# CONTINENTAL PRECIOUS MINERALS INC.

(A DEVELOPMENT STAGE ENTERPRISE)

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE AND NINE MONTHS ENDED FEBRUARY 28, 2010**

**(EXPRESSED IN CANADIAN DOLLARS)**

**(UNAUDITED)**

## Management’s Responsibility for Financial Reporting

The accompanying unaudited interim consolidated financial statements of Continental Precious Minerals Inc. (A Development Stage Enterprise) were prepared by management in accordance with Canadian generally accepted accounting principles. The most significant of these accounting principles have been set out in the May 31, 2009 audited consolidated financial statements. Only changes in accounting policies have been disclosed in these unaudited interim consolidated financial statements. Management acknowledges responsibility for the preparation and presentation of the period end unaudited interim 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.

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 period end unaudited interim 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 period end unaudited interim 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 period end unaudited interim 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.

## Notice to Reader

Under National Instrument 51-102, Part 4, subsection 4.3(3)(a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor.

The accompanying unaudited interim consolidated financial statements of the Company have been prepared by and are the responsibility of the Company's management.

The Company's independent auditor has not performed a review of these unaudited interim consolidated financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.

# Continental Precious Minerals Inc.

(A Development Stage Enterprise)

**Interim Consolidated Balance Sheets**

**(Expressed in Canadian Dollars)**

**(Prepared by Management - Unaudited)**

| | February 28, 2010 | May 31, 2009 |
|---|---|---|
| **Assets** | | |
| Current assets | | |
| Cash and cash equivalents | **$ 23,701,204** | $ 25,846,525 |
| Marketable securities | **98,361** | 96,330 |
| Short-term investments | **-** | 131,919 |
| Accounts receivable | **77,335** | 12,640 |
| Prepaid expenses | **19,080** | 12,375 |
| | **23,895,980** | 26,099,789 |
| Mineral property (Note 5) | **12,025,698** | 10,698,756 |
| | **$ 35,921,678** | $ 36,798,545 |
| **Liabilities** | | |
| Current liabilities | | |
| Accounts payable and accrued liabilities (Note 8) | **$ 282,016** | $ 240,480 |
| **Shareholders' equity** | **35,639,662** | 36,558,065 |
| | **$ 35,921,678** | $ 36,798,545 |

Nature of Operations (Note 1)

Contingency (Note 10)

Commitment (Note 11)

Subsequent Event (Note 12)

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

# Continental Precious Minerals Inc.

(A Development Stage Enterprise)

**Interim Consolidated Statements of Loss**

**(Expressed in Canadian Dollars)**

**(Prepared by Management - Unaudited)**

| | Three Months Ended February 28, **2010** | Three Months Ended February 28, 2009 | Nine Months Ended February 28, **2010** | Nine Months Ended February 28, 2009 | Cumulative since inception of the development stage March 21, 2005 to February 28, 2010 |
|---|---|---|---|---|---|
| **Expenses** | | | | | |
| Consulting fees (Note 8) | **$ 3,000** | $ (6,000) | **$ 9,000** | $ 93,000 | $ 530,250 |
| Director fees (Note 8) | **36,000** | 33,000 | **120,000** | 129,000 | 647,500 |
| Management compensation (Note 8) | **48,786** | 69,690 | **120,786** | 191,690 | 881,196 |
| Office and general | **44,512** | 115,726 | **145,330** | 184,580 | 714,225 |
| Professional fees | **121,124** | 271,640 | **293,636** | 439,951 | 1,347,956 |
| Shareholder relations | **1,005** | 16,494 | **43,873** | 70,153 | 252,659 |
| Stock exchange fees | **18,962** | 14,455 | **18,962** | 16,455 | 273,644 |
| Transfer agent fees | **7,990** | 7,939 | **25,870** | 25,153 | 178,774 |
| Travel and business development | **435,056** | 100,789 | **592,534** | 434,326 | 2,590,216 |
| Stock-based compensation (Note 6(d)) | **38,750** | 70,422 | **250,850** | 94,457 | 12,073,693 |
| | **755,185** | 694,155 | **1,620,841** | 1,678,765 | 19,490,113 |
| Net operating loss before the following: | **(755,185)** | (694,155) | **(1,620,841)** | (1,678,765) | (19,490,113) |
| Interest and other income | **14,171** | 48,698 | **29,565** | 278,826 | 2,305,660 |
| Recovery of management fees | **-** | - | **-** | - | (105,000) |
| Gain on sale of marketable securities | **-** | - | **-** | - | 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 | **-** | - | **-** | - | (80,000) |
| | **14,171** | 48,698 | **29,565** | 278,826 | 2,269,782 |
| **Net loss for the period** | **$ (741,014)** | $ (645,457) | **$ (1,591,276)** | $ (1,399,939) | $(17,220,331) |
| **Loss per share** (Note 7) | | | | | |
| Basic and diluted | **$ (0.01)** | $ (0.01) | **$ (0.03)** | $ (0.03) | |

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

# Continental Precious Minerals Inc.

(A Development Stage Enterprise)

**Consolidated Statements of Deficit**
**(Expressed in Canadian Dollars)**
**(Prepared by Management - Unaudited)**

| | Three Months Ended February 28, **2010** | Three Months Ended February 28, 2009 | Nine Months Ended February 28, **2010** | Nine Months Ended February 28, 2009 | Cumulative since inception of the development stage March 21, 2005 to February 28, 2010 |
|---|---|---|---|---|---|
| **Deficit, beginning of period** | **$(20,547,499)** | $(17,634,794) | **$(19,697,237)** | $(16,880,312) | $ (4,068,182) |
| Net loss for the period | **(741,014)** | (645,457) | **(1,591,276)** | (1,399,939) | (17,220,331) |
| **Deficit, end of period** | **$(21,288,513)** | $(18,280,251) | **$(21,288,513)** | $(18,280,251) | $(21,288,513) |

**Interim Consolidated Statements of Comprehensive Loss**
**(Expressed in Canadian Dollars)**
**(Prepared by Management - Unaudited)**

| | Three Months Ended February 28, **2010** | Three Months Ended February 28, 2009 | Nine Months Ended February 28, **2010** | Nine Months Ended February 28, 2009 | Cumulative since inception of the development stage March 21, 2005 to February 28, 2010 |
|---|---|---|---|---|---|
| **Net loss for the period** | **$ (741,014)** | $ (645,457) | **$ (1,591,276)** | $ (1,399,939) | $(17,220,331) |
| **Other comprehensive loss** | | | | | |
| Net unrealized gain (loss) on available-for-sale marketable securities | **1,730** | 2,100 | **1,943** | (20,765) | (39,631) |
| Reclassification of gain on available-for-sale marketable securities | **-** | - | **-** | - | (10,575) |
| **Total comprehensive loss** | **$ (739,284)** | $ (643,357) | **$ (1,589,333)** | $ (1,420,704) | $(17,270,537) |

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

# Continental Precious Minerals Inc.

(A Development Stage Enterprise)

**Interim Consolidated Statements of Shareholders' Equity**
**(Expressed in Canadian Dollars)**
**(Prepared by Management - Unaudited)**

| | Share Capital | Warrants | Contributed Surplus | Deficit | Accumulated Other Comprehensive Loss | Total Shareholders' Equity |
|---|---|---|---|---|---|---|
| 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 |
| Exercise of stock options | 25,580 | - | - | - | - | 25,580 |
| Fair value of options exercised | 18,983 | - | (18,983) | - | - | - |
| Exercise of warrants | 25,000 | - | - | - | - | 25,000 |
| Fair value of warrants exercised | 14,100 | (14,100) | - | - | - | - |
| Fair value of options expensed (Note 6(d)) | - | - | 250,850 | - | - | 250,850 |
| Fair market warrant valuations for services rendered | - | 369,500 | - | - | - | 369,500 |
| Net unrealized gain on available-for-sale marketable securities | - | - | - | - | 1,943 | 1,943 |
| Net loss for the period | - | - | - | (1,591,276) | - | (1,591,276) |
| **Balance, February 28, 2010** | **$ 31,007,756** | **$ 1,600,200** | **$ 24,339,327** | **$(21,288,513)** | **$ (19,108)** | **$ 35,639,662** |

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

# Continental Precious Minerals Inc.

(A Development Stage Enterprise)

**Interim Consolidated Statements of Cash Flows**

**(Expressed in Canadian Dollars)**

**(Prepared by Management - Unaudited)**

| | Three Months Ended February 28, | | Nine Months Ended February 28, | | Cumulative since inception of the development stage March 21, 2005 to February 28, 2010 |
|---|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 | |
| **Cash and Cash Equivalents (Used in) Provided by:** | | | | | |
| **Operating Activities** | | | | | |
| Net loss for the period | **$ (741,014)** | $ (645,457) | **$ (1,591,276)** | $ (1,399,939) | $(17,220,331) |
| Adjustments for non-cash items: | | | | | |
| Stock-based compensation (Note 6(d)) | **38,750** | 70,422 | **250,850** | 94,457 | 12,073,693 |
| Fair market warrant valuations services rendered | **369,500** | - | **369,500** | - | 369,500 |
| Write-down of marketable securities | **-** | - | **-** | - | 12,825 |
| Gain on sale of marketable securities | **-** | - | **-** | - | (31,408) |
| Gain on sale of subsidiary | **-** | - | **-** | - | (100) |
| Write-off of investment in Ekwan Technology Corporation | **-** | - | **-** | - | (130,439) |
| Write-off of technology licence | **-** | - | **-** | - | 80,000 |
| Changes in non-cash working capital balances: | | | | | |
| Accounts receivable | **(49,104)** | 11,696 | **(64,695)** | (11,767) | 35,432 |
| Prepaid expenses | **14,102** | 8,925 | **(6,705)** | (12,933) | (19,080) |
| Accounts payable and accrued liabilities | **191,209** | (135,374) | **41,536** | (109,677) | 275,279 |
| | **(176,557)** | (689,788) | **(1,000,790)** | (1,439,859) | (4,554,629) |
| **Investing Activities** | | | | | |
| Purchase of marketable securities | **(88)** | (10,093) | **(88)** | (10,308) | (72,202) |
| Proceeds from sale of marketable securities | **-** | - | **-** | - | 42,635 |
| Short-term investments | **-** | - | **131,919** | 28,132,776 | - |
| Expenditures on mineral properties | **(365,406)** | (460,616) | **(1,326,942)** | (2,169,153) | (12,013,425) |
| Proceeds on sale of subsidiary | **-** | - | **-** | - | 100 |
| Deposit on future sale | **-** | - | **-** | - | 29,728 |
| | **$ (365,494)** | $ (470,709) | **$ (1,195,111)** | $ 25,953,315 | $(12,013,164) |

# Continental Precious Minerals Inc.

(A Development Stage Enterprise)

**Interim Consolidated Statements of Cash Flows (Continued)**
**(Expressed in Canadian Dollars)**
**(Prepared by Management - Unaudited)**

| | Three Months Ended February 28, **2010** | Three Months Ended February 28, 2009 | Nine Months Ended February 28, **2010** | Nine Months Ended February 28, 2009 | Cumulative since inception of the development stage March 21, 2005 to February 28, 2010 |
|---|---|---|---|---|---|
| **Cash and Cash Equivalents (Used in) Provided by:** | | | | | |
| **Financing Activities** | | | | | |
| Proceeds from issuance of share capital (net of share issue costs) | **$ 50,580** | $ - | **$ 50,580** | $ 19,833 | $ 40,171,336 |
| Repurchase of common shares | **-** | (104,298) | **-** | (104,298) | (104,298) |
| | **50,580** | (104,298) | **50,580** | (84,465) | 40,067,038 |
| **(Decrease) increase in cash and cash equivalents during the period** | **(491,471)** | (1,264,795) | **(2,145,321)** | 24,428,991 | 23,499,245 |
| **Cash and cash equivalents, beginning of period** | **24,192,675** | 26,017,460 | **25,846,525** | 323,674 | 201,959 |
| **Cash and cash equivalents, end of period** | **$ 23,701,204** | $ 24,752,665 | **$ 23,701,204** | $ 24,752,665 | $ 23,701,204 |
| **Cash and cash equivalents consists of:** | | | | | |
| Cash | **$ 23,576,204** | $ 1,155,036 | **$ 23,576,204** | $ 1,155,036 | $ 23,576,204 |
| Cash equivalents | **125,000** | 23,597,629 | **125,000** | 23,597,629 | 125,000 |
| | **$ 23,701,204** | $ 24,752,665 | **$ 23,701,204** | $ 24,752,665 | $ 23,701,204 |
| **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 licence | **$ -** | $ - | **$ -** | $ - | $ 80,000 |
| Interest paid | **$ 1,728** | $ 5,177 | **$ 7,332** | $ 7,345 | $ 21,342 |

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

# Continental Precious Minerals Inc.

(A Development Stage Enterprise)

**Interim Consolidated Statements of Mineral Properties**

**(Expressed in Canadian Dollars)**

**(Prepared by Management - Unaudited)**

| | Three Months Ended February 28, | | Nine Months Ended February 28, | | Cumulative since inception of the development stage |
|---|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 | March 21, 2005 to February 28, 2010 |
| **Sweden Uranium and Other Minerals Project** | | | | | |
| Balance, beginning of period | **$ 11,660,292** | $ 9,987,367 | **$ 10,698,756** | $ 8,278,830 | $ - |
| Drilling | **-** | - | **-** | 290,153 | 3,698,515 |
| Consulting | **48,411** | 62,465 | **190,062** | 315,449 | 2,028,102 |
| Geology | **67,445** | 112,972 | **264,629** | 402,404 | 1,485,190 |
| Assays, maps and reports | **55,162** | 42,695 | **318,697** | 198,614 | 1,113,131 |
| General | **139,606** | 141,681 | **292,302** | 450,162 | 1,143,346 |
| Exploration management | **41,502** | 36,246 | **139,978** | 115,992 | 511,570 |
| Transportation | **-** | 124 | **-** | 62,418 | 280,778 |
| Licence acquisition and holding costs | **-** | 331 | **61,400** | 116,451 | 800,558 |
| Travel and meals | **-** | 3,247 | **280** | 86,516 | 270,403 |
| Acquiring data, selecting targets, map preparation and landowner data | **-** | - | **-** | - | 314,664 |
| Professional fees | **13,280** | 60,855 | **59,594** | 92,424 | 292,417 |
| Geophysics and geochemical | **-** | - | **-** | 38,570 | 54,922 |
| Data management | **-** | - | **-** | - | 28,080 |
| Equipment | **-** | - | **-** | - | 33,750 |
| Deposit on future sale | **-** | - | **-** | - | (29,728) |
| Activity during the period | **365,406** | 460,616 | **1,326,942** | 2,169,153 | 12,025,698 |
| Balance, end of period | **$ 12,025,698** | $ 10,447,983 | **$ 12,025,698** | $ 10,447,983 | $ 12,025,698 |

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

## 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 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 February 28, 2010, the Company had working capital of $23,613,964 and an accumulated deficit of $21,288,513. 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. Basis of Presentation and Accounting Policies

The unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP") for interim financial information. Accordingly, they do not include all of the information and notes to the consolidated financial statements required by Canadian GAAP for annual consolidated financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the three and nine months ended February 28, 2010 may not necessarily be indicative of the results that may be expected for the year ending May 31, 2010.

The consolidated balance sheet at May 31, 2009 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by Canadian GAAP for annual consolidated financial statements. The unaudited interim consolidated financial statements have been prepared by management in accordance with the accounting policies described in the Company's annual audited consolidated financial statements for the year ended May 31, 2009, except as noted below. For further information, refer to the audited consolidated financial statements and notes thereto for the year ended May 31, 2009.

**2. Basis of Presentation and Accounting Policies (Continued)**

**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 adoption of this standard had no impact on the Company's presentation of its financial position or results of operations as at February 28, 2010.

**Financial Instruments**

During 2009, CICA Handbook Section 3862, Financial Instruments - Disclosures, was amended to require disclosure about the inputs to fair value measurements, including their classification within a hierarchy that prioritizes the inputs to fair value measurement. The three levels of the fair value hierarchy are:

- Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly, and;
- Level 3 - Inputs that are not based on observable market data.

This amended standard applies to annual financial statements with fiscal years ending after September 30, 2009. The Company will include these disclosures in its annual consolidated financial statements for the year ending May 31, 2010.

**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.

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. Capital Management

When managing capital, the Company's objective is to ensure the entity continues as a going concern as well as to achieve 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 February 28, 2010 totaled $35,639,662 (May 31, 2009 - $36,558,065).

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.

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 three and nine months ended February 28, 2010.

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 February 28, 2010.

## 4. 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.

**4. 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 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 February 28, 2010. 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 February 28, 2010, the Company had a cash and cash equivalents and short-term investments balance of $23,701,204 (May 31, 2009 - $25,978,444) to settle current liabilities of $282,016 (May 31, 2009 - $240,480). 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 Swedish Krona 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.

## 4. Property and Financial Risk Factors (Continued)

(b) Financial Risk (Continued)

**Sensitivity analysis**

The Company has, for accounting purposes, designated its cash and cash equivalents 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 February 28, 2010, 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 nine month period:

(i) Cash equivalents are subject to floating interest rates. Sensitivity to a plus or minus 1% change in interest rates would not have a material impact on the reported net loss for the nine months ended February 28, 2010.

(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 mineral property, which could have a material and adverse effect on the Company's value. As of February 28, 2010, 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.

## 5. Mineral Property

On a quarterly basis, management of the Company reviews exploration costs to ensure deferred expenditures include only costs and projects that are eligible for capitalization. For a description of the exploration licences and deferred exploration expenditures of the Company, refer to Note 7 of the audited consolidated financial statements as at May 31, 2009.

On April 29, 2009, the Company 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 was subject to completion of due diligence satisfactory to the buyer. With the signing of the letter agreement, the Company received US$25,000. On August 31, 2009, the Company announced that the sale of its 13 HRU mineral exploration licenses in Sweden to Uranium International Corp. will not be going ahead.

**(Expressed in Canadian Dollars)**

## 6. 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

### (b) Issued

| | Number of common shares | Stated value |
|---|---|---|
| **Balance, May 31, 2009** | **51,393,211** | **$ 30,924,093** |
| Exercise of stock options | 134,634 | 25,580 |
| Fair value of options exercised | - | 18,983 |
| Exercise of warrants | 50,000 | 25,000 |
| Fair value of warrants exercised | - | 14,100 |
| **Balance, February 28, 2010** | **51,577,845** | **$ 31,007,756** |

### (c) Warrants

The following summarizes the warrant activity for the period:

| | Number of warrants | Weighted average exercise price |
|---|---|---|
| **Balance, May 31, 2009** | **4,400,000** | **$ 0.73** |
| Granted (i) | 500,000 | 0.95 |
| Exercised | (50,000) | 0.50 |
| **Balance, February 28, 2010** | **4,850,000** | **$ 0.75** |

(i) The fair market value of $369,500 for the 500,000 warrants granted to consultants on January 12, 2010, exercisable at $0.95 and expiring on May 12, 2012 was calculated using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected average volatility of 103%; risk-free interest rate of 1.26% and an expected average life of 28 months.

As of February 28, 2010, the following warrants were outstanding:

| Expiry date | Number of warrants | Exercise price ($) | Black-Scholes value ($) |
|---|---|---|---|
| May 6, 2011 | 350,000 | 0.50 | 98,700 |
| May 6, 2012 | 4,000,000 | 0.75 | 1,132,000 |
| May 12, 2012 | 500,000 | 0.95 | 369,500 |
| | **4,850,000** | **0.75** | **1,600,200** |

**(Expressed in Canadian Dollars)**

**6. Share Capital (Continued)**

**(d) Stock options and contributed surplus**

The continuity of outstanding options for the purchase of common shares of the Company is as follows:

| | Number of stock options | Weighted average exercise price ($) |
|---|---|---|
| Balance, May 31, 2009 | 6,487,134 | 1.48 |
| Granted (i)(ii)(iii) | 850,000 | 0.57 |
| Exercised | (134,634) | 0.19 |
| **Balance, February 28, 2010** | **7,202,500** | **1.40** |

(i) The fair market value of $55,300 for the 100,000 stock options granted to a consultant on June 2, 2009, exercisable at $0.65 and expiring on June 2, 2014 was calculated using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected average volatility of 126%; risk-free interest rate of 2.51% and an expected average life of 5 years. The stock options vest immediately.

(ii) The fair market value of $156,800 for the 700,000 stock options granted to consultants on November 3, 2009, exercisable at $0.53 and expiring on May 2, 2011 was calculated using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected average volatility of 107%; risk-free interest rate of 1.28% and an expected average life of 18 months. The stock options vest immediately.

(iii) The fair market value of $38,750 for the 50,000 stock options granted to an officer of the Company on January 22, 2010, exercisable at $0.95 and expiring on January 22, 2015 was calculated using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected average volatility of 116%; risk-free interest rate of 2.5% and an expected average life of 5 years. The stock options vest immediately.

(iv) As a result, the weighted average fair value of the total options granted during the nine months ended February 28, 2010 on the grant date was $0.30.

**(Expressed in Canadian Dollars)**

## 6. Share Capital (Continued)

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

As of February 28, 2010, the following stock options were outstanding:

| | Options Outstanding | | | Options Exercisable | |
|---|---|---|---|---|---|
| **Expiry date** | **Number of options** | **Weighted average remaining contractual life (years)** | **Weighted average exercise price ($)** | **Number of options** | **Weighted average exercise price ($)** |
| (1) April 12, 2010 | 40,000 | 0.11 | 0.25 | 40,000 | 0.25 |
| (2) June 25, 2010 | 50,000 | 0.32 | 2.55 | 50,000 | 2.55 |
| (3) October 7, 2010 | 172,500 | 0.60 | 0.90 | 172,500 | 0.90 |
| (4) April 25, 2011 | 800,000 | 1.15 | 2.15 | 800,000 | 2.15 |
| (5) May 2, 2011 | 700,000 | 1.17 | 0.53 | 700,000 | 0.53 |
| (6) July 7, 2011 | 100,000 | 1.35 | 2.76 | 100,000 | 2.76 |
| (7) December 7, 2011 | 1,550,000 | 1.77 | 1.80 | 1,550,000 | 1.80 |
| (8) December 8, 2011 | 50,000 | 1.77 | 1.83 | 50,000 | 1.83 |
| (9) December 13, 2011 | 300,000 | 1.79 | 1.81 | 300,000 | 1.81 |
| (10) October 22, 2012 | 980,000 | 2.65 | 2.15 | 980,000 | 2.15 |
| (11) March 6, 2013 | 75,000 | 3.02 | 0.98 | 75,000 | 0.98 |
| (12) March 25, 2013 | 35,000 | 3.07 | 0.85 | 35,000 | 0.85 |
| (13) December 3, 2013 | 250,000 | 3.76 | 0.35 | 250,000 | 0.35 |
| (14) April 27, 2014 | 1,900,000 | 4.16 | 0.80 | 1,900,000 | 0.80 |
| (15) April 29, 2014 | 50,000 | 4.16 | 0.80 | 50,000 | 0.80 |
| (16) June 2, 2014 | 100,000 | 4.26 | 0.65 | 100,000 | 0.65 |
| (17) January 22, 2015 | 50,000 | 4.90 | 0.95 | 50,000 | 0.95 |
| | **7,202,500** | **2.50** | **1.40** | **7,202,500** | **1.40** |

**(Expressed in Canadian Dollars)**

**6. 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, 2009 | Expensed | Exercised | Cancelled/ Expired | Contributed surplus | Remainder to be expensed |
|---|---|---|---|---|---|---|
| | $ 18,983 | $ - | $ (18,983) | $ - | $ - | $ - |
| (1) | 7,320 | - | - | - | 7,320 | - |
| (2) | 96,750 | - | - | - | 96,750 | - |
| (3) | 176,725 | - | - | - | 176,725 | - |
| (4) | 1,714,400 | - | - | - | 1,714,400 | - |
| (5) | - | 156,800 | - | - | 156,800 | - |
| (6) | 274,900 | - | - | - | 274,900 | - |
| (7) | 2,645,850 | - | - | - | 2,645,850 | - |
| (8) | 91,350 | - | - | - | 91,350 | - |
| (9) | 542,100 | - | - | - | 542,100 | - |
| (10) | 1,960,000 | - | - | - | 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) | - | 55,300 | - | - | 55,300 | - |
| (17) | - | 38,750 | - | - | 38,750 | - |
| | 15,407,683 | - | - | - | 15,407,683 | - |
| | $ 24,107,460 | $ 250,850 | $ (18,983) | $ - | $ 24,339,327 | $ - |

**(Expressed in Canadian Dollars)**

## 7. Loss Per Share

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

| | Three Months Ended February 28, | | Nine Months Ended February 28, | |
|---|---|---|---|---|
| | **2010** | 2009 | **2010** | 2009 |
| Numerator: | | | | |
| Loss for the period | **$ (741,014)** | $ (645,457) | **$ (1,591,276)** | $ (1,399,939) |
| Denominator: | | | | |
| Weighted average number of shares | **51,410,937** | 47,678,348 | **51,416,846** | 47,610,927 |
| Effect of dilutive securities: | | | | |
| Stock options** | **-** | - | **-** | - |
| Warrants** | **-** | - | **-** | - |
| Denominator for diluted loss per share | **51,410,937** | 47,678,348 | **51,416,846** | 47,610,927 |
| Basic and diluted loss per share | **$ (0.01)** | $ (0.01) | **$ (0.03)** | $ (0.03) |

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

## 8. Related Party Transactions Not Disclosed Elsewhere

(i) During the three and nine months ended February 28, 2010, the Company paid and accrued $3,000 and $9,000, respectively (three and nine months ended February 28, 2009 - $4,000 and $13,000, respectively) as consulting fees to the Company's Chief Financial Officer. Included in accounts payable and accrued liabilities are fees totaling $3,000 (May 31, 2009 - $7,000) payable to the Company's Chief Financial Officer.

(ii) During the three and nine months months ended February 28, 2010, the Company paid $36,000 and $120,000, respectively (three and nine months ended February 28, 2009 - $33,000 and $129,000 respectively) in fees to directors for their services.

(iii) During the three and nine months ended February 28, 2010, a total of $36,000 and $108,000, respectively (three and nine months ended February 28, 2009 - $37,740 and $159,740, respectively) was paid as management compensation to the President and CEO of the Company.

(iv) During the three and nine months ended February 28, 2010, the President and CEO of the Company received $4,500 and $13,500, respectively, (three and nine months ended February 28, 2009 - $4,500 and $13,500, respectively) as an expense allowance.

**(Expressed in Canadian Dollars)**

**8. Related Party Transactions Not Disclosed Elsewhere (Continued)**

(v) During the three and nine months ended February 28, 2010, the Company paid and accrued $154,880 and $674,794, respectively (three and nine months ended February 28, 2009 - $247,813 and $1,266,302) 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 of Exploration and Development. Of these amounts only $41,502 and $139,978, respectively (three and nine months ended February 28, 2009 - $36,246 and $115,992, respectively), was compensation for services of the Executive Vice-President and Director of Exploration and Development. Included in accounts payable and accrued liabilities is $166,305 (May 31, 2009 - $64,507) 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.

**9. 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.

| | February 28, 2010 | May 31, 2009 |
|---|---|---|
| Canada - assets | $ 23,895,980 | $ 26,099,789 |
| Sweden - assets | 12,025,698 | 10,698,756 |
| **Total assets** | **$ 35,921,678** | $ 36,798,545 |

**10. 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.

**11. Commitment**

The Company is committed to pay compensation in the amount of $12,000 per month to President and CEO of the Company. The President and CEO is also entitled to an expense allowance of $1,500 per month.

**12. Subsequent Event**

On March 16, 2010, 40,000 stock options with an exercise price of $0.25 were exercised for cash proceeds of $10,000.