
CONTINENTAL PRECIOUS MINERALS INC.

(A DEVELOPMENT STAGE ENTERPRISE)

CONSOLIDATED FINANCIAL STATEMENTS

MAY 31, 2009 AND 2008

(EXPRESSED IN CANADIAN DOLLARS)

Management's Responsibility for Financial Reporting

The accompanying consolidated financial statements of Continental Precious Minerals Inc. (A Development Stage Enterprise) were prepared by management in accordance with Canadian generally accepted accounting principles. Management acknowledges responsibility for the preparation and presentation of the consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances. The significant accounting policies of the Company are summarized in Note 2 to the consolidated financial statements.

Management has established systems of internal control over the financial reporting process, which are designed to provide reasonable assurance that relevant and reliable financial information is produced.

The Board of Directors is responsible for ensuring that management fulfills its financial reporting responsibilities and for reviewing and approving the year end consolidated financial statements together with other financial information. An Audit Committee assists the Board of Directors in fulfilling this responsibility. The Audit Committee meets with management to review the internal controls over the financial reporting process and the year end consolidated financial statements together with other financial information of the Company. The Audit Committee reports its findings to the Board of Directors for its consideration in approving the year end consolidated financial statements together with other financial information of the Company for issuance to the shareholders.

Management recognizes its responsibility for conducting the Company's affairs in compliance with established financial standards, and applicable laws and regulations, and for maintaining proper standards of conduct for its activities.

Management's Report on Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining adequate control over financial reporting. Management conducted an evaluation of the effectiveness of internal control over financial reporting based on "Internal Control Over Financial Reporting – Guidance For Smaller Public Companies" issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that the Company's internal control over financial reporting was effective as at May 31, 2009.

Conclusion Relating to Disclosure Controls and Procedures

An evaluation was performed under the supervision of and with the participation of management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures as defined in the Multilateral Instrument 52-109. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer concluded that the design and operation of the Company's disclosure controls and procedures were effective as at May 31, 2009.

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 Enterprise) as at May 31, 2009 and 2008 and the consolidated statements of loss, comprehensive loss, shareholders' equity and cash flows for each of the years then ended and for the period from March 21, 2005 to May 31, 2009. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated 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, 2009 and 2008 and the results of its operations and its cash flows for each of the years then ended and for the period from March 21, 2005 to May 31, 2009 in accordance with Canadian generally accepted accounting principles.

Toronto, Canada
July 20, 2009

"McCarney Greenwood LLP"

McCarney Greenwood LLP
Chartered Accountants

Licensed Public Accountants

Continental Precious Minerals Inc.

(A Development Stage Enterprise)

Consolidated Balance Sheets

(Expressed in Canadian Dollars)

As at May 31,

	2009	2008
Assets		
Current assets		
Cash and cash equivalents	\$ 25,846,525	\$ 323,674
Marketable securities	96,330	44,986
Short-term investments (Note 6)	131,919	28,132,776
Accounts receivable	12,640	10,921
Prepaid expenses	12,375	12,600
	26,099,789	28,524,957
Mineral property (Note 7)	10,698,756	8,278,830
Technology licence (Note 8)	-	80,000
	\$ 36,798,545	\$ 36,883,787
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities (Note 12)	\$ 240,480	\$ 312,511
Shareholders' equity	36,558,065	36,571,276
	\$ 36,798,545	\$ 36,883,787

Nature of operations (Note 1)

Contingency (Note 14)

Commitment (Note 15)

Approved by the Board of Directors:

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

Continental Precious Minerals Inc.

(A Development Stage Enterprise)
Consolidated Statements of Loss
(Expressed in Canadian Dollars)
Year ended May 31,

	2009	2008	Cumulative since inception of the development stage March 21, 2005 to May 31, 2009
Expenses			
Consulting fees (Note 12)	\$ 100,000	\$ 271,250	\$ 521,250
Director fees (Note 12)	153,000	155,750	527,500
Management compensation (Note 12)	229,093	147,047	760,410
Office and general	302,750	118,962	568,895
Professional fees	531,706	317,972	1,054,320
Shareholder relations	74,707	55,940	208,786
Stock exchange fees	16,455	10,913	254,682
Transfer agent fees	29,952	26,097	152,904
Travel and business development	506,182	771,919	1,997,682
Stock-based compensation (Note 9(d))	1,098,257	4,750,811	11,822,843
	3,042,102	6,626,661	17,869,272
Net operating loss before the following:	(3,042,102)	(6,626,661)	(17,869,272)
Interest and other income	305,177	1,264,072	2,276,095
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
Write-off of technology licence (Note 8)	(80,000)	-	(80,000)
	225,177	1,290,282	2,240,217
Net loss for the period	\$ (2,816,925)	\$ (5,336,379)	\$(15,629,055)
Loss per share (Note 10)			
Basic and diluted	\$ (0.06)	\$ (0.11)	

The accompanying notes are an integral part of these consolidated financial statements

Continental Precious Minerals Inc.

(A Development Stage Enterprise)

Consolidated Statements of Comprehensive Loss

(Expressed in Canadian Dollars)

Year ended May 31,

	2009	2008	Cumulative since inception of the development stage March 21, 2005 to May 31, 2009
Net loss for the period	\$ (2,816,925)	\$ (5,336,379)	\$(15,629,055)
Other comprehensive loss			
Net unrealized loss on available-for-sale marketable securities	(19,015)	(22,559)	(41,574)
Reclassification of gain on available-for-sale marketable securities	-	(10,575)	(10,575)
Total comprehensive loss	\$ (2,835,940)	\$ (5,369,513)	\$(15,681,204)

The accompanying notes are an integral part of these consolidated financial statements

Continental Precious Minerals Inc.

(A Development Stage Enterprise)

Consolidated Statements of Shareholders' Equity

(Expressed in Canadian Dollars)

Year ended May 31,

	Share Capital	Warrants	Contributed Surplus	Deficit	Accumulated Other Comprehensive Loss	Total Shareholders' Equity
Balance, May 31, 2007	\$ 26,644,380	\$ 13,855,304	\$ 5,858,629	\$(11,543,933)	\$ -	\$ 34,814,380
Exercise of warrants	2,311,000	-	-	-	-	2,311,000
Fair value of warrants exercised	1,489,232	(1,489,232)	-	-	-	-
Exercise of stock options	33,500	-	-	-	-	33,500
Fair value of options exercised	31,465	-	(31,465)	-	-	-
Fair value of warrants expired	-	(2,170,764)	2,170,764	-	-	-
Fair value of options expensed	-	-	4,750,811	-	-	4,750,811
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)
Net loss for the year	-	-	-	(5,336,379)	-	(5,336,379)
Balance, May 31, 2008	30,509,577	10,195,308	12,748,739	(16,880,312)	(2,036)	36,571,276
Private placement	2,000,000	-	-	-	-	2,000,000
Fair market warrant valuations on private placement	(1,132,000)	1,132,000	-	-	-	-
Exercise of stock options	19,833	-	-	-	-	19,833
Fair value of options exercised	14,718	-	(14,718)	-	-	-
Cost of issue: cash	(191,063)	-	-	-	-	(191,063)
Cost of issue: non-cash items	(112,800)	112,800	-	-	-	-
Fair value of warrants expired	-	(10,195,308)	10,195,308	-	-	-
Fair value of options expensed	-	-	1,098,257	-	-	1,098,257
Cancellation of shares	(184,172)	-	79,874	-	-	(104,298)
Net unrealized loss on available-for-sale marketable securities	-	-	-	-	(19,015)	(19,015)
Net loss for the year	-	-	-	(2,816,925)	-	(2,816,925)
Balance, May 31, 2009	\$ 30,924,093	\$ 1,244,800	\$ 24,107,460	\$(19,697,237)	\$ (21,051)	\$ 36,558,065

** Transition adjustment relates to the adoption of new accounting standards pertaining to financial instruments.

See Note 9 for share capital, warrants, and contributed surplus from the date of inception of the development stage, March 21, 2005 to May 31, 2009.

The accompanying notes are an integral part of these consolidated financial statements

Continental Precious Minerals Inc.

(A Development Stage Enterprise)

Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

Year ended May 31,

	2009	2008	Cumulative since inception of Uranium and other minerals project March 21, 2005 to May 31, 2009
Cash and Cash Equivalents (Used in) Provided by:			
Operating Activities			
Net loss for the period	\$ (2,816,925)	\$ (5,336,379)	\$(15,629,055)
Adjustments for non-cash items:			
Stock-based compensation (Note 9(d))	1,098,257	4,750,811	11,822,843
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)
Write-off of technology licence (Note 8)	80,000	-	80,000
Changes in non-cash working capital balances:			
Accounts receivable	(1,719)	9,610	100,127
Prepaid expenses	225	96,286	(12,375)
Accounts payable and accrued liabilities	(72,031)	43,210	233,743
	(1,712,193)	(462,672)	(3,553,839)
Investing Activities			
Purchase of marketable securities	(70,359)	(520)	(72,114)
Proceeds from sale of marketable securities	-	42,635	42,635
Short-term investments	28,000,857	(2,303,368)	(131,919)
Expenditures on mineral properties	(2,449,654)	(6,079,562)	(10,686,483)
Proceeds on sale of subsidiary	-	-	100
Deposit on future sale	29,728	-	29,728
	\$ 25,510,572	\$ (8,340,815)	\$(10,818,053)

The accompanying notes are an integral part of these consolidated financial statements

Continental Precious Minerals Inc.

(A Development Stage Enterprise)

Consolidated Statements of Cash Flows (Continued)

(Expressed in Canadian Dollars)

Year ended May 31,

	2009	2008	Cumulative since inception of Uranium and other minerals project March 21, 2005 to May 31, 2009
Cash and Cash Equivalents (Used in) Provided by:			
Financing Activities			
Proceeds from issuance of share capital (net of share issue costs)	\$ 1,828,770	\$ 2,344,500	\$ 40,120,756
Repurchase of common shares	(104,298)	-	(104,298)
	1,724,472	2,344,500	40,016,458
Increase (decrease) in cash and cash equivalents during the period	25,522,851	(6,458,987)	25,644,566
Cash and cash equivalents, beginning of period	323,674	6,782,661	201,959
Cash and cash equivalents, end of period	\$ 25,846,525	\$ 323,674	\$ 25,846,525
Cash and cash equivalents consists of:			
Cash	\$ 3,860,605	\$ 323,674	\$ 3,860,605
Cash equivalents	21,985,920	-	21,985,920
	\$ 25,846,525	\$ 323,674	\$ 25,846,525
Supplement Schedule of Non-Cash Transactions			
Shares issued as part of acquisition of mineral properties	\$ -	\$ -	\$ 42,000
Shares issued as part of acquisition of technology license	\$ -	\$ -	\$ 80,000
Interest paid	\$ 9,078	\$ 4,932	\$ 14,010

The accompanying notes are an integral part of these consolidated financial statements

Continental Precious Minerals Inc.

(A Development Stage Enterprise)

Consolidated Statements of Mineral Properties

(Expressed in Canadian Dollars)

Year ended May 31,

	2009	2008	Cumulative since inception of Uranium and other minerals project March 21, 2005 to May 31, 2009
Sweden Uranium and Other Minerals Project			
Balance, beginning of period	\$ 8,278,830	\$ 2,199,268	\$ -
Drilling	290,153	2,538,906	3,698,515
Consulting	361,923	1,011,128	1,838,040
Geology	462,195	724,966	1,220,561
Assays, maps and reports	231,513	498,598	794,434
General	528,563	316,464	851,044
Exploration management	147,514	224,078	371,592
Transportation	62,418	217,170	280,778
Licence acquisition and holding costs	116,451	201,952	739,158
Travel and meals	87,305	152,947	270,123
Acquiring data, selecting targets, map preparation and landowner data	-	136,681	314,664
Professional fees	123,049	36,000	232,823
Geophysics and geochemical	38,570	16,352	54,922
Data management	-	4,320	28,080
Equipment	-	-	33,750
Deposit on future sale	(29,728)	-	(29,728)
Activity during the period	2,419,926	6,079,562	10,698,756
Balance, end of period	\$ 10,698,756	\$ 8,278,830	\$ 10,698,756

The accompanying notes are an integral part of these consolidated financial statements

Continental Precious Minerals Inc.

(A Development Stage Enterprise)

(Expressed in Canadian Dollars)

Notes to Consolidated Financial Statements

May 31, 2009 and 2008

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 and other minerals. As a result, the efforts of the Company have been devoted to the development of properties for production of uranium and other minerals in Sweden. To date, Continental has not earned significant revenues from uranium or other mineral exploration and is considered to be in the development stage. As such, the Company will be applying the Canadian Institute of Chartered Accountants ("CICA") Accounting Guideline 11 "Enterprises in the Development Stage" from March 21, 2005 onwards.

As at May 31, 2009, the Company had working capital of \$25,859,309 and an accumulated deficit of \$19,697,237. Management of the Company believes that it has sufficient funds to pay its ongoing administrative expenses and to meet its liabilities for the ensuing twelve months as they fall due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Company's ability to continue operations and fund its mineral property expenditures is dependent on management's ability to manage its cash resources.

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 mineral properties.

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, its wholly owned Swedish subsidiary, Continental Minerals Sweden AB ("Continental Sweden"), previously Gigantissimo 2577 AB ("Gigantissimo") and Continental Sweden's wholly owned subsidiary, Berg Vicken 1:8 AB ("Berg Vicken") (refer to Note 3 for detail). The intended purpose of the subsidiaries in Sweden is to be used as the legal entities through which 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.

Continental Precious Minerals Inc.

(A Development Stage Enterprise)

(Expressed in Canadian Dollars)

Notes to Consolidated Financial Statements

May 31, 2009 and 2008

2. Summary of Significant Accounting Policies (Continued)

(c) Mineral property costs

Direct exploration and development costs are capitalized, 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 capitalized exploration expenditures will be expensed.

(d) 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, 2009 the Company did not have an asset retirement obligation.

(e) 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.

(f) Stock-based compensation

The Company uses the fair value method to measure 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 in 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.

(g) Revenue recognition

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

Continental Precious Minerals Inc.

(A Development Stage Enterprise)

(Expressed in Canadian Dollars)

Notes to Consolidated Financial Statements

May 31, 2009 and 2008

2. Summary of Significant Accounting Policies (Continued)

(h) 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, 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.

(i) Share issue costs

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

(j) Financial Instruments - recognition and measurement

All financial instruments are classified into one of the following five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value except for loans and receivables, held to maturity investments and other financial liabilities which are measured at amortized cost using the effective interest method. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in the statement of operations in the period in which they arise; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is de-recognized or impaired at which time the amounts would be recorded in the statement of operations. The Company has made the following classifications:

Cash equivalents	Held for trading
Short term investments	Held for trading
Marketable securities	Available-for-sale
Sundry receivables	Loans and Receivables
Accounts payable and accrued liabilities	Other liabilities

Transaction costs are expensed as incurred for financial instruments classified as held for trading. Transaction costs, other than impairment losses, are included in other comprehensive income until the asset is removed from balance sheet for financial instruments classified as available-for-sale. For other financial instruments, transaction costs are expensed on initial recognition. The Company accounts for regular purchases and sales of financial assets using trade date accounting.

(k) 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 June 1, 2008 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, 2009 and 2008

2. Summary of Significant Accounting Policies (Continued)

(l) Capital Disclosures and Financial Instruments – Disclosures and Presentation

On December 1, 2006, the CICA issued three new accounting standards: "Capital Disclosures" (Handbook Section 1535), "Financial Instruments – Disclosures" (Handbook Section 3862), and "Financial Instruments – Presentation" (Handbook Section 3863). These new standards became effective for the Company on June 1, 2008.

Capital Disclosures

Handbook 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 Company has included disclosures recommended by the new Handbook section in Note 4 to these consolidated financial statements.

Financial Instruments

Handbook 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 has included disclosures recommended by the new Handbook sections in Note 5(b) to these consolidated financial statements.

(m) Going Concern

In June 2007, the CICA amended Handbook Section 1400, "Going Concern", to assess an entity's ability to continue as a going concern and disclose any material uncertainties that cast doubt on its ability to continue as a going concern. Section 1400 is effective for interim and annual reporting periods beginning on or after January 1, 2008. The application of this new standard had no impact on the Company's consolidated financial statements as at and for the year ended May 31, 2009.

(n) Credit Risk and the Fair Value of Financial Assets and Financial Liabilities

In January 2009, the Emerging Issues Committee of the CICA issued EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities", which applies to interim and annual financial statements for periods ending on or after January 20, 2009. The adoption of this standard had no impact on the Company's presentation of its financial position or results of operations as at May 31, 2009.

(o) Mining Exploration Costs

On March 27, 2009, the Emerging Issues Committee of the CICA approved an abstract EIC-174, "Mining Exploration Costs", which provides guidance on capitalization of exploration costs related to mining properties in particular, and on impairment of long-lived assets in general. The Company has applied this new abstract for the year ended May 31, 2009 and there was no significant impact on its consolidated financial statements as a result of applying this abstract.

Continental Precious Minerals Inc.

(A Development Stage Enterprise)

(Expressed in Canadian Dollars)

Notes to Consolidated Financial Statements

May 31, 2009 and 2008

2. Summary of Significant Accounting Policies (Continued)

(p) Future Accounting Changes

International Financial Reporting Standards ("IFRS")

In January 2006, the CICA's Accounting Standards Board ("AcSB") formally adopted the strategy of replacing Canadian GAAP with IFRS for Canadian enterprises with public accountability. The current conversion timetable calls for financial reporting under IFRS for accounting periods commencing on or after January 1, 2011. On February 13, 2008 the AcSB confirmed that the use of IFRS will be required in 2011 for publicly accountable profit-oriented enterprises. For these entities, IFRS will be required for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011.

Goodwill and Intangible Assets

In November 2007, the CICA approved Handbook Section 3064, "Goodwill and Intangible Assets" which replaces the existing Handbook Sections 3062, "Goodwill and Other Intangible Assets" and 3450, "Research and Development Costs". This standard is effective for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2009, with earlier application encouraged. The standard provides guidance on the recognition, measurement and disclosure requirements for goodwill and intangible assets.

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

Business Combinations, Consolidated Financial Statements and Non-Controlling Interests

The CICA issued three new accounting standards in January 2009: Section 1582, "Business Combinations", Section 1601, "Consolidated Financial Statements" and Section 1602, "Non-Controlling interests". These new standards will be effective for fiscal years beginning on or after January 1, 2011. Section 1582 replaces section 1581 and establishes standards for the accounting for a business combination. It provides the Canadian equivalent to IFRS 3 - Business Combinations. Sections 1601 and 1602 together replace section 1600, Consolidated Financial Statements. Section 1601, establishes standards for the preparation of consolidated financial statements. Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of IFRS IAS 27 - Consolidated and Separate Financial Statements. The Company is in the process of evaluating the requirements of the new standards.

3. Acquisition of subsidiaries

On May 5, 2006 the Company acquired 100% of 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.

On January 12, 2009, the Company's subsidiary Continental Sweden acquired 100% of Berg Vicken by paying SEK 100,000 to the shareholders of Berg Vicken in exchange for all of 1,000 outstanding common shares of Berg Vicken.

Continental Precious Minerals Inc.

(A Development Stage Enterprise)

(Expressed in Canadian Dollars)

Notes to Consolidated Financial Statements

May 31, 2009 and 2008

4. Capital Management

When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as to maintain optimal returns to shareholders and benefits for other stakeholders. Management adjusts the capital structure as necessary in order to support the acquisition, exploration and development of its projects. The Board of Directors does not establish quantitative return on capital criteria for management, but rather relies on the expertise of the Company's management to sustain future development of the business.

The Company considers its capital to be equity, comprising share capital, warrants, contributed surplus, deficit and accumulated other comprehensive loss which at May 31, 2009 totaled \$36,558,065 (2008 - \$36,571,276).

The properties in which the Company currently has an interest are in the exploration stage. As such the Company is dependent on external financing to fund its activities. In order to carry out its planned exploration programs and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts when economic conditions permit it to do so.

Management has chosen to mitigate the risk and uncertainty associated with raising additional capital in current economic conditions by:

- (i) maintaining a liquidity cushion in order to address any potential disruptions or industry downturns;
- (ii) minimizing discretionary disbursements;
- (iii) reducing or eliminating exploration expenditures that are of limited strategic value; and
- (iv) exploring alternative sources of liquidity.

In light of the above, the Company will continue to assess new properties and seek to acquire interests in additional properties if the Company believes there is sufficient potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate. There were no changes in the Company's approach to capital management during the year ended May 31, 2009.

The Company is not subject to any capital requirements imposed by a regulator or lending institution. The Company expects that its current capital resources will be sufficient to discharge its liabilities as at May 31, 2009.

5. Property and Financial Risk Factors

(a) Property Risk

The Company's sole mineral property is the Sweden Uranium and Other Minerals Project. Unless the Company acquires or develops additional significant properties, the Company will be entirely dependent upon this project. If no additional mineral properties are acquired by the Company, any adverse development affecting this project would have a material adverse effect on the Company's financial condition and results of operations.

(b) Financial Risk

The Company's activities expose it to a variety of financial risks: credit risk, liquidity risk and market risk (including interest rate, foreign exchange rate and equity and commodity price risk).

Risk management is carried out by the Company's management team with guidance from the Audit Committee under policies approved by the Board of Directors. The Board of Directors also provides regular guidance for overall risk management.

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5. Property and Financial Risk Factors (Continued)

(b) Financial Risk (Continued)

Credit Risk

Credit risk is the risk of loss associated with a counterparty's inability to fulfill its payment obligations. The Company's credit risk is primarily attributable to cash and cash equivalents, short-term investments and accounts receivable. Cash and cash equivalents and short-term investments consist of cash and investment-grade short-term guaranteed investment certificates, which have been invested with the Company's banking institution, from which management believes the risk of loss to be minimal.

Accounts receivable consists of sales taxes receivable from government authorities in Canada. Accounts receivable are in good standing as of May 31, 2009. Management believes that the credit risk concentration with respect to financial instruments included in accounts receivable is minimal.

Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities as they come due. As at May 31, 2009, the Company had a cash and cash equivalents and short-term investments balance of \$25,978,444 (2008 - \$28,456,450) to settle current liabilities of \$240,480 (2008 - \$312,511). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

Market Risk

Interest rate risk

The Company has cash balances and no interest-bearing debt. The Company's current policy is to invest excess cash in investment-grade short-term deposit certificates issued by the Company's Canadian chartered bank. The Company periodically monitors the investments it makes and is satisfied with the creditworthiness of its bank.

Foreign currency risk

The Company's functional and reporting currency is the Canadian dollar and major purchases are transacted in Canadian dollars. The Company funds certain operational, exploration and development expenses in SEK from its Canadian dollar bank accounts held in Canada. Management monitors the foreign exchange risk derived from currency conversions and does not hedge its foreign exchange risk.

Price risk

The Company is exposed to price risk with respect to equity and commodity prices. Equity price risk is defined as the potential adverse impact on the Company's earnings due to movements in individual equity prices or general movements in the level of the stock market. Commodity price risk is defined as the potential adverse impact on earnings and economic value due to commodity price movements and volatilities. The Company closely monitors commodity prices as it relates to uranium and other minerals, individual equity movements and the stock market to determine the appropriate course of action to be taken by the Company.

The Company's marketable securities are subject to fair value fluctuations. Management believes that the price risk with respect to marketable securities is minimal.

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5. Property and Financial Risk Factors (Continued)

Sensitivity analysis

The Company has, for accounting purposes, designated its cash and cash equivalents and short-term investments as held for trading, which are measured at fair value. Marketable securities are classified for accounting purposes as available-for-sale, which are measured at fair value. Accounts receivable are classified for accounting purposes as loans and receivables, which are measured at amortized cost which equals fair value. Accounts payable and accrued liabilities are classified for accounting purposes as other financial liabilities, which are measured at amortized cost which also equals fair value.

As of May 31, 2009, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

Based on management's knowledge and experience of the financial markets, the Company believes the following movements are "reasonably possible" over a twelve month period:

- (i) Cash and cash equivalents and short-term investments are subject to floating interest rates. As at May 31, 2009, if interest rates had decreased/increased by 1% with all other variables held constant, the loss for the year ended May 31, 2009 would have been approximately \$260,000 higher/lower, as a result of lower/higher interest income from cash and cash equivalents and short-term investments. Similarly, as at May 31, 2009, reported shareholders' equity would have been approximately \$260,000 lower/higher as a result of lower/higher interest income from cash and cash equivalents and short-term investments due to a 1% decrease/increase in interest rates.
- (ii) The Company does not hold significant balances in foreign currencies to give rise to exposure to foreign exchange risk.
- (iii) Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market prices of uranium and other minerals. Prices of uranium and other minerals have fluctuated widely in recent years. There is no assurance that, even if commercial quantities of uranium and other minerals may be produced in the future, a profitable market will exist for them. A decline in the market price of uranium and other minerals may also require the Company to reduce its mining rights and mineral properties, which could have a material and adverse effect on the Company's value. As of May 31, 2009, the Company was not a uranium or other minerals producer. As a result, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

6. Short-term Investments

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

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7. 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:

	2009	2008
Sweden - Uranium projects (i)(ii)(iii)(iv)(v)(vi)(vii)(viii) (ix)(x)(xi)(xii)(xiii)(xiv)(xv)	\$ 10,698,756	\$ 8,278,830
Balance, end of year	\$ 10,698,756	\$ 8,278,830

- (i) Between February 2005 and February 2007, the Company was granted fifty one (52) exploration licenses in Sweden. These licenses are valid for three years, eight (8) renewed during the prior year for three years, twenty four (24) renewed during the year for three years, four (4) were allowed to lapse during the year and the balance are renewable subject to specified work carried out.
- (ii) 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.
- (iii) 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.
- (iv) 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.
- (v) On June 24, 2008, 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.
- (vi) On September 3, 2008, the Company was granted one (1) mineral exploration licence in Sweden. This license is valid for three years renewable subject to specified work carried out.
- (vii) On November 26, 2008, the Company was granted one (1) mineral exploration licence in Sweden. This license is valid for three years renewable subject to specified work carried out.
- (viii) On December 17, 2008, the Company was granted two (2) mineral exploration licences in Sweden. These licences are valid for three years renewable subject to specified work carried out.
- (ix) On January 12, 2009, the Company was granted one (1) mineral exploration licence in Sweden. This licence is valid for three years renewable subject to specified work carried out.
- (x) On April 15, 2009, the Company was granted three (3) mineral exploration licenses in Sweden. These licenses are valid for three years renewable subject to specified work carried out.
- (xi) On April 17, 2009, the Company was granted three (3) mineral exploration licenses in Sweden. These licenses are valid for three years renewable subject to specified work carried out.
- (xii) On April 22, 2009, 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.
- (xiii) On April 27, 2009, the Company was granted one (1) mineral exploration license in Sweden. This license is valid for three years renewable subject to specified work carried out.
- (xiv) On April 28, 2009, the Company was granted one (1) mineral exploration license in Sweden. This license is valid for three years renewable subject to specified work carried out.
- (xv) On April 29, 2009, 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.

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7. Mineral Property (Continued)

On May 31, 2009, the Company held a total of 82 mineral exploration licences in Sweden (2008 - 66 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.

On April 29, 2009, the Company has entered into a letter agreement for the sale of its 13 HRU mineral exploration licences in Sweden to Uranium International Corp. Completion of the sale is subject to completion of due diligence satisfactory to the buyer. With the signing of the letter agreement, the Company received US\$25,000. The letter agreement provides for the payment at closing (scheduled for August 31, 2009) of US\$7.5 million in cash, 6,000,000 common shares of Uranium International Corp. which will be subject to a one year resale restriction and warrants to purchase up to 1,000,000 common shares of Uranium International Corp. at an exercise price of US\$1.00 per share exercisable for a period of two years from the date of issue. A final cash payment of US\$7.5 million is due one year from the closing date.

8. Technology Licence

On September 1, 2006, the Company entered into a collaborative technology development and deployment agreement with Zencor Technology Ltd. relating to technology for the separation and extraction of kerogen and other minerals from alum oil shales. During the year, the Company wrote-off the technology licence as the Company does not intend to apply this technology in future.

9. 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

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9. 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 placements	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	12,307,691	15,999,998
Fair market warrant valuations on private placement	-	(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	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
Balance, May 31, 2008	47,576,329	30,509,577
Private placement (i)	4,000,000	2,000,000
Fair market warrant valuation on private placement (i)	-	(1,132,000)
Exercise of stock options	104,382	19,833
Fair value of options exercised	-	14,718
Cancellation of shares (ii)	(287,500)	(184,172)
Cost of issue: cash	-	(191,063)
Cost of issue: non-cash items (i)	-	(112,800)
Balance, May 31, 2009	51,393,211	\$ 30,924,093

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9. Share Capital (Continued)

(b) Issued (Continued)

(i) On May 6, 2009, the Company closed a private placement and issued a total of 4,000,000 units of the Company at a price of \$0.50 per unit for gross proceeds of \$2,000,000. Each unit consisted of one common share of the Company and one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of \$0.75 for a period of three years from closing.

The fair value of the warrants was estimated using the Black-Scholes option pricing model. The assumptions used for the valuation of the respective warrants were: dividend yield 0%, expected volatility 105%, risk-free interest rate of 1.47% and an expected life of three years. Value assigned to 4,000,000 warrants is \$1,132,000.

In connection with the financing, the finder received a finder's fee and administration fee of \$160,000 and 400,000 broker warrants. Each broker warrant entitles the holder to purchase one unit at a price of \$0.50 for a period of two years from closing.

The fair value of the broker warrants was estimated using the Black-Scholes option pricing model. The assumptions used for the valuation of the respective warrants were: dividend yield 0%, expected volatility 109%, risk-free interest rate of 1.03% and an expected life of two years. Value assigned to 400,000 broker warrants is \$188,400.

(ii) On February 25, 2009, the Company purchased, for cancellation, 287,500 of its common shares for total cash consideration of \$104,298. Of the \$104,298 paid, \$184,172 was charged to share capital and \$79,874 was credited to contributed surplus.

(c) Warrants

The following summarizes the warrant activity for the four years ended May 31, 2009:

	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	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)
Balance, May 31, 2008	11,927,460	1.34
Issued (Note 9(b)(i))	4,400,000	0.73
Expired	(11,927,460)	(1.34)
Balance, May 31, 2009	4,400,000	\$ 0.73

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9. Share Capital (Continued)

(c) Warrants (Continued)

As of May 31, 2009, the following warrants were outstanding:

Expiry Date	Number of warrants	Exercise price (\$)	Black-Scholes value (\$)
May 6, 2011	400,000	0.50	188,400
May 6, 2012	4,000,000	0.75	1,132,000
	4,400,000	0.73	1,320,400

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

(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 four years ended May 31, 2009:

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9. Share Capital (Continued)

(d) Stock options and contributed surplus (Continued)

	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	3,000,000	1.92
Exercised	(356,905)	0.27
Balance, May 31, 2007	4,306,516	1.79
Granted (i),(ii),(iii),(iv),(v)	1,590,000	2.18
Exercised	(55,000)	(0.61)
Balance, May 31, 2008	5,841,516	1.92
Granted (vi),(vii),(viii)	2,200,000	0.75
Exercised	(104,382)	(0.19)
Cancelled	(1,450,000)	(2.19)
Balance, May 31, 2009	6,487,134	1.48

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 2009 and 2008 is categorized below:

(i) The fair market value of \$443,400 for the 200,000 stock options granted to a consultant on June 4, 2007, exercisable at \$2.93 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.

(ii) The fair market value of \$96,750 for the 50,000 stock options granted to a consultant on June 25, 2007, exercisable at \$2.55 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.

(iii) 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 \$2.15 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.

(iv) 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.

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9. Share Capital (Continued)

(d) Stock options and contributed surplus (Continued)

(v) 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.

(vi) The fair market value of \$67,250 for the 250,000 stock options granted to directors on December 3, 2008, exercisable at \$0.35 and expiring on December 3, 2013, was calculated using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected average volatility of 125%; risk-free interest rate of 2.27% and an expected average life of 5 years.

(vii) The fair market value of \$970,900 for the 1,900,000 stock options granted to directors on April 27, 2009, exercisable at \$0.80 and expiring on April 27, 2014, was calculated using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected average volatility of 125%; risk-free interest rate of 1.94% and an expected average life of 5 years.

(viii) The fair market value of \$32,900 for the 50,000 stock options granted to a consultant on April 29, 2009, exercisable at \$0.80 and expiring on April 29, 2014, was calculated using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected average volatility of 125%; risk-free interest rate of 1.97% and an expected average life of 5 years.

As of May 31, 2009, the following stock options were outstanding:

Expiry Date	<u>Options Outstanding</u>			<u>Options Exercisable</u>	
	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price (\$)	Number of options	Weighted average exercise price (\$)
(1) March 10, 2010	134,634	0.78	0.19	134,634	0.19
(2) April 12, 2010	40,000	0.87	0.25	40,000	0.25
(3) June 25, 2010	50,000	1.07	2.55	50,000	2.55
(4) October 7, 2010	172,500	1.35	0.90	172,500	0.90
(5) April 25, 2011	800,000	1.90	2.15	800,000	2.15
(6) July 7, 2011	100,000	2.10	2.76	100,000	2.76
(7) December 7, 2011	1,550,000	2.52	1.80	1,550,000	1.80
(8) December 8, 2011	50,000	2.52	1.83	50,000	1.83
(9) December 13, 2011	300,000	2.54	1.81	300,000	1.81
(10) October 22, 2012	980,000	3.40	2.15	980,000	2.15
(11) March 6, 2013	75,000	3.77	0.98	75,000	0.98
(12) March 25, 2013	35,000	3.82	0.85	35,000	0.85
(13) December 3, 2013	250,000	4.51	0.35	250,000	0.35
(14) April 27, 2014	1,900,000	4.91	0.80	1,900,000	0.80
(15) April 29, 2014	50,000	4.92	0.80	50,000	0.80
	6,487,134	3.30	1.48	6,487,134	1.48

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9. 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	100,000	3.10	2.76	100,000	2.76
July 19, 2011	250,000	3.13	2.78	250,000	2.78
December 7, 2011	2,050,000	3.52	1.80	1,537,500	1.80
December 8, 2011	300,000	3.52	1.83	225,000	1.83
December 13, 2011	300,000	3.54	1.81	225,000	1.81
June 4, 2010	200,000	2.01	2.93	200,000	2.93
June 25, 2010	50,000	2.07	2.55	25,000	2.55
October 22, 2012	1,230,000	4.40	2.15	1,230,000	2.15
March 6, 2013	75,000	4.77	0.98	75,000	0.98
March 25, 2013	35,000	4.82	0.85	35,000	0.85
	5,841,516	3.44	1.92	5,154,016	1.91

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9. Share Capital (Continued)

(d) Stock options and contributed surplus (Continued)

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

	Cumulative expense at May 31, 2008	Expensed	Exercised	Cancelled/ Expired	Contributed surplus	Remainder to be expensed
(1)	\$ 33,701	\$ -	\$ (14,718)	\$ -	\$ 18,983	\$ -
(2)	7,320	-	-	-	7,320	-
(3)	85,962	10,788	-	-	96,750	-
(4)	176,725	-	-	-	176,725	-
(5)	1,714,400	-	-	-	1,714,400	-
(6)	274,900	-	-	-	274,900	-
	692,000	-	-	(692,000)	-	-
(7)	3,488,155	11,195	-	(853,500)	2,645,850	-
(8)	546,096	2,004	-	(456,750)	91,350	-
(9)	538,880	3,220	-	-	542,100	-
	443,400	-	-	(443,400)	-	-
(10)	2,460,000	-	-	(500,000)	1,960,000	-
(11)	71,474	-	-	-	71,474	-
(12)	28,875	-	-	-	28,875	-
(13)	-	67,250	-	-	67,250	-
(14)	-	970,900	-	-	970,900	-
(15)	-	32,900	-	-	32,900	-
(16)	2,186,851	-	-	13,220,832	15,407,683	-
	\$ 12,748,739	\$ 1,098,257	\$ (14,718)	\$ 10,275,182	\$ 24,107,460	\$ -

10. Loss Per Share

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

	2009	2008
Numerator:		
Loss for the year	\$ (2,816,925)	\$ (5,336,379)
Denominator:		
Weighted average number of shares	47,830,095	46,997,568
Effect of dilutive securities:		
Stock options**	-	-
Warrants**	-	-
Denominator for diluted loss per share	47,830,095	46,997,568
Basic and diluted loss per share	\$ (0.06)	\$ (0.11)

** 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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11. 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.

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

	2009	2008
Future tax assets:		
Marketable securities	\$ 6,105	\$ 591
Investment and advances	167,522	167,522
Mineral properties	-	21,347
Share issue costs	283,181	387,003
Capital losses carried forward	-	97,059
Non-capital losses carried forward	489,039	1,165,139
Other	16,390	-
Total future tax assets	962,237	1,838,661
Future tax liabilities:		
Mineral properties	(384,496)	-
Total future tax liabilities	(384,496)	-
Valuation allowance	(577,741)	(1,838,661)
Net future tax assets	\$ -	\$ -

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

The Company's income tax expense for each of the years ended May 31, 2009 and 2008 is \$Nil. The reconciliation of income tax to the consolidated financial statements at the statutory tax rates is as follows:

	2009	2008
Loss before income taxes	\$ (2,816,925)	\$ (5,336,379)
Income tax recovery at the combined federal and provincial rate of 33.29% and 35.03% respectively	(937,754)	(1,869,334)
Non-deductible meals and entertainment	18,642	19,267
Stock-option compensation	365,610	1,664,209
Write-off of technology licence	6,658	-
Non-taxable capital gain on expiration of warrants	2,058,333	-
Future tax rate differential	(194,782)	31,993
Utilization of losses not previously utilized	(1,316,707)	-
Tax benefit not recognized	-	153,865
	\$ -	\$ -

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11. Income taxes (Continued)

As at May 31, 2009, the Company had unclaimed various mining and oil and gas tax pools of approximately \$9,372,900 and non-capital loss carryforwards of approximately \$1,686,300 to reduce future years' income for income tax purposes. No benefit from these amounts has been recorded in these consolidated financial statements.

The non-capital losses will expire as follows:

2028	\$	618,700
2029		1,067,600
	\$	1,686,300

12. Related party transactions not disclosed elsewhere

- (i) During the year, the Company paid \$20,000 (2008 - \$11,250) as consulting fees to the Company's Chief Financial Officer. Included in accounts payable and accrued liabilities are fees totaling \$7,000 (2008 - \$3,000) payable to the Company's Chief Financial Officer.
- (ii) During the year, the Company paid \$153,000 (2008 - \$155,750) in fees to directors for their services.
- (iii) During the year, a total of \$229,093 (2008 - \$147,047) was paid as management compensation to the President and CEO of the Company.
- (iv) During the year, the President of the Company received \$18,000 (2008 - \$20,440) as an expense allowance.
- (v) During the year, the Company paid \$1,392,407 (2008 - \$Nil) as consulting/project management expenses for the exploration of mineral properties paid to a company owned by the Company's Executive Vice-President and Director Exploration and Development. Included in accounts payable and accrued liabilities is \$64,507 (2008 - \$Nil) payable to that company.

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.

13. 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.

	2009	2008
Canada - assets	\$ 26,099,789	\$ 28,524,957
Sweden - assets	10,698,756	8,358,830
Total assets	\$ 36,798,545	\$ 36,883,787

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14. 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.

15. 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.