



**CONTINENTAL  
PRECIOUS**  
MINERALS INC.

# 2008 ANNUAL REPORT

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# CONTINENTAL PRECIOUS MINERALS INC.

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## DEAR SHAREHOLDERS:

This year has been another very active year for Continental. Our exploration program in the Kingdom of Sweden on our Viken Licence and surrounding licences has delineated a world class multi-mineral resource. Our press release of April 11, 2008 (available on SEDAR at [www.sedar.com](http://www.sedar.com)) refers to our latest estimate of resources for our Viken Licence.

The company has now initiated a local stake holders program in the region, which consists of visiting and presenting to the local communities the nature of our existing and future plans.

The company has commenced a metallurgical review of the previous work carried out by the Swedish Geological Survey, in addition to extensive analysis by our own consultants. Our consultants are The Alberta Research Council and S.G.S. These firms are considered to be amongst the most preeminent in the industry.

The company has also commenced a preliminary economic assessment study on the Viken Licence. The company's expectation is that the economics for this project will be robust.

The company has had a number of ongoing discussions with potential joint venture partners and potential buyers of some of our licences in Sweden, all of which are encouraging.

Continental plans to continue to do assessment work on our many licences in order to comply with Swedish Government requirements.

The present stock market conditions are not favorable, but your company remains well funded and can survive this period with ample funds to carry out its objectives.

("Signed")

Ed Godin

President and Chief Executive Officer

September 15, 2008

**CONTINENTAL PRECIOUS MINERALS INC.**  
**Management Discussion & Analysis**  
**For the year ended May 31, 2008**

This Management Discussion & Analysis ("MD&A") of Continental Precious Minerals Inc. ("Continental" or the "Company") is dated August 28, 2008 and provides an analysis of the Company's performance and financial condition for the year ended May 31, 2008 as well as an analysis of future prospects. This MD&A should be read in conjunction with the Company's audited consolidated financial statements for the years ended May 31, 2008 and 2007, including the related note disclosure, all of which are prepared in accordance with generally accepted accounting principles in Canada. All amounts are in Canadian dollars unless otherwise specified. Additional information relating to the Company, including the annual information form for the year ended May 31, 2008 are available on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com).

Certain statements contained in this MD&A constitute forward-looking statements. The use of any of the words "believe", "expect", "estimate", "will", "should", "intend" and similar expressions are intended to identify forward-looking statements. These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements. The Company believes these expectations reflected in those forward-looking statements are reasonable but no assurance can be given that these expectations will prove to be correct and such forward looking statements included herein should not be unduly relied upon.

Examples of such forward-looking statements include, but are not limited to, statements concerning:

- estimates of resources and the potential to expand resources further;
- the expectation that the Company's current cash position makes the Company well-positioned to finance its planned exploration activities in Sweden; and
- planned drilling and other activities.

In making these and other forward looking statements, we have assumed that the drilling programs will go according to expectations, that any opposition to exploration and development can be overcome, and that all required regulatory approvals can be obtained and that the Company will not be subject to any unexpected expenditures. Actual results and developments may differ materially from those contemplated by the forward looking statements if any of these assumptions prove incorrect or as a result of the risk factors discussed elsewhere in this MD&A.

Readers are cautioned that the foregoing list of factors is not exhaustive. The forward-looking statements contained herein are expressly qualified by this cautionary statement.

The forward-looking information contained in this MD&A represents our expectations as of the date of this MD&A and, accordingly, is subject to change after such date. We expressly disclaim any intention or obligation to update or revise any forward-looking information, whether as a result of new information, future events or otherwise, except as required by applicable law.

## **OVERALL PERFORMANCE**

### **Principal Business and Corporate History**

Continental is a reporting issuer that graduated to the Toronto Stock Exchange on February 15, 2007 and trades under the symbol "CZQ". The Company was amalgamated with Fin Resources Inc. under the laws of the Province of Ontario, Canada by Articles of Amalgamation dated July 7, 1987. Since amalgamation, Continental's main business focus has been in the natural resources industry which included portfolio investments in common shares of other companies involved in exploration, development and production of natural resources. Since March 2005, the Company's main business focus has been to acquire and explore mineral properties for uranium and other minerals in Sweden. To

date, Continental has not earned any revenues from its mineral property interests and is considered to be in the development stage.

Continental set the Company focus on uranium exploration as the global demand for alternative sources of energy brought the uranium industry back to life. New uranium discoveries and revival of previously explored uranium deposits are being well received by the investment community. Continental intends to build on this industry trend as it continues to advance its mineral property interests in Sweden and continues to apply for additional mineral exploration licenses. A number of Continental's licenses in Sweden also cover alum oil shales. Historical production of kerogen from alum oil shales is also of interest to Continental.

### **Uranium Exploration Projects in Sweden**

The Company now has 100% ownership in 68 mineral exploration licenses in Sweden, the bulk of which are in northern Sweden. Continental is optimistic about these interests as it sees potential in the growth of the uranium industry.

A National Instrument 43-101 compliant technical report ("HRU report") (filed on [www.sedar.com](http://www.sedar.com)) prepared by Andrew H. Phillips of Telluride & Associates was filed by the Company in July 2005 (revised and restated in September 2005), which covered eight of Continental's HRU licenses in Sweden. Seven of the properties covered by the licenses are considered to be advanced stage exploration prospects with gridded, resource definition drilling having been carried out in the late 1970's and early 1980's by the Sveriges Geologiska Undersökning or Geological Survey of Sweden ("SGU").

The Company filed a National Instrument 43-101 report on June 22, 2007, and an updated report on August 30, 2007 and a further updated report on April 11, 2008 (filed on [www.sedar.com](http://www.sedar.com)) ("Viken report"). The Viken report was prepared by Gerald A. Harron, of G.A. Harron & Associates Inc, Eugene Puritch of P&E Mining Consultants Inc. and Fred Brown of FHB Consulting Services Inc. The Viken report covers the Company's 100% owned MMS Viken license in Sweden. The drilling program is on-going on the Viken MMS license and surrounding licenses and is designed to test the continuity and grade of the mineralization peripheral and outward from the inferred resource.

### **Current Exploration Drilling Program**

The Company's field work focused on the Viken MMS Licence and surrounding licences, with some drilling on HRU Licences. The Company has completed drilling of 62 holes (11,828 metres) since the Company began drilling on the Viken MMS Licence. The Company has conducted a more concentrated investigation within the main target area of the Viken MMS Licence as well as exploratory drilling in the surrounding licences. The Company is currently drilling on the MMS Cal Licences. In late fall/winter, the Company will undertake drilling in southern Sweden on the Company's MMS (VG) Licences and MMS (Närke) Licences where targets will be tested both regionally and on a few selected targets in greater detail.

On the HRU Licences, the Company's work included drilling on the Nojdfjallet licence and other geophysical work (gamma survey) close to potential new drill sites at the Lill-Juthatten licence. One drill hole has been undertaken on the Abborrviken licence which penetrated uranium mineralization.

The most recent update of the resource estimate for the MMS Viken license for uranium oxide, as well as vanadium oxide, molybdenum oxide and nickel, almost doubles the prior inferred resource estimate for the MMS Viken License, with slightly lower grades for each of the metals. The inferred resource includes approximately 437 million pounds of uranium oxide (1.166 billion tonnes, grading 0.33 lbs/t  $U_3O_8$ ). These significant levels of uranium, as well as vanadium and other metals, point to the potential to expand the resources further in this area.

Due to the recent success in substantially increasing its inferred resource estimate, the Company has reached a stage where its strategy of pursuing opportunities that will be beneficial to the Company and its shareholders may include establishing strategic alliances with partners or the sale of an asset.

### Zencor Technology Agreement

Continental is continually assessing business development opportunities to allow for the advancement of its mineral exploration properties. In September 2006, the Company entered into a collaborative technology development and deployment agreement with Zencor Technology Ltd. ("Zencor"), a company that has represented to the Company that it owns proprietary technology developed to extract or separate kerogen and other minerals from Alum Oil Shale Formation. In this collaborative arrangement, Zencor has granted to the Company a perpetual, exclusive, transferable, royalty-free license to use and exploit the technology in Sweden and Zencor agreed to pay a 2% gross revenue royalty from use of the technology in certain applications. If the Company is satisfied with the findings of an independent validation test it will fund the costs of a pilot plant, to a maximum of \$1,000,000 for both the validation test and pilot plant. The Company is required to issue up to an aggregate of 100,000 common shares. The first 50,000 have been issued and the second 50,000 will be issued upon completion of a validation test.

## SELECTED ANNUAL & QUARTERLY INFORMATION

### Selected Annual Information

	Year ended May 31, 2008 \$	Year ended May 31, 2007 \$	Year ended May 31, 2006 \$
Interest and other income	1,264,072	684,806	22,015
Net income (loss)	(5,336,379)	(6,263,080)	(1,150,747)
Income (loss) per share	(0.11)	(0.18)	(0.10)
Cash	323,674	6,782,661	7,877,877
Short term investments	28,132,776	25,829,408	5,020,137
Total assets	36,883,787	35,083,681	13,312,265
Total liabilities	312,511	269,301	56,841
Shareholders' Equity	36,571,276	34,814,380	13,255,424

### Selected Quarterly Information

Three Months Ended	Net Revenues \$	Net Income (loss) Total \$	Per Share \$	Total Assets \$
May. 31, 2008	263,777	(589,820)	(0.01)	36,883,787
Feb. 29, 2008	319,960	(397,331)	(0.01)	37,553,013
Nov. 30, 2007	375,728	(3,155,786)	(0.07)	37,051,411
Aug. 31, 2007	304,607	(1,193,442)	(0.03)	35,881,784
May 31, 2007	274,159	(3,048,677)	(0.09)	35,083,681
Feb. 28, 2007	240,971	(1,786,533)	(0.04)	29,404,118
Nov. 30, 2006	94,204	(627,943)	(0.02)	29,170,943
Aug. 31, 2006	75,472	(799,927)	(0.03)	13,560,225

Continental has maintained steady progress on its project exploration and has not experienced a great deal of variance from quarter to quarter due to any seasonal or cyclical factors. In the most recent

quarter, the lighter impact of the stock option compensation accrual reduced the net loss compared to the previous four quarters. The stock option compensation has been the main contributor to the larger overall net loss seen in the preceding four quarters. Overall expenses and resulting net loss for the Company continue as the Company increases activity on projects and continues to develop its business.

## RESULTS OF OPERATIONS

Continental reported a loss for the year ended May 31, 2008 of \$5,336,379 (2007 - \$6,263,080) which included a significant non-cash expense of \$4,750,811 (2007 - \$5,223,132) for stock options granted during the financial year. For the fourth quarter ended May 31, 2008, the net loss amounted to \$589,820 (2007 - \$3,048,677), of which the stock-option compensation expense was \$531,735 (2007 - \$2,770,302).

Continental is an exploration company and the income totalling \$1,290,282 for the year ended May 31, 2008 (2007 - \$684,806) was a result of \$1,264,072 through interest and other income (2007 - \$684,806) and \$26,210 gain on the sale of marketable securities (2007 - Nil).

Travel and business development expenses were \$771,919 for the year ended May 31, 2008 (2007 - \$553,281). The increased expense compared to the previous year can be attributed to several factors, including increased travel between Toronto (where the head office of the Company is located) and Sweden, as well as travel to meet with investors, and potential strategic alliance partners. For the fourth quarter ended May 31, 2008 the travel and business development expenses were \$105,032 compared to \$198,167 in 2007.

Continental's increased activity on its mineral exploration property interests has resulted in more expenses being incurred in consulting fees, as Continental looks to financial advisors and outside consultants for additional support and administration of the business.

	3 months ended		Year ended	
	May 31, 2008	May 31, 2007	May 31, 2008	May 31, 2007
Management Compensation	\$ 37,307	\$ 199,450	\$ 147,047	\$ 295,584
Consulting Fees	80,500	(27,750)	271,250	150,000
Directors' Fees	24,000	55,730	155,750	168,750

The increase in consulting fees during the year ended May, 2008 was due to the preparation of the updated MMS Viken technical report. The negative consulting fees for the 4<sup>th</sup> quarter 2007, is due to expenses previously corrected between categories.

As a reporting issuer listed on the TSX, Continental incurs listing and maintenance fees and requires the assistance of legal counsel and auditors. With the Company's increased activity, the involvement of the professionals has shown an increase in the expenses incurred. For stock exchange listing and maintenance fees, the costs have gone down compared to the same period of the year before due to higher costs involved with financing activity during the same period last year. The comparison can be seen below:

	3 months ended		Year ended	
	May 31, 2008	May 31, 2007	May 31, 2008	May 31, 2007
Professional fees	\$ 62,158	\$ 53,556	\$ 317,972	\$ 144,376
Stock exchange fees	-	15,762	10,913	212,214
Transfer agent fees	4,193	13,672	26,097	67,506

The Company has put a lot of effort into shareholder relations over the past year; introducing new investors, and building a presence as an issuer on the TSX. Shareholder relations' expense for the

quarter ended May 31, 2008 was \$8,209 (2007 - \$7,640). For the year ended May 31, 2008, the Company spent a total of \$55,940 (2007 - \$43,180)

Office and general expenses for the Company for the year ended May 31, 2008 and 2007 can be further broken down as follows:

	Three Months Ended May 31, 2008	Year Ended May 31, 2008	Year Ended May 31, 2007
Office and General			
Accounting and corporate services	\$ 11,780	\$ 55,000	\$ 34,340
Expense allowance	4,500	20,440	16,500
General and rent expense	1,532	10,994	13,058
Capital tax	-	390	13,754
Foreign exchange	-	237	(208)
Telephone, fax, internet	108	443	245
Insurance	7,560	26,526	12,174
Interest & bank charges	1,194	4,932	-
<b>Total</b>	<b>\$ 26,674</b>	<b>\$ 118,962</b>	<b>\$ 89,863</b>

For the year ended May 31, 2008, the Company spent \$118,962 (2007 - \$90,566) on office and general expenses. Overall, the business growth and activities have resulted in increased office and general expenses, and insurance.

#### LIQUIDITY AND CAPITAL RESOURCES

Continental had working capital of \$28,212,446 as at May 31, 2008 (May 31, 2007 - \$32,535,112) with a cash balance of \$323,674 (May 31, 2007 - \$6,782,661). The Company holds \$28,132,776 in short term deposits (May 31, 2007 - \$25,829,408) that are not exposed to any significant risk. The decrease of cash from \$6,782,661 at the year ended May 31, 2007 is primarily due to the purchase of marketable securities of \$520, short-term deposits of \$2,303,368, and expenditures on mineral properties of \$6,079,562. These decreases in cash were offset by proceeds on the sale of marketable securities of \$42,635 and proceeds from the issuance of shares on exercise of outstanding warrants and options of \$2,344,500.

Given the Company's current cash position, Continental is well-positioned to finance its planned exploration activities at its mineral exploration properties in Sweden.

#### Outstanding Share Data

As at August 28, 2008, the Company's share capital consisted of:

Shares outstanding	47,576,329
Options outstanding <sup>(i)</sup>	5,841,516
Warrants <sup>(ii)</sup>	11,927,460

#### (i) Options outstanding

Expiry Date	No. of Options	Exercise Price
March 10, 2010	239,016	\$0.19

Expiry Date	No. of Options	Exercise Price
April 12, 2010	40,000	\$0.25
October 7, 2010	172,500	\$0.90
April 25, 2011	800,000	\$2.15
July 7, 2011	100,000	\$2.76
July 19, 2011	250,000	\$2.78
December 7, 2011	2,050,000	\$1.80
December 8, 2011	300,000	\$1.83
December 13, 2011	300,000	\$1.81
June 4, 2010	200,000	\$2.93
June 25, 2010	50,000	\$2.55
October 22, 2012	1,230,000	\$2.15
March 6, 2013	75,000	\$0.98
March 25, 2013	35,000	\$0.85

(ii) Warrants outstanding

Expiry Date	No. of Warrants	Exercise Price
November 28, 2008	984,997	\$1.30
November 28, 2008	4,942,463	\$1.75
March 29, 2009	2,560,378	\$1.00
May 11, 2009	3,439,622	\$1.00

**RESOURCE PROPERTIES**

The following is a breakdown of the \$8,278,830 accumulated expenditures on the Sweden uranium project as at May 31, 2008.

	May 31, 2008
Beginning of period, May 31, 2007	\$ 2,199,268
Drilling	2,538,906
Consulting	1,011,128
Geology	724,966
Geophysics	16,352
Professional fees	36,000
Data management	4,320
Assays, maps and reports	498,598
Equipment	-
Transportation	217,170
Exploration management	224,078
Travel and meals	152,947
Acquiring data, selecting targets, map preparation and landowner data	136,681
License acquisition and holding costs	201,952 <sup>(1)</sup>
General	316,464

	May 31, 2008
As at May 31, 2008	\$ 8,278,830

Note:

- (1) Adjusted for reclassification of costs to other categories

Continental first acquired interests in mineral exploration licenses in Sweden in 2005 upon the acquisition by Continental of a group of mineral exploration licenses, now referred to by Continental as its HRU Licenses (denoting hard rock uranium targets), from Geoforum Scandinavia AB, a private company. As consideration, Geoforum received 300,000 common shares of Continental, a cash payment of \$40,000 of which \$25,000 was utilized by Geoforum to pay the costs of applying for and obtaining the licenses and a 5% net profit interest in any mineral production from the properties covered by the mineral exploration licenses.

Since March 2005, Continental has continued, through Geoforum acting as an independent contractor, to apply for additional mineral exploration licenses. As a result of these efforts, Continental now holds 68 mineral exploration licenses in Sweden. In addition to being reimbursed for the costs of license application fees and being compensated for time spent at rates that are within industry standards, Geoforum has a 5% net profit interest in mineral production from the properties covered by each of the mineral exploration licenses held by Continental.

Of the 68 mineral exploration licenses, 20 are referred to by the Company as its MMS (Multi Metal Sediment) Licenses, 23 are referred to as the MMS Cal Licenses (referring to MMS targets along the Caledonian mountain chain), 7 are referred to as the MMS (Närke) Licenses, 5 are referred to as the MMS (VG) and 13 are referred to as the HRU Licenses.

Each of the licenses were issued between February 2005 and June 24, 2008, are valid for three years and are renewable subject to satisfactory work programs having been carried out. A few of the licenses are in the process of being renewed for an additional term of three years. They also confer the right to apply for a mining license once an economic deposit has been located.

#### HRU Licenses

As previously noted, seven of the HRU Licenses are considered to be advanced stage exploration prospects with gridded, resource definition drilling having been carried out in the late 1970's and early 1980's by the SGU. The HRU report contained an estimate of indicated resources of 4,987,000 tonnes at grades ranging from 0.068% to 0.117% uranium, being 6,043.8 tonnes of uranium oxide (or 13,320,000 pounds of uranium oxide) and inferred resources of 3,654,000 tonnes at grades ranging from 0.026% to 0.101% uranium, being 3,290 tonnes of uranium oxide (or 7,251,000 pounds of uranium oxide).

On October 30, 2007, the Company received a metallurgical report from SGS Lakefield Research Ltd. on several core samples from the Skuppesavon, Pleutajokk, Sågtjärn, Lill-Juthatten, Kvarnån, Björkråmyran and Nöjdfjället licenses. These samples were subject to acid leach test work aimed at evaluating various process parameters and their impact on uranium. A main composite was produced from the 7 samples received and used for scoping level leach test. The ore leached readily in moderately acidic solutions resulting in 95% uranium extraction or better.

During the fiscal year ended May 31, 2008, the Company's work included drilling on the Nöjdfjället licence which is adjacent to the Lill-Juthatten licence and other geophysical work (radiometric survey) close to potential new drill sites at the Lill-Juthatten licence. One drill hole has been undertaken on the Abborrviken licence which penetrated uranium mineralization.

In early August 2008 a minor radon survey was undertaken and will be followed up. The Abborrviken licence lies along strike a couple of kilometres from the Björkråmyran licence.

MMS and MMS Cal Licenses

Continental now holds 20 MMS Licenses, containing alum shale hosted metalliferous deposits and semianthracitic laminae, and 23 MMS Cal Licenses. The MMS License areas are contiguous to semicontiguous and are centred approximately 23 kilometres southwest of the regional centre of Östersund in the Swedish county of Jämtland. The MMS License area was explored by the SGU in the 1970's to early 1980's. The SGU drilled 28 vertical diamond drill holes in an area of approximately 250 square kilometres and analyzed the alum shale cores for uranium, molybdenum, vanadium and organic carbon.

As indicated earlier, the Company is currently drilling on the Viken MMS License and surrounding licenses where the primary objective is to substantially increase Continental's inferred resource.

The Viken report estimated an inferred resource of 1.166 billion tonnes and indicated resource of 13.7 million tonnes on the uranium oxide, vanadium oxide, molybdenum oxide and nickel as set out in the table below:

	U <sub>3</sub> O <sub>8</sub>	V <sub>2</sub> O <sub>5</sub>	MoO <sub>3</sub>	Ni
<b>1.166 billion tonnes of INFERRED RESOURCE</b>				
Grade (lbs/ton)	0.33	5.57	0.71	0.62
Metal oxide (lbs) (000's)	437,046	7,146,994	899,801	796,967
<b>13.7 million tonnes of INDICATED RESOURCE</b>				
Grade (lbs/ton)	0.38	6.10	0.80	0.59
Metal oxide (lbs) (000's)	5,742	92,173	12,088	9,066

MMS (Närke) and MMS (VG) Licenses

The MMS (Närke) licenses are located in southwest Sweden, approximately 140 kilometres northwest of the Billingen-Falbygden district, near the city of Örebro, in the county of Närke. MMS (VG) licenses are 80 kilometres south south-west of the Närke area.

In late fall/winter, the Company will undertake drilling in southern Sweden on the Company's MMS (VG) Licences and MMS (Närke) Licences where targets will be tested both regionally and on a few selected targets in greater detail.

According to a report written on behalf of the SGU in 1985 entitled "The Scandinavian Alum Shales", mining of oil shale took place in the Närke area around the start of WWII, with production commencing in 1942. However, with the renewed import of oil after the war, the project ceased to be economically viable, and production decreased in the late 1950's before ultimately ceasing in 1966. During this period approximately 50 million tonnes of shale were processed.

All costs incurred by the Company to acquire and maintain the Company's mineral exploration licenses in Sweden have been capitalized.

**TRANSACTIONS**

**Related Party Transactions**

The following transactions were in the normal course of operations of the Company and were measured at the exchange value which represented the amount of consideration established and agreed to by the related parties.

During the year ended May 31, 2008, directors of the Company were paid \$155,750 (2007 - \$168,750) for their services as directors, and the president of the Company received \$20,440 (2007 - \$16,500) as

an expense allowance. The President was also reimbursed for out of pocket expenses that occurred in the normal course of business.

For the year ended May 31, 2008, a total of \$147,047 was paid as management compensation to the President and CEO of the Company. For the year ended May 31, 2007, a total of \$295,584 was paid as management compensation to the President and CEO of the Company. Included in the accounts payable and accrued liabilities for the year ended May 31, 2008 are fees totalling \$3,000 payable to the Company's chief financial officer (2007 - Nil).

#### **Off-Balance Sheet Transactions**

The Company has not entered into any off-balance-sheet arrangements.

#### **Proposed Transactions**

There are no proposed transactions at this time.

#### **ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES**

In January 2005, the Canadian Institute of Chartered Accountants issued four new accounting standards: Handbook Section 1530, Comprehensive Income, Handbook Section 3251, Equity, Handbook Section 3855, Financial Instruments - Recognition and Measurement and Handbook Section 3865, Hedges. The Company has adopted these new standards effective June 1, 2007.

#### **FINANCIAL INSTRUMENTS**

The Company's financial instruments consist of cash and cash equivalents, marketable securities, accounts payable and accruals. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments. The fair value of these financial instruments approximates their carrying values, unless otherwise noted.

#### **DISCLOSURE CONTROLS**

Management has ensured that there are disclosure controls and procedures, which provide reasonable assurance that material information relating to the Company is disclosed on a timely basis. Management believes these disclosure controls and procedures have been effective during the year ended May 31, 2008.

#### **CHANGES IN INTERNAL CONTROLS OVER FINANCIAL REPORTING**

During the most recent interim period, there have been no changes in the Company's policies and procedures and other processes that compromise its internal control over financial reporting, that have materially affected, or are reasonably likely to affect, the Company's internal control over financial reporting.

#### **OUTLOOK**

For the next twelve months, the Company plans drilling of approximately 10,000 metres, focusing on the main targets on the Viken MMS Licence and with some drilling in southern Sweden. The Company's metallurgical studies, as well as environmental studies, with respect to the Viken MMS Licence are progressing and the Company will be focussing on getting those completed. Continental has engaged

P&E Mining Consultants Inc. to prepare a preliminary economic assessment on the Company's Viken MMS Licence in Sweden. The preliminary assessment is expected to be completed in the fall of 2008.

The drilling programs referred to above may be adjusted based on results obtained.

### **RISKS AND UNCERTAINTIES**

Mineral exploration companies face many and varied risks. While risk management cannot eliminate the impact of all potential risks, the Company strives to manage such risks to the extent possible and practical.

The principal activity of the Company is mineral exploration and it is inherently risky. Exploration is also capital intensive and the Company currently has no source of income other than interest income. Furthermore, there is no assurance that the Company will be able to achieve development and production at any of its properties within targeted time-frames, as achievement will depend upon a number of factors beyond its control including commodity prices, being able to overcome opposition to exploration and development, being able to obtain all required regulatory approvals and the economic viability of its mineral exploration properties.

In addition to other information set forth elsewhere in the financial statements, readers should carefully consider the risk factors included in the annual information form for the year ended May 31, 2008 filed on SEDAR ([www.sedar.com](http://www.sedar.com)).

**CONTINENTAL PRECIOUS MINERALS INC.**

(A DEVELOPMENT STAGE ENTERPRISE)

**CONSOLIDATED FINANCIAL STATEMENTS**

**May 31, 2008 and 2007**

(AUDITED)

## **Auditors' Report**

To the Shareholders of  
Continental Precious Minerals Inc.

We have audited the consolidated balance sheets of Continental Precious Minerals Inc. (A Development Stage Company) as at May 31, 2008 and 2007 and the consolidated statements of operations and deficit, comprehensive loss, cash flows, shareholders' equity and mineral properties for each of the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2008 and 2007 and the results of its operations and its cash flows for each of the years then ended in accordance with Canadian generally accepted accounting principles.

### **"McCarney Greenwood LLP"**

McCarney Greenwood LLP  
Chartered Accountants  
Licensed Public Accountants  
Toronto, Canada

July 31, 2008

# Continental Precious Minerals Inc.

(A Development Stage Enterprise)

(Expressed in Canadian Dollars)

Consolidated Balance Sheets

As at May 31,

	2008	2007
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 323,674	\$ 6,782,661
Marketable securities (quoted market value - May 31, 2008: \$44,986; May 31, 2007: \$94,024)	44,986	62,927
Short-term investments (Note 4)	28,132,776	25,829,408
Accounts receivable	10,921	20,531
Prepaid expenses	12,600	108,886
	<b>28,524,957</b>	<b>32,804,413</b>
Mineral property (Note 5)	8,278,830	2,199,268
Technology licence (Note 6)	80,000	80,000
	<b>\$ 36,883,787</b>	<b>\$ 35,083,681</b>
<b>Liabilities</b>		
Current liabilities		
Accounts payable and accrued liabilities	\$ 312,511	\$ 269,301
<b>Shareholders' equity</b>		
Share capital (Note 7(b))	30,509,577	26,644,380
Warrants (Note 7(c))	10,195,308	13,855,304
Contributed surplus (Note 7(d))	12,748,739	5,858,629
Deficit	(16,880,312)	(11,543,933)
Accumulated other comprehensive loss	(2,036)	-
	<b>36,571,276</b>	<b>34,814,380</b>
	<b>\$ 36,883,787</b>	<b>\$ 35,083,681</b>

The notes to these consolidated financial statements are an integral part of these statements.

Approved by the Board of Directors:

"Edward Godin" , Director "Patricia Sheahan" , Director

**Continental Precious Minerals Inc.**  
**(A Development Stage Enterprise)**  
**(Expressed in Canadian Dollars)**  
**Consolidated Statements of Operations and Deficit**  
**Year ended May 31,**

	2008	2007	Cumulative since inception of Uranium project March 21, 2005 to May 31, 2008
<b>Expenses</b>			
Consulting fees	\$ 271,250	\$ 150,000	\$ 421,250
Director fees (Note 10)	155,750	168,750	374,500
Management compensation (Note 10)	147,047	295,584	531,317
Office and general	118,962	89,863	266,145
Professional fees	317,972	144,376	522,614
Shareholder relations	55,940	43,180	134,079
Stock exchange fees	10,913	212,214	238,227
Transfer agent fees	26,097	67,506	122,952
Travel and business development	771,919	553,281	1,491,500
Stock based compensation (Note 7(d))	4,750,811	5,223,132	10,724,586
	<b>6,626,661</b>	<b>6,947,886</b>	<b>14,827,170</b>
Net operating loss before the following:	<b>(6,626,661)</b>	<b>(6,947,886)</b>	<b>(14,827,170)</b>
Interest and other income	1,264,072	684,806	1,970,918
Recovery of management fees	-	-	(105,000)
Gain on sale of marketable securities	26,210	-	31,408
Gain on sale of subsidiary	-	-	100
Write-down of marketable securities	-	-	(12,825)
Write-off of investment in Ekwan Technology Corporation	-	-	130,439
	<b>1,290,282</b>	<b>684,806</b>	<b>2,015,040</b>
<b>Net loss for the period</b>	<b>(5,336,379)</b>	<b>(6,263,080)</b>	<b>(12,812,130)</b>
<b>Deficit, beginning of period</b>	<b>(11,543,933)</b>	<b>(5,280,853)</b>	<b>(4,068,182)</b>
<b>Deficit, end of period</b>	<b>\$ (16,880,312)</b>	<b>\$ (11,543,933)</b>	<b>\$ (16,880,312)</b>
Loss per share (Note 8)			
Basic and diluted	\$ (0.11)	\$ (0.18)	

The notes to these consolidated financial statements are an integral part of these statements.

# Continental Precious Minerals Inc.

(A Development Stage Company)

(Expressed in Canadian Dollars)

Consolidated Statements of Comprehensive Loss

Year ended May 31,

	2008	2007	Cumulative since inception of Uranium project March 21, 2005 to May 31, 2008
<b>Net loss for the period</b>	\$ (5,336,379)	\$ (6,263,080)	\$ (12,812,130)
<b>Other comprehensive loss</b>			
Net unrealized loss on available-for-sale marketable securities	(22,559)	-	(22,559)
Reclassification of gain on available-for-sale marketable securities	(10,575)	-	(10,575)
<b>Total comprehensive loss</b>	\$ (5,369,513)	\$ (6,263,080)	\$ (12,845,264)

The notes to these consolidated financial statements are an integral part of these statements.

# Continental Precious Minerals Inc.

(A Development Stage Enterprise)

(Expressed in Canadian Dollars)

Consolidated Statements of Cash Flows

Year ended May 31,

	2008	2007	Cumulative since inception of Uranium project March 21, 2005 to May 31, 2008
<b>Cash flows from operating activities</b>			
<b>Net loss for the period</b>	\$ (5,336,379)	\$ (6,263,080)	\$ (12,812,130)
Adjustments for non-cash items:			
Stock based compensation	4,750,811	5,223,132	10,724,586
Write-down of marketable securities	-	-	12,825
Gain on sale of marketable securities	(26,210)	-	(31,408)
Gain on sale of subsidiary	-	-	(100)
Write-off of investment in Ekwan Technology Corporation	-	-	(130,439)
Changes in non-cash working capital balances:			
Accounts receivable	9,610	(8,679)	101,846
Prepaid expenses	96,286	(108,886)	(12,600)
Accounts payable and accrued liabilities	43,210	212,460	305,774
<b>Cash flows used in operating activities</b>	<b>(462,672)</b>	<b>(945,053)</b>	<b>(1,841,646)</b>
<b>Cash flows from investing activities</b>			
Purchase of marketable securities	(520)	(507)	(1,755)
Proceeds from sale of marketable securities	42,635	-	42,635
Short-term investments	(2,303,368)	(20,809,271)	(28,132,776)
Expenditures on mineral properties	(6,079,562)	(1,859,299)	(8,236,829)
Proceeds on sale of subsidiary	-	-	100
<b>Cash flows used in investing activities</b>	<b>(8,340,815)</b>	<b>(22,669,077)</b>	<b>(36,328,625)</b>
<b>Cash flows from financing activities</b>			
Proceeds from issuance of share capital (net of share issue costs)	2,344,500	22,518,904	38,291,986
<b>(Decrease) increase in cash and cash equivalents during the period</b>	<b>(6,458,987)</b>	<b>(1,095,226)</b>	<b>121,715</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>6,782,661</b>	<b>7,877,887</b>	<b>201,959</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 323,674</b>	<b>\$ 6,782,661</b>	<b>\$ 323,674</b>
<b>Supplement schedule of non-cash transactions</b>			
Shares issued as part of acquisition of mineral properties	\$ -	\$ -	\$ 42,000
Shares issued as part of acquisition of technology license	\$ -	\$ 80,000	\$ 80,000
Interest paid	\$ 4,932	\$ -	\$ 4,932

The notes to these consolidated financial statements are an integral part of these statements.

# Continental Precious Minerals Inc.

(A Development Stage Company)

(Expressed in Canadian Dollars)

Consolidated Statements of Shareholders' Equity

Year ended May 31,

	2008	2007	Cumulative since inception of Uranium project March 21, 2005 to May 31, 2008
<b>Share Capital</b>			
Balance, beginning of period	\$ 26,644,380	\$ 6,257,752	\$ 4,571,479
Private placements	-	15,999,998	29,024,998
Fair value of warrants issued	-	(6,080,001)	(17,659,855)
Finder's fee on private placement	-	-	198,000
Exercise of options	33,500	94,914	230,225
Fair value of options exercised	31,465	50,323	169,258
Exercise of warrants	2,311,000	7,987,878	11,312,958
Fair value of warrants exercised	1,489,232	5,045,646	7,049,524
License payments on properties	-	80,000	122,000
Cost of issue: cash	-	(1,563,886)	(2,554,295)
Cost of issue: non-cash items	-	(1,228,244)	(1,954,715)
<b>Balance, end of period</b>	<b>\$ 30,509,577</b>	<b>\$ 26,644,380</b>	<b>\$ 30,509,577</b>
<b>Warrants</b>			
Balance, beginning of period	\$ 13,855,304	\$ 11,593,679	\$ -
Fair value of warrants issued	-	7,308,245	19,614,570
Fair value of warrants exercised	(1,489,232)	(5,045,646)	(7,247,524)
Fair value of warrants expired	(2,170,764)	(974)	(2,171,738)
<b>Balance, end of period</b>	<b>\$ 10,195,308</b>	<b>\$ 13,855,304</b>	<b>\$ 10,195,308</b>
<b>Contributed Surplus</b>			
Balance, beginning of period	\$ 5,858,629	\$ 684,846	\$ 37,607
Fair value of options expensed	4,750,811	5,223,132	10,708,652
Fair value of warrants expired	2,170,764	974	2,171,738
Fair value of options exercised	(31,465)	(50,323)	(169,258)
<b>Balance, end of period</b>	<b>\$ 12,748,739</b>	<b>\$ 5,858,629</b>	<b>\$ 12,748,739</b>
<b>Deficit</b>			
Balance, beginning of period	\$ (11,543,933)	\$ (5,280,853)	\$ (4,068,182)
Net loss for period	(5,336,379)	(6,263,080)	(12,812,130)
<b>Balance, end period</b>	<b>\$ (16,880,312)</b>	<b>\$ (11,543,933)</b>	<b>\$ (16,880,312)</b>

The notes to these consolidated financial statements are an integral part of these statements.

**Continental Precious Minerals Inc.**  
**(A Development Stage Company)**  
**(Expressed in Canadian Dollars)**  
**Consolidated Statements of Shareholders' Equity (Continued)**  
**Year ended May 31,**

	2008	2007	Cumulative since inception of Uranium project March 21, 2005 to May 31, 2008
<b>Accumulated Other Comprehensive Loss</b>			
Balance, beginning of period	\$ -	\$ -	\$ -
Cumulative transition adjustment**	31,098	-	31,098
Net unrealized loss on available- for-sale marketable securities	(22,559)	-	(22,559)
Reclassification of gain on available-for-sale marketable securities	(10,575)	-	(10,575)
Balance, end of period	\$ (2,036)	\$ -	\$ (2,036)
<b>Total Shareholders' Equity</b>	<b>\$ 36,571,276</b>	<b>\$ 34,814,380</b>	<b>\$ 36,571,276</b>

\*\* Transition adjustment relates to the adoption of the new accounting standards pertaining to financial instruments; see Note 2 for details.

The notes to these consolidated financial statements are an integral part of these statements.

**Continental Precious Minerals Inc.**  
**(A Development Stage Enterprise)**  
**Consolidated Statements of Mineral Properties**  
**Year ended May 31,**

	2008	2007	Cumulative since inception of Uranium project March 21, 2005 to May 31, 2008
<b>Sweden Uranium Project</b>			
Balance, beginning of period	\$ 2,199,268	\$ 339,969	\$ -
Drilling	2,538,906	869,456	3,408,362
Consulting	1,011,128	397,382	1,476,117
Geology	724,966	33,400	758,366
Assays, maps and reports	498,598	64,323	562,921
General	316,464	6,017	322,481
Exploration management	224,078	-	224,078
Transportation	217,170	1,190	218,360
Licence acquisition and holding costs	201,952	191,461	622,707
Travel and meals	152,947	19,478	182,818
Acquiring data, selecting targets, map preparation and landowner data	136,681	177,983	314,664
Professional fees	36,000	41,099	
Geophysics	16,352	-	16,352
Data management	4,320	23,760	28,080
Equipment	-	33,750	33,750
Activity during the period	6,079,562	1,859,299	8,169,056
Balance, end of period	8,278,830	2,199,268	8,169,056

The notes to these consolidated financial statements are an integral part of these statements.

# Continental Precious Minerals Inc.

(A Development Stage Enterprise)

(Expressed in Canadian Dollars)

Notes to Consolidated Financial Statements

May 31, 2008 and 2007

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## 1. Nature of operations

Continental Precious Minerals Inc. ("Continental" or the "Company") is a reporting issuer that trades on the Toronto Stock Exchange, under the Symbol "CZQ". The Company was amalgamated with Fin Resources Inc. under the laws of the Province of Ontario, Canada by Articles of Amalgamation dated July 7, 1987. Since amalgamation, Continental's main business focus had been in the natural resource industry which included portfolio investments in common shares of other companies involved in exploration, development and production of natural resources. As of March 21, 2005, the Company changed its main business focus to acquiring and exploring mineral properties for Uranium. As a result, the efforts of the Company have been devoted to the development of properties for production of Uranium in Sweden. To date, Continental has not earned significant revenues from Uranium exploration and is considered to be in the development stage. As such, the Company will be applying Accounting Guideline 11 "Enterprises in the Development Stage" from March 21, 2005 onwards.

The recoverability of exploration and development expenditures is dependent upon the discovery of economically recoverable reserves, the preservation of the Company's interest in the underlying mineral claims, the ability to obtain necessary financing, obtain government approval and attain profitable production, or alternatively, upon the Company's ability to dispose of its interest on an advantageous basis. Changes in future conditions could require material write-downs of the carrying amounts of deferred exploration expenditures.

## 2. Summary of significant accounting policies

The following is a summary of significant accounting policies used in the preparation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP"):

### (a) Basis of consolidation

These consolidated financial statements include the assets, liabilities, revenues and expenses of the Company and its wholly owned Swedish subsidiary, Continental Minerals Sweden AB ("Continental Sweden"), previously Gigantissimo 2577 AB (refer to note 3 for detail). The purpose of the subsidiary is to conduct the work on the licenses.

### (b) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances, deposits held at call and certificate of deposits that are highly liquid and convertible into known amounts of cash. Cash and cash equivalents are reported separately from bank overdraft balances, which are included in accounts payable and accrued liabilities.

### (c) Intangible asset

The Company's intangible asset is comprised of a technology licence. In assessing the useful life of its intangible asset, the Company has determined this asset to have an indefinite useful life. The Company will perform annually an impairment analysis to assess the recoverability of the recorded balance of the intangible asset. The impairment test will be conducted more frequently if events occur or circumstances change that would more likely than not reduce the fair value of the asset below its carrying value.

# Continental Precious Minerals Inc.

(A Development Stage Enterprise)

(Expressed in Canadian Dollars)

Notes to Consolidated Financial Statements

May 31, 2008 and 2007

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## 2. Summary of significant accounting policies (continued)

### (d) Mineral property costs

Direct exploration and development costs are deferred in the accounts, net of amounts recovered from third parties, including receipts from options. At production, these costs will be amortized using the units-of-production method based on estimated reserves. Costs relating to properties abandoned are written off when the decision to abandon is made, or earlier if a determination is made that the property does not have economically recoverable reserves.

The Company is in the process of exploring Uranium mineral properties in Sweden. On a regular basis, the Company reviews the carrying values of deferred mineral property acquisition and exploration expenditures with a view to assessing whether there has been any impairment in value. The recorded book value of the Company's mineral properties in Sweden is not intended to reflect their present or future value. Should a mineral property become impaired as evidenced by unfavourable exploration results, or a decision to discontinue further work, the acquisition cost and related deferred exploration expenditures will be expensed.

### (e) Asset retirement obligations

The Company measures the expected costs required to retire its mining interests at a fair value which approximates the cost a third party would incur in performing the tasks necessary to abandon the field and restore the site. The fair value is recognized in the consolidated financial statements at the present value of expected future cash outflows to satisfy the obligation.

Asset retirement costs are depleted using the unit of production method based on estimated reserves and are included with depletion and amortization expense. The accretion of the liability for the asset retirement obligation is included in the statement of operations and deficit.

As at May 31, 2008 the Company did not have an asset retirement obligation.

### (f) Income taxes

The Company follows the asset and liability method of tax accounting for income taxes. Under this method, current income taxes are recognized for the future income tax consequences attributed to the differences between the financial statement carrying values and their respective income tax bases. Future income tax assets and liabilities are measured using the substantially enacted tax rates that are expected to apply when the asset is realized or the liability is settled. The effect on future income tax assets and liabilities of a change in tax rates is included in income in the period that includes the enactment date. Future income tax assets are evaluated, and if realization is not considered "more than likely than not", a valuation allowance is provided.

# Continental Precious Minerals Inc.

(A Development Stage Enterprise)

(Expressed in Canadian Dollars)

Notes to Consolidated Financial Statements

May 31, 2008 and 2007

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## 2. Summary of significant accounting policies (continued)

### (g) Stock-based compensation

The Company uses the fair value based method to measure stock-based compensation for all stock-based awards to non-employees, and for direct awards made to directors and employees of common shares, stock appreciation rights, and awards that call for settlement for cash or other assets. The fair value of each option is accounted for in operations, over the vesting period of the options, and the related credit is included in contributed surplus.

### (h) Revenue recognition

Gains and losses on sale of marketable securities and properties are recognized when realized. Interest income is recognized on the accrual basis.

### (i) Foreign currency translation

The Company uses the temporal method of foreign currency translation for its operations and for the operations of its integrated foreign subsidiary. Pursuant to this method, foreign currency accounts are translated into Canadian dollars at the transaction date. Each asset, liability, revenue or expense is translated into Canadian dollars by the use of the exchange rate in effect at transaction date. At the year end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date and the resulting foreign exchange gains and losses are included in operations in the current period.

### (j) Share issue costs

All costs related to the issuance of the common shares are recorded as a reduction of share capital.

### (k) Financial Instruments, Comprehensive Income and Hedges

The Canadian Institute of Chartered Accountants ("CICA") issued Handbook Sections 3855, "Financial Instruments – Recognition and Measurement", 1530, "Comprehensive Income", 3861 "Financial Instruments - Disclosure and Presentation" and 3865, "Hedges". These new standards are effective for interim and annual financial statements relating to fiscal years commencing on or after October 1, 2006 on a prospective basis; accordingly, comparative amounts for prior periods have not been restated. The Company has adopted these new standards effective June 1, 2007.

Section 3855 prescribes when a financial instrument is to be recognized on the balance sheet and at what amount. It also specifies how financial instrument gains and losses are to be presented. This Section requires that:

- All financial assets be measured at fair value on initial recognition and certain financial assets to be measured at fair value subsequent to initial recognition;
- All financial liabilities be measured at fair value if they are classified as held for trading purposes. Other financial liabilities are measured at amortized cost using the effective interest method; and
- All derivative financial instruments be measured at fair value on the balance sheet, even when they are part of an effective hedging relationship.

# Continental Precious Minerals Inc.

(A Development Stage Enterprise)

(Expressed in Canadian Dollars)

Notes to Consolidated Financial Statements

May 31, 2008 and 2007

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## 2. Summary of significant accounting policies (continued)

### (k) Financial Instruments, Comprehensive Income and Hedges (continued)

Section 1530 introduces a new requirement to temporarily present certain gains and losses from changes in fair value outside net income. It includes unrealized gains and losses, such as: changes in the currency translation adjustment relating to self-sustaining foreign operations; unrealized gains or losses on available-for-sale investments; and the effective portion of gains or losses on derivatives designated as cash flow hedges or hedges of the net investment in self-sustaining foreign operations.

Section 3861 establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them. Under the new standards, policies followed for periods prior to the effective date generally are not reversed and therefore, the comparative figures have not been restated except for the requirement to restate currency translation adjustment as part of other comprehensive income. Section 3865 provides alternative treatments to Section 3855 for entities which choose to designate qualifying transactions as hedges for accounting purposes. It replaces and expands on Accounting Guideline 13 "Hedging Relationships", and the hedging guidance in Section 1650 "Foreign Currency Translation" by specifying how hedge accounting is applied and what disclosures are necessary when it is applied.

Under adoption of these new standards, the Company designated its cash and cash equivalents and short-term investments as held-for-trading, which are measured at fair value. The Company's marketable securities are designated as available-for-sale and are presented at market value with the gain or loss realized in the accumulated other comprehensive income. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

#### Impact upon adoption of sections 1530, 3855 and 3865

The Company has recorded the following transition adjustments in its consolidated financial statements as at June 1, 2007 resulting from the adoption of sections 1530 and 3855:

- i) an increase of \$31,098, representing a fair value adjustment to the value of marketable securities;
- ii) an increase in accumulated other comprehensive income of \$31,098, representing the fair value adjustment to the value of marketable securities, net of taxes of \$5,616 and a recovery of non-capital loss carryforwards amounting to \$5,616.

The Company has evaluated the impact of sections 3861 and 3865 on its consolidated financial statements and determined that no adjustments are currently required.

#### **Accounting Policy Choice for Transaction Costs**

On June 1, 2007, the Emerging Issues Committee of the CICA issued Abstract No.166, Accounting Policy Choice for Transaction Costs (EIC-166). This EIC addresses the accounting policy choice of expensing or adding transaction costs related to the acquisition of financial assets and financial liabilities that are classified as other than held-for-trading. Specifically, it requires that the same accounting policy choice to be applied to all similar financial instruments classified as other than held-for-trading, but permits a different policy choice for financial instruments that are not similar. The Company has adopted EIC-166 effective November 30, 2007 which requires retroactive application to all transaction costs accounted for in accordance with CICA Handbook Section 3855, Financial Instruments - Recognition and Measurement. The Company has evaluated the impact of EIC-166 and determined that no adjustments are currently required.

# Continental Precious Minerals Inc.

(A Development Stage Enterprise)

(Expressed in Canadian Dollars)

Notes to Consolidated Financial Statements

May 31, 2008 and 2007

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## 2. Summary of significant accounting policies (continued)

### (k) Financial Instruments, Comprehensive Income and Hedges (continued)

#### Future Accounting Changes

Capital Disclosures and Financial Instruments – Disclosures and Presentation

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535, Capital Disclosures, Handbook Section 3862, Financial Instruments – Disclosures, and Handbook Section 3863, Financial Instruments – Presentation. These new standards are effective for interim and annual financial statements for the Company's reporting period beginning on June 1, 2008.

Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

The new Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments — Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

The Company is currently assessing the impact of these new accounting standards on its financial statements.

## 3. Acquisition of subsidiary

On May 5, 2006 the Company acquired 100% of Gigantissimo 2577 AB ("Gigantissimo") by paying Swedish Krona ("SEK") 100,000 to the shareholders of Gigantissimo in exchange for all of the 1,000 outstanding common shares of Gigantissimo. As a result of the share exchange, the Company acquired control of Gigantissimo, a Swedish corporation, which was incorporated on February 17, 2006 and holds only cash in the company.

On August 3, 2006, the Company's subsidiary Gigantissimo 2577 AB changed its name to Continental Minerals Sweden AB. The subsidiary is inactive at the present.

## 4. Short-term investments

Short-term investments are comprised of short-term deposits with a financial institution maturing within 12 months.

## 5. Mineral property

Accumulated costs with respect to the Company's interest in mineral properties owned, leased, under consideration to be acquired or under option, consisted of the following:

	2008	2007
Sweden - Uranium projects (i)(ii)(iii)(iv)(v)(vi)	\$ 8,278,830	\$ 2,199,268
Balance, end of period	\$ 8,278,830	\$ 2,199,268

# Continental Precious Minerals Inc.

(A Development Stage Enterprise)

(Expressed in Canadian Dollars)

Notes to Consolidated Financial Statements

May 31, 2008 and 2007

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## 5. Mineral property (continued)

- (i) Between February 2005 and February 2006, the Company was granted thirty nine (39) exploration licenses in Sweden. These licenses are valid for three years, ten (10) renewed during the year for three years and the balance are renewable subject to specified work carried out.
- (ii) On August 17, 2006, the Company was granted seven (7) mineral exploration licenses in Sweden. These licenses are valid for three years, renewable subject to specified work carried out.
- (iii) On September 21, 2006, the Company was granted five (5) mineral exploration licenses in Sweden. These licenses are valid for three years, renewable subject to specified work carried out.
- (iv) Between March 27 and March 30 2007, the Company was granted eight (8) mineral exploration licenses in Sweden. These licenses are valid for three years, renewable subject to specified work carried out.
- (v) Between April 3 and April 4 2007, the Company was granted five (5) mineral exploration licenses in Sweden. These licenses are valid for three years, renewable subject to specified work carried out.
- (vi) On November 13 and November 25, 2007, the Company was granted two (2) mineral exploration licences in Sweden. These licenses are valid for three years renewable subject to specified work carried out.

On May 31, 2008, the Company held a total of 66 mineral exploration licences in Sweden (2007 - 64 mineral exploration licenses).

The Company is obligated to pay 5% net profit on any mineral production from the lands covered by the exploration licenses. The Company is in the development stage of mineral exploration and the commercial production has not yet commenced on these mineral properties.

## 6. Technology licence

On September 1, 2006, the Company entered into a collaborative technology development and deployment agreement (the "Agreement") with Zencor Technology Ltd. ("Zencor") relating to technology for the separation and extraction of kerogen and other minerals from alum oil shales. Pursuant to the Agreement, the Company has been granted a perpetual, exclusive, transferable, royalty-free licence to use and exploit certain technology in Sweden owned by Zencor. Zencor has also agreed to pay to the Company a royalty equal to 2% of gross revenues earned by Zencor in any way related to or derived from the use of this technology anywhere in the world. The Agreement provides for an issue up to an aggregate of 100,000 common shares to Zencor. The Company issued 50,000 common shares valued at \$80,000 during the fiscal year 2007 and the remaining 50,000 common shares will be issued upon completion of a Validation Test. In addition, if the Company is satisfied upon completion of an independent Validation Test and elects to proceed with the Pilot Plant Test, it shall fund the costs of a Pilot Plant Test, to a maximum of \$1,000,000 for both the Validation Test and Pilot Plant Project.

## 7. Share capital

### (a) Authorized

Unlimited number of Class A preference shares

Class A Preference shares are issuable in one or more series, the terms of which are subject to the discretion of the directors at the date of issuance.

Unlimited number of Common shares

# Continental Precious Minerals Inc.

(A Development Stage Enterprise)

(Expressed in Canadian Dollars)

Notes to Consolidated Financial Statements

May 31, 2008 and 2007

## 7. Share capital (Continued)

### (b) Issued

	Number of common shares	Stated value
Balance, March 21, 2005	5,796,513	\$ 4,293,379
Private placement	2,205,000	278,100
Balance, May 31, 2005	8,001,513	\$ 4,571,479
Acquisition of Uranium licences in Sweden	300,000	42,000
Private placements	16,250,000	13,025,000
Fair market warrant valuations on private placements	-	(11,579,854)
Finder's fee on private placement	220,000	198,000
Exercise of stock options	286,404	101,811
Fair market valuation on exercise of stock options	-	87,470
Exercise of warrants	1,267,600	1,014,080
Fair market valuation on exercise of warrants	-	514,646
Cost of issue: cash	-	(990,409)
Cost of issue: non-cash items	-	(726,471)
Balance, May 31, 2006	26,325,517	6,257,752
Private placement (i)	12,307,691	15,999,998
Fair market warrant valuations on private placements (i)	-	(6,080,001)
Exercise of warrants	6,658,073	7,987,878
Fair market valuation on exercise of warrants	-	5,045,646
Exercise of stock options	356,905	94,914
Fair market valuation on exercise of stock options	-	50,323
Licence payment on property (Note 6)	50,000	80,000
Cost of issue: cash	-	(1,563,886)
Cost of issue: non-cash items	-	(1,228,244)
Balance, May 31, 2007	45,698,186	26,644,380
Exercise of warrants	1,823,143	2,311,000
Fair market valuation on exercise of warrants	-	1,489,232
Exercise of stock options	55,000	33,500
Fair market valuation on exercise of stock options	-	31,465
<b>Balance, May 31, 2008</b>	<b>47,576,329</b>	<b>\$ 30,509,577</b>

# Continental Precious Minerals Inc.

(A Development Stage Enterprise)

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Notes to Consolidated Financial Statements

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## 7. Share capital (Continued)

### (b) Issued (Continued)

- (i) On November 28, 2006, the Company closed a private placement and issued a total of 12,307,691 units of the Company at a price of \$1.30 per unit for gross proceeds of \$15,999,998. Each unit consisted of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of \$1.75 for a period of 24 months from closing. The fair value of the warrants was estimated using the Black-Scholes pricing option model. The assumptions used for the valuation of the respective warrants were: dividend yield 0%, expected volatility 175%, risk-free interest rate of 3.89% and an expected life of two years. Value assigned to 6,153,847 warrants is \$6,080,001. In connection with the financing, the agents received a cash commission of \$1,165,720 and 1,120,885 broker warrants for the purchase of that number of units. Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of \$1.75 for a period of 24 months from closing.

The fair value of the broker warrants was estimated using the Black-Scholes pricing option model. The assumptions used for the valuation of the respective warrants were: dividend yield 0%, expected volatility 175%, risk-free interest rate of 3.89% and an expected life of two years. Value assigned to 1,120,885 broker warrants is \$1,154,512.

- (ii) On October 4, 2006, the Company amended the November 12, 1987 escrow agreement by the entering into of a new escrow agreement. As a consequence, of the 375,000 common shares subject to escrow under the 1987 agreement, only the 187,500 common shares held by the president of the Company were escrowed, to be released over 36 months. The first 10% or 18,750 common shares were released on October 12, 2006. Additionally 28,125 common shares were released on April 12, 2007, 28,125 common shares released on October 12, 2007 and 28,125 common shares released on April 12, 2008.

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## 7. Share capital (Continued)

### (c) Warrants

The following summarizes the warrant activity for the three years ended May 31, 2008

	Number of warrants	Weighted average exercise price
Balance, May 31, 2005	-	-
Granted	17,100,000	1.06
Exercised	(1,267,600)	(0.80)
Balance, May 31, 2006	15,832,400	\$ 1.09
Exercised	(6,658,073)	(1.20)
Issued (Note 7(b)(iv))	7,342,676	1.68
Expired	(2,400)	(0.80)
Balance, May 31, 2007	16,514,603	\$ 1.30
Exercised	(1,823,143)	(1.27)
Expired	(2,764,000)	(1.19)
<b>Balance, May 31, 2008</b>	<b>11,927,460</b>	<b>1.34</b>

As of May 31, 2008, the following warrants were outstanding:

Expiry Date	Number of warrants	Exercise price (\$)	Black-Scholes value (\$)
November 28, 2008	984,997	1.30	1,014,547
November 28, 2008	4,942,463	1.75	4,889,157
March 29, 2009	2,560,378	1.00	1,846,033
May 11, 2009	3,439,622	1.00	2,445,571
	<b>11,927,460</b>		<b>10,195,308</b>

The fair market value of warrants issued are separately recorded and disclosed from share capital in the year they are issued. Warrants that are issued and exercised will be recorded as share capital and warrants that expire unexercised will be recorded as contributed surplus.

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## 7. Share capital (Continued)

### (d) Stock options and contributed surplus

The stock option plan (the "Plan") authorizes the board of directors of the Company to grant non-transferable stock options to its service providers. Under the Plan, the number of shares subject to stock options cannot exceed 8,250,000 and the total number of shares which may be reserved for issuance to any one individual under the Plan cannot exceed 5% of the issued and outstanding shares, provided that (i) the maximum number of shares which may be reserved for issuance to insiders under the Plan and any other stock option plans or options cannot exceed 10% of the issued and outstanding shares at the time of the grant, (ii) the maximum number of shares which may be issued to insiders under the Plan and any other share compensation arrangements within any one year period cannot exceed 10% of the outstanding issue, and (iii) the maximum number of shares which may be issued to any one insider under the Plan and any other compensation arrangement within a one year period cannot exceed 5% of the shares outstanding at the time of the grant. The exercise price shall be determined by the board of directors from time to time on the basis of the closing price of the shares on the stock exchange on which the shares are then listed for trading.

The following summarizes the stock options that have been granted, exercised, forfeited, cancelled, or expired during the three years ended May 31, 2008:

	Number of stock options	Weighted average exercise price (\$)
Balance, May 31, 2005	809,825	0.17
Granted	1,140,000	1.78
Exercised	(286,404)	0.36
Balance, May 31, 2006	1,663,421	1.24
Granted (i),(ii),(iii),(iv),(v)	3,000,000	1.92
Exercised	(356,905)	0.27
Balance, May 31, 2007	4,306,516	1.79
Granted (vi),(vii),(viii),(ix),(x)	1,590,000	2.18
Exercised	(55,000)	(0.61)
<b>Balance, May 31, 2008</b>	<b>5,841,516</b>	<b>1.92</b>

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## 7. Share capital (Continued)

### (d) Stock options and contributed surplus (Continued)

As of May 31, 2008 the following stock options were outstanding:

Expiry Date	Options Outstanding			Options Exercisable	
	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price (\$)	Number of options	Weighted average exercise price (\$)
March 10, 2010	239,016	1.78	0.19	239,016	0.19
April 12, 2010	40,000	1.87	0.25	40,000	0.25
October 7, 2010	172,500	2.35	0.90	172,500	0.90
April 25, 2011	800,000	2.90	2.15	800,000	2.15
July 7, 2011 (i)	100,000	3.10	2.76	100,000	2.76
July 19, 2011 (ii)	250,000	3.13	2.78	250,000	2.78
December 7, 2011 (iii)	2,050,000	3.52	1.80	1,537,500	1.80
December 8, 2011 (iv)	300,000	3.52	1.83	225,000	1.83
December 13, 2011 (v)	300,000	3.54	1.81	225,000	1.81
June 4, 2010 (vi)	200,000	2.01	2.93	200,000	2.93
June 25, 2010(vii)	50,000	2.07	2.55	25,000	2.55
October 22, 2012 (viii)	1,230,000	4.40	2.15	1,230,000	2.15
March 6, 2013 (ix)	75,000	4.77	0.98	75,000	0.98
March 25, 2013 (x)	35,000	4.82	0.85	35,000	0.85
	<b>5,841,516</b>	<b>3.44</b>	<b>1.92</b>	<b>5,154,016</b>	<b>1.91</b>

As of May 31, 2007 the following stock options were outstanding:

Expiry Date	Options Outstanding			Options Exercisable	
	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price (\$)	Number of options	Weighted average exercise price (\$)
December 9, 2007	20,000	0.52	0.10	20,000	0.10
March 10, 2010	239,016	2.78	0.19	239,016	0.19
April 12, 2010	40,000	2.86	0.25	40,000	0.25
October 7, 2010	207,500	3.35	0.90	207,500	0.90
April 25, 2011	800,000	3.90	2.15	600,000	2.15
July 7, 2011	100,000	4.10	2.76	50,000	2.76
July 19, 2011	250,000	4.13	2.78	125,000	2.78
December 7, 2011	2,050,000	4.52	1.80	512,500	1.80
December 8, 2011	300,000	4.52	1.83	75,000	1.83
December 13, 2011	300,000	4.53	1.81	75,000	1.81
	<b>4,306,516</b>	<b>4.18</b>	<b>1.79</b>	<b>1,944,016</b>	<b>1.65</b>

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## 7. Share capital (Continued)

### (d) Stock options and contributed surplus (Continued)

The fair value of stock options granted is expensed over the vesting period with an offsetting credit to contributed surplus. When stock options are exercised the proceeds are recorded in share capital and the fair value assigned to the options is transferred from contributed surplus. Stock options that expire remain in contributed surplus.

The fair value of the stock options issued in 2008 and 2007 is categorized below:

(i) The fair market value of \$274,900 for the 100,000 stock options issued on July 7, 2006 was calculated using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected average volatility of 254%; risk-free interest rate of 4.49% and an expected average life of 5 years.

(ii) The fair market value of \$692,000 for the 250,000 stock options issued on July 19, 2006 was calculated using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected average volatility of 252%; risk-free interest rate of 4.35% and an expected average life of 5 years.

(iii) The fair market value of \$3,499,350 for the 2,050,000 stock options granted to directors, an officer and a consultant on December 7, 2006, exercisable at \$1.80 and expiring on December 7, 2011, was calculated using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected average volatility of 277%; risk-free interest rate of 3.77% and an expected average life of 5 years.

(iv) The fair market value of \$548,100 for the 300,000 stock options granted to consultants on December 8, 2006, exercisable at \$1.83 and expiring on December 8, 2011, was calculated using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected average volatility of 276%; risk-free interest rate of 3.76% and an expected average life of 5 years.

(v) The fair market value of \$542,100 for the 300,000 stock options granted to consultants on December 13, 2006, exercisable at \$1.81 and expiring on December 13, 2011, was calculated using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected average volatility of 276%; risk-free interest rate of 3.76% and an expected average life of 5 years.

(vi) The fair market value of \$443,400 for the 200,000 stock options granted to a consultant on June 4, 2007, exercisable at \$2.22 and expiring on June 4, 2010 was calculated using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected average volatility of 133%; risk-free interest rate of 4.54% and an expected average life of 3 years.

(vii) The fair market value of \$96,750 for the 50,000 stock options granted to a consultant on June 25, 2007, exercisable at \$1.94 and expiring on June 25, 2010, was calculated using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected average volatility of 131%; risk-free interest rate of 4.61% and an expected average life of 3 years.

(viii) The fair market value of \$2,460,000 for the 1,230,000 stock options granted to a consultant on October 22, 2007, exercisable at \$2.00 and expiring on October 22, 2012, was calculated using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected average volatility of 217%; risk-free interest rate of 4.16% and an expected average life of 5 years.

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## 7. Share capital (Continued)

### (d) Stock options and contributed surplus (Continued)

(ix) The fair market value of \$71,474 for the 75,000 stock options granted to consultants on March 6, 2008, exercisable at \$0.98 and expiring on March 6, 2013 was calculated using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected average volatility of 194%; risk-free interest rate of 3.17% and an expected average life of 5 years.

(x) The fair market value of \$28,875 for the 35,000 stock options granted to consultants on March 25, 2008, exercisable at \$0.85 and expiring on March 25, 2013, was calculated using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected average volatility of 192%; risk-free interest rate of 3.12% and an expected average life of 5 years.

A continuity of contributed surplus and stock option valuations are as follows:

	Cumulative expense at May 31, 2007	Expensed	Exercised	Expired	Contributed surplus	Remainder to be expensed
(1)	\$ 33,701	\$ -	\$ -	\$ -	\$ 33,701	\$ -
(2)	7,320	-	-	-	7,320	-
(3)	208,190	-	(31,465)	-	176,725	-
(4)	1,599,429	114,971	-	-	1,714,400	-
(5)	240,268	34,632	-	-	274,900	-
(6)	595,352	96,648	-	-	692,000	-
(7)	2,415,354	1,072,801	-	-	3,488,155	11,195
(8)	376,936	169,160	-	-	546,096	2,004
(9)	365,992	172,888	-	-	538,880	3,220
(10)	-	443,400	-	-	443,400	-
(11)	-	85,962	-	-	85,962	10,788
(12)	-	2,460,000	-	-	2,460,000	-
(13)	-	71,474	-	-	71,474	-
(14)	-	28,875	-	-	28,875	-
(15)	16,087	-	-	2,170,764	2,186,851	-
	<b>\$ 5,858,629</b>	<b>\$ 4,750,811</b>	<b>\$ (31,465)</b>	<b>\$ 2,170,764</b>	<b>\$ 12,748,739</b>	<b>\$ 27,207</b>

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## 7. Share capital (Continued)

### (d) Stock options and contributed surplus (Continued)

Expiry Date	Number	Exercise Price (\$)
(1) March 10, 2010	239,016	0.19
(2) April 12, 2010	800,000	2.15
(3) October 7, 2010	100,000	2.76
(4) April 25, 2011	250,000	2.78
(5) July 7, 2011	100,000	2.76
(6) July 19, 2011	250,000	2.78
(7) December 7, 2011	2,050,000	1.80
(8) December 8, 2011	300,000	1.83
(9) December 13, 2011	300,000	1.81
(10) June 4, 2010	200,000	0.25
(11) June 25, 2010	207,500	0.90
(12) October 22, 2012	1,230,000	2.15
(13) March 6, 2013	75,000	0.98
(14) March 25, 2013	35,000	0.85

## 8. Loss Per Share

The following table sets forth the computation of basic and diluted loss per share:

	2008	2007
Numerator:		
Loss for the period	\$ (5,336,379)	\$ (6,263,080)
Denominator:		
Denominator for basic loss per share	46,997,568	34,297,572
Effect of dilutive securities:		
Stock options (i)	-	-
Warrants (i)	-	-
Denominator for diluted loss per share	46,997,568	34,297,572
Basic loss per share	\$ (0.11)	\$ (0.18)
Diluted loss per share	\$ (0.11)	\$ (0.18)

(i) Stock options and warrants were not included in the computation of diluted loss per share as their inclusion would be anti-dilutive.

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## 9. Income taxes

Future income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for tax purposes.

There are no future tax liabilities.

Significant components of the Company's future tax assets are as follows:

	2008	2007
Future tax assets:		
Marketable securities	\$ 591	\$ 10,627
Investment and advances	167,522	208,652
Mineral properties	21,347	26,588
Share issue costs	387,003	666,542
Capital losses carried forward	97,059	118,522
Non-capital losses carried forward	1,165,139	1,140,200
Future tax assets	1,838,661	2,171,131
Valuation allowance for future tax assets	(1,838,661)	(2,171,131)
Non-capital losses carried forward	\$ -	\$ -

The Company provided a valuation allowance equal to the future tax assets because it is not more likely than not that they will be realized.

The Company's income tax expense for each of the years ended May 31, 2008 and 2007 is \$Nil. The reconciliation of income tax to the consolidated financial statements at the statutory tax rates are as follows:

	2008	2007
Loss before income taxes	\$ (5,336,379)	\$ (6,263,080)
Income tax recovery at the combined federal and provincial rate of 35.03% and 36.12% respectively	(1,869,334)	(2,262,224)
Non-deductible meals and entertainment	19,267	19,984
Stock-option compensation	1,664,209	1,886,595
Capitalized gains on sale of marketable securities	(4,591)	-
Difference between Canadian and foreign taxes	-	868
Unamortized share issue costs	(178,954)	(184,522)
Tax benefit not recognized	369,403	539,299
	\$ -	\$ -

# Continental Precious Minerals Inc.

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## 9. Income taxes (Continued)

As at May 31, 2008, the Company had unclaimed various mining and oil gas tax pools of approximately \$8,358,900, capital loss carryforwards of approximately \$630,090, and unclaimed non-capital losses of approximately \$4,017,700 to reduce future years' income for income tax purposes. No benefit from these amounts has been recorded in these consolidated financial statements.

The capital losses have no expiration date, however the non-capital losses will expire as follows:

2009	254,100
2010	225,200
2014	201,000
2015	218,700
2026	566,300
2027	1,484,800
2028	\$ 1,067,600
	\$ 4,017,700

## 10. Related party transactions not disclosed elsewhere

- (i) Included in accounts payable and accrued liabilities are fees totaling \$3,000 (2007 - \$Nil) payable to the Company's chief financial officer.
- (ii) During the year, the Company paid \$155,750 (2007 - \$168,750) in fees to directors for their services.
- (iii) During the year, a total of \$147,047 (2007 - \$295,584) was paid as management compensation to the President and CEO of the Company.
- (iv) The President of the Company received \$20,440 (2007 - \$16,500) as an expense allowance.

These transactions were in the normal course of operations of the Company and were measured at the exchange value which represented the amount of consideration established and agreed to by the related parties.

## 11. Segmented Information

The Company operates in one segment within the mining industry. The Company operates in two territorial segments as it is managed in Canada and conducts its exploration activities in Sweden.

	2008	2007
Canada	\$ 28,524,957	\$ 32,804,413
Sweden	\$ 8,358,830	\$ 2,279,268
<b>Total assets</b>	<b>\$ 36,883,787</b>	<b>\$ 35,083,681</b>

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## 12. Contingency

The Company's exploration activities are subject to various government laws and regulations relating to the protection of the environment. These environmental regulations are continually changing and generally becoming more restrictive. The Company believes that its operations comply in all material respects with all applicable past and present laws and regulations.

## 13. Financial Instruments

The Company's financial instruments consist of cash equivalents, marketable securities, short term investments, accounts receivable, accounts payable and accrued liabilities unless otherwise noted. The carrying value of the financial instruments is approximate to their fair value due to their short term to maturity. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

## 14. Commitment

The Company is committed to pay a management fee of \$12,000 per month to President of the Company. The President is also entitled to an expense allowance of \$1,500 per month.

## 15. Subsequent Event

On June 24, 2008, the Company was granted two (2) mineral exploration licenses in Sweden. These licenses are valid for three years renewable subject to specified work carried out.