

**FORM 10-QSB**

*(Mark One)*

- ☒ Quarterly report under Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended **September 30, 2007**
- ☐ Transition report under Section 13 or 15(d) of the Securities Exchange Act of 1934 for the transition period from \_\_\_\_\_ to \_\_\_\_\_.

Commission file number: **000-28429**

**PLANKTOS CORP**  
**(formerly "Diatom Corporation")**

(Exact name of small business issuer as specified in its charter)

**Nevada**  
(State or other jurisdiction of  
incorporation or organization)

**68-0423301**  
(I.R.S. Employer  
Identification No.)

**1151 Triton Drive, Suite C, Foster City, California 94404**  
(Address of principal executive office) (Zip Code)

**(650) 638-1975**  
(Issuer's telephone number)

Check whether the Company: (1) filed all reports required to be filed by Section 13 or 15(d) of the Exchange Act during the past 12 months (or for such shorter period that the Company was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes ☒

No ☐

Indicate by check mark whether the Company is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ☐

No ☒

The number of outstanding shares of the registrant's common stock, \$0.001 par value (the only class of voting stock) as of December 7, 2007 was 84,751,838.

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## **PART I**

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

As used herein, the terms “Company,” “we,” “our,” and “us” refers to Planktos Corp. (formerly “Diatom Corporation”), a Nevada corporation, and our subsidiaries and 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)**  
**CONSOLIDATED BALANCE SHEETS**

	September 30, 2007 (unaudited)	December 31, 2006
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Cash	\$ 586,712	\$ 154,238
Misc receivables	4,567	-
Prepaid expenses	3,374	7,162
Advances receivable	76,045	86,956
	<u>670,698</u>	<u>248,356</u>
<b>TOTAL CURRENT ASSETS</b>		
	<u>670,698</u>	<u>248,356</u>
<b>OTHER ASSETS</b>		
Vessels and other fixed assets, net of depreciation	796,727	-
Deposits	4,720	4,720
	<u>801,447</u>	<u>4,720</u>
<b>TOTAL OTHER ASSETS</b>		
	<u>801,447</u>	<u>4,720</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,472,145</u>	<u>\$ 253,076</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
<b>CURRENT LIABILITIES</b>		
Accounts payable	\$ 49,159	\$ 1,071
Other accrued liabilities	2,494	6,501
Accrued interest payable – related parties	17,951	-
Payable to affiliates	-	5,824
Loan payable – related parties	497,511	939,750
	<u>567,115</u>	<u>953,146</u>
<b>TOTAL CURRENT LIABILITIES</b>		
	<u>567,115</u>	<u>953,146</u>
<b>COMMITMENTS AND CONTINGENCIES</b>		
	<u>-</u>	<u>-</u>
<b>STOCKHOLDERS' EQUITY (DEFICIT)</b>		
Common stock, authorized 250,000,000 shares of \$0.001 par value, 84,751,838 and 77,438,838 issued and outstanding respectively	84,752	77,439
Additional paid-in capital	3,433,014	(36,238)
Deficit accumulated during development stage	(2,612,736)	(741,271)
	<u>905,030</u>	<u>(700,070)</u>
<b>TOTAL STOCKHOLDERS' EQUITY (DEFICIT)</b>		
	<u>905,030</u>	<u>(700,070)</u>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>	<u>\$ 1,472,145</u>	<u>\$ 253,076</u>

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

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

	For the Three Months Ended September 30, (unaudited)		For the Nine Months Ended September 30, (unaudited)		From Inception (February 11, 2005 to September 30, 2007) (unaudited)
	2007	2006	2007	2006	
REVENUES	\$ -	\$ -	\$ -	\$ -	\$ -
OPERATING EXPENSES					
Vessel operating expenses	172,702	-	690,469	-	690,469
Research and development	100,000	5,000	225,000	30,400	267,660
General and administrative	281,408	143,688	934,138	407,611	1,667,288
Total Operating Expenses	554,110	148,688	1,849,607	438,011	2,625,417
LOSS FROM OPERATIONS	(554,110)	(148,688)	(1,849,607)	(438,011)	(2,625,417)
OTHER INCOME (EXPENSE)					
Other income (expense)	13,606	-	23,258	8,742	34,377
Other income- related party	-	-	-	21,000	61,000
Interest income	328	1,423	334	1,423	3,856
Interest expense	(17,951)	(7,061)	(17,951)	(29,954)	(59,052)
Other expenses	-	-	(27,500)	-	(27,500)
Total Other Income (Expense)	(4,017)	(5,638)	(21,859)	1,211	12,681
NET LOSS BEFORE INCOME TAX	(558,127)	(154,326)	(1,871,466)	(436,800)	(2,612,736)
INCOME TAX EXPENSE	-	-	-	-	-
NET LOSS	\$ (558,127)	\$ (154,326)	\$ (1,871,466)	\$ (436,800)	\$ (2,612,736)
NET LOSS PER SHARE	\$ 0.01	\$ nil	\$ 0.02	\$ 0.01	\$
WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	84,751,838	77,438,838	84,751,838	77,751,838	

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

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

	For the Nine Months Ended September 30, (unaudited)		From Inception (February 11, 2005 to September 30, 2007) (unaudited)
	<u>2007</u>	<u>2006</u>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Net loss	\$ (1,871,466)	\$ (436,800)	\$ (2,612,736)
Adjustments to reconcile net loss to net cash (Used) in operating activities:			
Depreciation	9,165	-	9,165
Expenses paid through contribution of paid in capital	-	29,954	41,101
(Increase) decrease in deposits	-	(4,820)	(4,720)
(Increase) decrease in prepaid expense & misc. receivable	(779)	(1,427)	(7,941)
Increase (decrease) in accounts payable	31,281	535	32,351
Increase (decrease) in other liabilities	(4,007)	55	2,494
Increase (decrease) in related accounts payable	17,951	-	17,951
Net Cash (Used in) Operating Activities	<u>(1,817,855)</u>	<u>(412,503)</u>	<u>(2,522,335)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Acquisition of business, net of cash acquired	1,104,892	-	1,104,892
Net Cash (Used in) Investing Activities	<u>1,104,892</u>	<u>-</u>	<u>1,104,892</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>			
Issued common stock for cash	853,000	-	853,100
Affiliate receivable	(2,089)	(96,252)	(83,221)
Affiliate payable	(5,824)	-	(5,824)
Proceeds from payable - related party	300,350	789,910	1,240,100
Net Cash Provided by Financing Activities	<u>1,145,437</u>	<u>693,658</u>	<u>2,004,155</u>
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	432,474	281,155	586,712
<b>CASH AT BEGINNING OF PERIOD</b>	154,238	24,890	-
<b>CASH AT END OF PERIOD</b>	<u>\$ 586,712</u>	<u>\$ 306,045</u>	<u>\$ 586,712</u>
<b>SUPPLEMENTAL CASH FLOW INFORMATION</b>			
<b>CASH PAID FOR:</b>			
Interest	\$ -	\$ -	-
Income taxes	\$ -	\$ -	-

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

**PLANKTOS CORP**  
**(Formerly Diatom Corporation)**  
**CONDENSED FOOTNOTES TO INTERIM FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**NOTE 1 – ORGANIZATION AND BASIS OF PRESENTATION**

Planktos Corp. (the “Company”) was incorporated as “eWorld Travel Corp” on December 10, 1998 under the laws of the state of Nevada to provide internet-based travel services. On September 23, 2002, the Company changed its name to “GYK Ventures, Inc.” and on July 8, 2005 to “Diatom Corporation”. On March 8, 2007, the Company changed its name to “Planktos Corp.” in anticipation of the business acquisition of Planktos, Inc. (“Planktos”).

On January 12, 2007, the Company entered into an agreement with Solar Energy Limited (“Solar”) to acquire 100% of the issued and outstanding shares of Planktos (a development stage enterprise), a California corporation incorporated on February 11, 2005, in exchange for 45,000,000 restricted shares of the Company’s common stock, the cancellation of 45,000,000 outstanding restricted shares and a commitment to provide Planktos with no less than \$1,000,000 on or before closing.

In anticipation of closing the agreement to acquire Planktos and as part of its commitment to fund Planktos’ business operations, the Company purchased the Weatherbird II shipping vessel as a platform from which Planktos could conduct sea trials designed to validate its oceanic carbon sequestration process.

On August 9, 2007 the agreement to acquire Planktos closed with the Company’s issuance of 45,000,000 shares to Solar, the completion of a private equity placement in the aggregate amount of \$1,078,000 and the cancellation of 45,000,000 outstanding restricted shares submitted for cancellation by certain of the Company’s stockholders in satisfaction of the terms of the acquisition.

On completion of the acquisition, the Company’s stockholders prior to the acquisition retained approximately 46% of the outstanding common shares while Solar acquired approximately 54% of the Company’s outstanding common shares. Accordingly, this acquisition is in essence a recapitalization of the Company and has been accounted for in accordance with the principles applicable to accounting for reverse acquisitions with Planktos, the legal subsidiary, being treated as the accounting parent and the Company, the legal parent, being treated as the accounting subsidiary. The results of operations and cash flows of the Company include those of Planktos for all periods presented and those of the Company subsequent to the date of the reverse acquisition.

Planktos is an emerging biotechnology company engaged in the discovery and development of marketable opportunities attendant to the Kyoto Protocol. Planktos’ near term commercial objective is to produce carbon credits utilizing proprietary technology designed to restore the world’s oceans and forests as a means by which to sequester CO<sub>2</sub> in the environment. Since Planktos is in the development stage, it has not realized any revenues from its planned operations.

As shown in the accompanying financial statements, the Company has incurred significant losses since inception and has not generated any revenues to date. The future of the Company is dependent upon its ability to obtain sufficient financing and upon achieving future profitable operations. These factors, among others, raise substantial doubt about the Company's ability to continue as a going concern. The accompanying consolidated financial statements do not include any adjustments that might result from the outcome of this uncertainty.

**PLANKTOS CORP**  
**(Formerly Diatom Corporation)**  
**CONDENSED FOOTNOTES TO INTERIM FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**NOTE 1 – ORGANIZATION AND BASIS OF PRESENTATION- continued**

**Unaudited Financial Statements**

The accompanying unaudited interim consolidated financial statements have been prepared in accordance with generally accepted principals for interim financial information and with the instruction to Form 10-QSB of Regulation S-B. They do not include all information and footnotes required by United States generally accepted accounting principles for complete financial statements. However, except as disclosed herein, there has been no material changes in the information disclosed in the notes to the financial statements for the year ended December 31, 2006 included in the Company's Annual Report on Form 10-KSB filed with the Securities and Exchange Commission. The interim unaudited financial statements should be read in conjunction with those financial statements included in the Form 10-KSB and the Form 8-K dated August 10, 2007. In the opinion of Management, all adjustments considered necessary for a fair presentation, consisting solely of normal recurring adjustments, have been made. Operating results for the nine months ended September 30, 2007 are not necessarily indicative of the results that may be expected for the year ending December 31, 2007.

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

This summary of significant accounting policies of the Company 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 with original maturities of three months or less to be cash equivalents.



**PLANKTOS CORP**  
**(Formerly Diatom Corporation)**  
**CONDENSED FOOTNOTES TO INTERIM FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

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

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 September 30, 2007 and 2006, the Company has not engaged in any transactions that would be considered derivative instruments or hedging activities.

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 September 30, 2007 and 2006, 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 was the same, at the reporting dates, as there were no common stock equivalents outstanding.

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 September 30, 2007 and December 31, 2006.

**PLANKTOS CORP**  
**(Formerly Diatom Corporation)**  
**CONDENSED FOOTNOTES TO INTERIM FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

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

Going Concern

As shown in the accompanying financial statements at September 30, 2007 and December 31, 2006, the Company had no revenues and an accumulated deficit. The Company is currently putting operations in place which will, if successful, mitigate these factors which raise substantial doubt about the Company's ability to continue as a going concern.

An estimated \$2,000,000 is believed necessary to continue operations and increase development through the next fiscal year. The timing and amount of capital requirements will depend on a number of factors, including the creation and demand for its products.

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.

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.

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.

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 cause 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 for results of operations.

In June 2006, the Financial Accounting Standards Board (FASB) issued FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement No. 109." This statement clarifies the accounting for uncertainty in income tax positions. The Company adopted the provisions of FIN 48 on January 1, 2007. The Company did not make any adjustment to opening retained earnings as a result of the implementation. The Company recognizes interest accrued related to unrecognized tax benefits along with penalties in operating expenses. During the nine months ended September 30, 2007, the Company did not recognize any interest or penalties relating to income taxes.

**PLANKTOS CORP**  
**(Formerly Diatom Corporation)**  
**CONDENSED FOOTNOTES TO INTERIM FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

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

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.

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.

Vessels

Vessels and other fixed assets 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 - on a straight line basis from date of acquisition over a period of 25 years.
- ii. Marine equipment on a straight line basis from date of acquisition over a period of five years.

**NOTE 3 – VESSEL AND OTHER FIXED ASSETS**

On January 23, 2007 the Company purchased the Weatherbird II shipping vessel in anticipation of closing the agreement to acquire Planktos. The acquisition closed on August 9, 2007.

Vessel and other fixed assets consist of the following at September 30, 2007 and December 31, 2006:

	<u>September 30,</u> <u>2007</u>	<u>December 31,</u> <u>2006</u>
Research Vessel "Weatherbird II"	\$ 800,000	\$ -
Marine Equipment	<u>23,306</u>	<u>-</u>
	823,306	-
Accumulated Depreciation	<u>26,579</u>	<u>-</u>
Net Vessel & Equipment	<u>\$ 796,727</u>	<u>\$ -</u>

**PLANKTOS CORP**  
**(Formerly Diatom Corporation)**  
**CONDENSED FOOTNOTES TO INTERIM FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**NOTE 4 – RELATED PARTY TRANSACTIONS**

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

During the nine months ended September 30, 2007, the Company received an additional \$98,000 from a related party. The Company additionally paid back \$162,000 in previous loans during the nine months ended September 30, 2007. As of September 30, 2007 the Company owes this related party \$97,511.

During 2007, the Company received an additional \$400,000 from related parties and has recorded accrued interest payable of \$17,951 related to these loans.

**NOTE 5 – CAPITAL STOCK**

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.

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 effected 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.

On May 31, 2007 a requisite number of shareholders authorized the amendment to the Articles of Incorporation of the Company to increase the number of shares authorized for issuance to 250,000,000 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.

On June 26, 2007, the Company issued 600,000 common shares on the exercise of 600,000 purchase warrants at \$0.1667 share for cash proceeds of \$100,000.

In August 2007, the Company cancelled 45,000,000 shares of common stock and issued 45,000,000 shares of common stock in exchange for all of the outstanding stock of Planktos, Inc.

During the three months period ended September 30, 2007, the Company issued a total of 1,078,000 common shares at \$1.00 per share for the cash proceeds of \$1,078,000.

**PLANKTOS CORP**  
**(Formerly Diatom Corporation)**  
**CONDENSED FOOTNOTES TO INTERIM FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**NOTE 5 – CAPITAL STOCK - continued**

Warrants

A summary of the Company's warrants at September 30, 2007 and December 31, 2006 and the changes for 2007 are as follows:

	<u>Warrants Outstanding</u>	<u>Weighted Average Exercise Price</u>	<u>Weighted Average Remaining Life</u>
Balance, December 31, 2006	600,000	\$ 0.16	-
Issued	5,525,000	0.32	1.30
Exercised / Cancelled / Expired	<u>(600,000)</u>	<u>0.16</u>	<u>-</u>
Balance September 30, 2007	<u>5,525,000</u>	<u>\$ 0.32</u>	<u>1.30 years</u>

**PLANKTOS CORP**  
**(Formerly Diatom Corporation)**  
**CONDENSED FOOTNOTES TO INTERIM FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**NOTE 6 – PRO FORMA**

The following pro forma information for the three and nine months ended September 30, 2007, as if the reverse acquisition of Planktos was consummated on January 1, 2007. The pro forma information is not necessarily indicative of the combined financial position or results of operations, which would have been realized had the acquisition been consummated during the period for which the pro forma financial information is presented.

**CONSOLIDATED STATEMENT OF OPERATIONS – PRO FORMA**

**For the Three Months Ended September 30, 2007**

	<b>Planktos Corp. July 1 – Aug 8, Combined Aug 9 – Sept 30</b>	<b>Planktos, Inc. July 1 - Aug 8</b>	<b>Eliminations</b>	<b>Pro Forma Consolidated</b>
REVENUES	\$ -	\$ -	\$ -	\$ -
OPERATING EXPENSES				
General and administrative	281,408	30,298		311,706
Marketing and selling	-	-		-
Research and development	100,000	-		100,000
Vessel operating costs	172,702	-		172,702
Total Operating Expenses	554,110	30,298	-	584,408
LOSS FROM OPERATIONS	(554,110)	(30,298)	-	(584,408)
OTHER INCOME (EXPENSE)				
Other income	13,606	-		13,606
Interest income	328	-		328
Charitable contribution	-	-		-
Interest expense	(17,951)	-		(17,951)
Write down of marketing rights	-	-		-
Total Other Income (Expense)	(4,017)	-	-	(4,017)
NET LOSS BEFORE INCOME TAX	(558,127)	(30,298)	-	(588,425)
INCOME TAX EXPENSE	-	-	-	-
NET LOSS	\$ (558,127)	\$ (30,298)	\$ -	\$ (588,425)

**PLANKTOS CORP**  
**(Formerly Diatom Corporation)**  
**CONDENSED FOOTNOTES TO INTERIM FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**NOTE 6 – PRO FORMA - continued**

**CONSOLIDATED STATEMENT OF OPERATIONS - PROFORMA**

For the Nine Months Ended September 30, 2007 (Unaudited)

	<b>Planktos Corp. Jan 1 – Aug 8, Combined Aug 9 – Sept 30</b>	<b>Planktos, Inc. Jan 1 - Aug 8</b>	<b>Eliminations</b>	<b>Pro Forma Consolidated</b>
REVENUES	\$ -	\$ -	\$ -	\$ -
OPERATING EXPENSES				
General and administrative	934,138	169,856		1,103,994
Marketing and selling	-	-		-
Research and development	225,000	-		225,000
Vessel operating costs	690,469	68,754		759,223
Total Operating Expenses	<u>1,849,607</u>	<u>238,610</u>	<u>-</u>	<u>2,088,217</u>
LOSS FROM OPERATIONS	<u>(1,849,607)</u>	<u>(238,610)</u>	<u>-</u>	<u>(2,088,217)</u>
OTHER INCOME (EXPENSE)				
Other income	23,258	-		23,258
Interest income	334	-		334
Charitable contribution	(27,500)	-		(27,500)
Interest expense	(17,951)	-		(17,951)
Write down of marketing rights	-	-		-
Total Other Income (Expense)	<u>(21,859)</u>	<u>-</u>	<u>-</u>	<u>(21,859)</u>
NET LOSS BEFORE INCOME TAX	<u>(1,871,466)</u>	<u>(238,610)</u>	<u>-</u>	<u>(2,110,076)</u>
INCOME TAX EXPENSE	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET LOSS	<u>\$ (1,871,466)</u>	<u>\$ (238,610)</u>	<u>\$ -</u>	<u>\$ (2,110,076)</u>

**PLANKTOS CORP**  
**(Formerly Diatom Corporation)**  
**CONDENSED FOOTNOTES TO INTERIM FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2007**

**NOTE 7 – INCOME TAXES**

At September 30, 2007 the Company had deferred tax assets calculated at an expected rate of 34% of approximately \$1,765,920 principally arising from net operating loss carryforwards for income tax purposes. As management of the Company cannot determine that it is more likely than not that the Company will realize the benefit of the deferred tax asset, a valuation allowance equal to the net deferred tax asset has been established at September 30, 2007 and December 31, 2006. The significant components of the deferred tax asset at September 30, 2007 and December 31, 2006 were as follows:

	September 30, 2007	December 31, 2006
Net operating loss carryforward	\$ 1,765,920	\$ 1,129,615
Deferred tax asset valuation allowance	(1,765,920)	(1,129,615)
Deferred tax asset	\$ -	\$ -

At September 30, 2007, the Company has net operating loss carryforwards of approximately \$5,193,884 which will expire in the years 2019 through 2022. The Company recognized approximately \$250,000 of the losses from the write down of marketing rights in fiscal 2006, which are not deductible for tax purposes and are not included in the above calculation of deferred tax assets. The change in the allowance account from prior year to current was \$636,305.

**NOTE 9 – SUBSEQUENT EVENTS**

On October 1, 2007, Planktos entered into a services and equipment rental agreement with the University of Miami/Harbor Branch Oceanographic Institute (“HBOI”). This agreement consists of a yearly rental of approximately \$325,000 in science equipment and technical assistance. On October 23, 2007, Planktos paid HBOI \$93,954.75 as a pre-payment for the first three months of rental service.

On November 14, 2007, the Company authorized the issuance of 1,078,000 shares of common stock for cash consideration of \$1.00 per share for the cash proceeds of \$1,078,000 received within the three months ended September 30, 2007 pursuant to the exemptions from registration provided by Section 4(2) and Regulation S of the Securities Act of 1933, as amended.



## **ITEM 2. MANAGEMENT'S PLAN OF OPERATIONS**

The following plan of operations 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. We changed our name to "GYK Ventures, Inc." on September 23, 2002, and to "Diatom Corporation" on July 8, 2005. On March 7, 2007, 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 Planktos' 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' marine based sequestration process.

On January 12, 2007, we entered into a Securities Exchange Agreement and Plan of Exchange (the "Agreement") 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. We obtained shareholder approval of the acquisition on May 31, 2007. On August 9, 2007, the Company concluded the terms of the Agreement, pursuant to which we acquired Planktos from Solar. Because the shares issued in the acquisition changed control of the Company, Planktos is deemed for financial reporting purposes to have acquired the Company in a reverse acquisition.

### ***Planktos, Inc. and Carbon Credits***

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 CO<sub>2</sub> in the deep ocean for centuries or more. On land, Planktos' Hungarian partner KlimaFa (translated as "Climate Forest") is planting 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.

Planktos is pioneering natural science intensive marine and terrestrial ecorestoration programs 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.

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 which nature has delivered to sustain the oceans throughout history, but that has been on the decline for thirty years. 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 O<sub>2</sub> levels (more plankton results in more oxygen as some 60% of the earth’s O<sub>2</sub> is produced by plankton)
- Preserves coral reefs by reducing the acidity of the oceans.

Our research vessel, the Weatherbird II, is equipped with state of the art research equipment which is available to us from a leading ocean research technology group that routinely equips US research vessels. The ship is fully equipped to embark on ocean ecorestoration and other science missions. Over the coming years, work aboard the Weatherbird will provide the critical data and knowledge required by project development documents and methodologies, which will lead to verifiable certifiable climate change projects among those nations who are signatories to the Kyoto Accord. Beginning in 2008, the public will be able to follow the progress of the Weatherbird’s research via web casts and regular updates on Planktos’ website.

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

A tree is composed of about 50% carbon which is produced by removing CO<sub>2</sub> from the air through photosynthesis. KlimaFa 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 CO<sub>2</sub> 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.

KlimaFa's first project is near the Bukk National Park in northeastern Hungary. The area is a large tract of environmentally degraded, abandoned land, one of many in former Eastern bloc countries. The land was originally called Forest Island, cleared in the Middle Ages for farming and currently overgrown with weeds. As a forest grows to replace this wasteland, we expect to absorb 10 times the carbon that is currently absorbed.

## **Plan of Operation**

During the nine months ended September 30, 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 CO<sub>2</sub> sequestration process, conducting a private placement of common stock, purchasing the Weatherbird II research vessel, and closing the acquisition of Planktos. We are now intent on the development our business plan.

The Company, through Planktos, is currently working with US and European marine research teams to plan and launch significant ocean iron fertilization projects. 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.

Subsequent to the period ended September 30, 2007, our Weatherbird II research vessel began its first effort, the "Voyage of Recovery." This voyage is intended to enable the first of a series of up to 6 commercial scale ocean plankton blooms over the next 24 months designed to verifiably sequester a total of between 24 and 30 million tons of CO<sub>2</sub>. Post 2008 projects include additional ships and larger blooms with a target of 250 million tons of verified CO<sub>2</sub> sequestration by 2010.

The Company, through KlimaFa, has initiated the planting of thousands of hectares of new, permanently protected, native forests or "climate parks" in Europe. Subsequent to the period ended September 30, 2007, KlimaFa, using local labor, has cleared weeds in our first project near the Bukk National Park. In cleared areas we have begun planting native saplings like willows, beeches, ash, certain poplars, and oaks.

The Company 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.

Our plan of operation will require \$2,000,000 in funding over the next 12 months, over \$1,000,000 of which has been raised by an equity financing of our common stock as of the period ending September 30, 2007. We are confident that the remainder of the \$1,400,000 slated for the Weatherbird II and the \$600,000 devoted to the completion of the first stage of our planting efforts in Hungary through KlimaFa will be made available from additional debt or equity financings tied to sales of 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, 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 September 30, 2007, the Company incurred a net loss of \$2,612,736. Net losses for the three month period ended September 30, 2007 were \$558,127 as compared to \$154,326 for the three months ended September 30, 2006. Net losses for the nine month period ended September 30, 2007 were \$1,871,466 as compared to \$436,800 for the nine months ended September 30, 2006. The Company's net losses are attributable to vessel operating expenses, research and development costs, and general and administrative expenses. The vessel operating expenses and R & D have been incurred in connection with the first voyage of the Weatherbird II, which set sail subsequent to the period ended September 30, 2007. 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 2008.

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

The Company has a prospective income tax benefit resulting from a net operating loss carryforward and start up costs that may 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**

In the nine months ended September 30, 2007, the Company expended \$800,000 on the Weatherbird II research vessel and \$23,306 on marine equipment. We expended no significant amounts on capital expenditures for the period from inception to December 31, 2006.

### **Liquidity and Capital Resources**

As of September 30, 2007, the Company had current assets totaling \$670,698 and a working capital surplus of \$103,583. These assets consist of cash on hand of \$586,712 as well as prepaid expenses and a receivable. Net stockholders' equity in the Company was \$905,030 at September 30, 2007. We are in the development stage and, since inception, have experienced significant changes in liquidity, capital resources, and shareholders' equity.

Cash flow used in operating activities was \$2,522,335 for the period from inception to September 30, 2007. Cash flow used in operating activities for the nine month period ended September 30, 2007 was \$1,817,855 as compared to \$412,503 for the nine months ended September 30, 2006. The increase in cash flow used in operating activities in the current nine month period was due primarily to an increase in net losses from operations.

Cash flow used for investing activities was \$1,104,892 for the period from inception to September 30, 2007. Cash flow used for investing activities for the nine month period ended September 30, 2007 was \$1,104,892 as compared to \$0 for the nine months ended September 30, 2006. Cash flow used for investing activities is attributed to the acquisition of Planktos.

Cash flow provided by financing activities was \$2,004,155 for the period from inception to September 30, 2007. Cash flow provided by financing activities for the nine month period ended September 30, 2007 was \$1,145,437 as compared to \$693,658 for the nine months ended September 30, 2006. Cash flow provided by financing activities in the current nine month period can be attributed to the sale of common stock on a private placement basis as well as related party loans.

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. We have no current commitments or arrangements with respect to, or immediate sources of funding. Further, no assurances can be given that funding will be available or available to us on acceptable terms. 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 shareholders will 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. Our inability to obtain adequate funds will adversely affect our operations and the Company's ability to implement its plan of operation.

The Company has no current plans for the purchase or sale of any plant or equipment. We have no current plans to make any changes in the number of employees.

### **Off Balance Sheet Arrangements**

As of September 30, 2007, the Company has no significant off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures, or capital resources that are material to stockholders.

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

The statements contained in the section titled *Management's Plan of Operation*, 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; and
- the volatility of the stock market.

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, 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.

## **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 the beginning of our development stage, our operations have resulted in a continuation of losses and an accumulated deficit which reached \$741,271 at December 31, 2006 and had increased to \$2,612,736 at September 30, 2007. Our net loss for the nine month period ended September 30, 2007 was \$1,871,466. 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.

*Planktos will not likely be profitable in the next twelve months and may never be profitable.*

Planktos is in the process of implementing its iron-fertilization prove-out program and is not expected to be profitable within the next twelve months. While the prove out program can hypothetically produce profits, we cannot be assured that iron-fertilization will live up to our expectations or that revenue will ever be produced as a result of our attempts to sequester carbon credits.

*We will need additional financing to fund Planktos.*

We will need additional capital to fund Planktos to completion of 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 our ability to fund Planktos will 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 their selling shares. 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, 2007, 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. If we are unable to assert that our internal controls are effective as of December 31, 2007, 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 September 30, 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 September 30, 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 November 14, 2007, the Company authorized the issuance of 1,078,000 shares of common stock for cash consideration of \$1.00 per share for the cash proceeds of \$1,078,000 received within the three months ended September 30, 2007 pursuant to the exemptions from registration provided by Section 4(2) and Regulation S of the Securities Act of 1933, as amended, to the following subscribers:

Date of Subscription Agreement	Subscriber	Number Of Shares	Consideration
July 19, 2007	Lorenz Consulting	150,000	\$150,000
July 25, 2007	TCE Source	75,000	\$75,000
August 15, 2007	Urs Angst	853,000	\$853,000

The Company complied with Section 4(2) based on the following factors: (1) the issuances were isolated private transactions that did not involve a public offering; (2) there were three offerees who were issued the stock for cash consideration; (3) the offerees 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 led to the subscription of the stock took place directly between the offerees 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: (1) having made no directed offering efforts in the United States; (2) offering only to offerees who were outside the United States at the time the stock was offered and authorized; and (3) ensuring that the offerees to whom the stock will be issued are non-U.S. offerees with addresses in foreign countries.

### **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 28 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 7<sup>th</sup> day of December 2007.

**PLANKTOS CORP.**

/s/ Russ George

Russ George

Chief Executive Officer, Chief Financial Officer and Principal Accounting Officer

## EXHIBITS

<i><b>Exhibit No.</b></i>	<i><b>Page No.</b></i>	<i><b>Description</b></i>
3(i)(a)	*	Articles of Incorporation (incorporated by reference to the Corporation's Form 10-SB filed with the Commission on January 31, 2000)
3(i)(b)	*	Amendment of the Corporation's Articles of Incorporation (incorporated by reference to the Corporation's Form 8-K filed with the Commission on September 24, 2002)
3(i)(c)	*	Amendment of the Corporation's Articles of Incorporation (incorporated by reference to the Corporation's Form 8-K filed with the Commission on August 10, 2007)
3(i)(d)	*	Amendment of the Corporation's Articles of Incorporation (incorporated by reference to the Corporation's Form 8-K filed with the Commission on August 10, 2007)
3(i)(e)	*	Amendment of the Corporation's Articles of Incorporation (incorporated by reference to the Corporation's Form 8-K filed with the Commission on August 10, 2007)
3(ii)	*	By-laws (incorporated herein by reference to the Corporation's Form 10-SB filed with the Commission on January 31, 2000)
10(i)	*	Iron-Fertilization Prove-Out and Purchase Agreement with Solar, dated August 17, 2005 (incorporated by reference to the Corporation's Form 10-QSB/A filed with the Commission on September 7, 2005)
10(ii)	*	Securities Exchange Agreement and Plan of Exchange with Solar, dated January 12, 2007 (incorporated by reference to the Corporation's Form 8-K filed with the Commission on January 19, 2007)
31	Attached	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32	Attached	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.

## 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: December 7, 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 September 30, 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.

Date: December 7, 2007

/s/ Russ George

Russ George

Chief Executive Officer and Chief Financial Officer

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.