

CONTINENTAL PRECIOUS MINERALS INC.
Management Discussion & Analysis
For the year ended May 31, 2009

This Management Discussion & Analysis ("MD&A") of Continental Precious Minerals Inc. ("Continental" or the "Company") is dated August 25, 2009 and provides an analysis of the Company's performance and financial condition for the year ended May 31, 2009 as well as an analysis of future prospects. This MD&A should be read in conjunction with the Company's audited consolidated financial statements for the years ended May 31, 2009 and 2008, including the related note disclosure, all of which are prepared in accordance with generally accepted accounting principles in Canada. All amounts are in Canadian dollars unless otherwise specified. Additional information relating to the Company, including the annual information form for the year ended May 31, 2009 are available on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

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

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

- the expectation that the company will be in a position to publish the results of a preliminary economic assessment on the Viken MMS Licence in 2010;
- estimates of resources and the potential to expand resources further;
- the expectation that the Company's current cash position makes the Company well-positioned to finance its planned exploration activities in Sweden; and
- planned drilling and other activities.

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

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

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

OVERALL PERFORMANCE

Principal Business and Corporate History

Continental is a reporting issuer listed 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 has been in the natural resources industry which included portfolio investments in common shares of

other companies involved in exploration, development and production of natural resources. Since March 2005, the Company's main business focus has been to acquire and explore mineral properties for uranium and other minerals in Sweden. To date, Continental has not earned any revenues from its mineral property interests and is considered to be in the development stage.

Continental set the Company focus on uranium exploration as the global demand for alternative sources of energy brought the uranium industry back to life. Continental intends to build on this industry trend as it continues to advance its mineral property interests in Sweden. A number of Continental's licences in Sweden also cover alum oil shales. Historical production of kerogen from alum oil shales is also of interest to Continental.

While the Continental team has delineated a world class mineral resource and is capable of advancing the assets to the next stage of development, the Company's long-term aim is to partner with an established mining company to develop a world-class mine. Partnering with an established mining company will enable us to preserve Continental's strong cash position, while maximizing shareholder value.

Multi-mineral Exploration Projects in Sweden

The Company now has 100% ownership in 76 mineral exploration licences in Sweden with another 4 licences in the process of being renewed, the bulk of which are in northern Sweden. Continental is optimistic about these interests as it still sees potential in the growth of the uranium industry and the possibility of developing the other minerals found on these projects.

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

The Company filed a National Instrument 43-101 report on June 22, 2007, an updated report on August 30, 2007, a further updated report on April 11, 2008 and a further updated report on March 19, 2009 (filed on www.sedar.com) ("Viken report"). The Viken report was prepared by Gerald A. Harron, of G.A. Harron & Associates Inc. and Eugene Puritch and Fred Brown of P&E Mining Consultants Inc. The Viken report covers the Company's 100% owned MMS Viken licence and surrounding MMS Licences in Sweden.

Current Exploration Drilling Program

Continental's recent field work has focused on the Viken MMS Licence and surrounding MMS Licences, MMS Cal Licences, MMS (Närke) Licences and MMS (VG) Licences. Continental has completed the drilling of a total of 133 holes (26,293 metres) on the Viken MMS Licence and surrounding MMS Licences.

On the MMS Cal Licences, 10 holes were drilled in July to September 2008. In general, the black shale is not as thick in the MMS Cal Licences compared to the MMS Licences, and hence the drill holes were shallower compared to holes drilled on Viken and surrounding MMS Licences. Results will be assessed when logging and analysis have been completed.

On the MMS (Närke) Licences in southern Sweden, the Company has drilled on five licences. Samples from two of the licences have been sent to the Oil Shale Institute in Estonia for analysis. Geophysical surveys and till sampling are planned for one licence when the Mining Inspectorate of Sweden

determines that the work plan is acceptable The Company has allowed three of the licences to lapse recently but the renewal of the other four licences is underway.

On the MMS (VG) Licences, which are south of the MMS (Närke) Licences, the Company has drilled on four licences and samples have been sent to the Oil Shale Institute in Estonia for analysis. An electro-magnetic survey is planned for five of the licences. On thirteen of the most recently acquired licences, the Company is in the process of conducting reconnaissance fieldwork to assess environmental aspects and to determine the most suitable drill site locations. Drilling is expected to be undertaken on these thirteen licences in 2010.

For the Viken MMS Licence and surrounding MMS Licences, the most recent resource estimate, effective as of December 31, 2008, for uranium oxide, as well as vanadium pentoxide, molybdenum and nickel indicate the tonnage for indicated resources has increased to 23.6 million tonnes from 13.7 million tonnes (a 72% increase since the last resource estimate effective January 31, 2008) and the tonnage for inferred resources has increased to 2,831 billion tonnes from 1,166 billion tonnes (a 143% increase since the last resource estimate effective January 31, 2008). There were no significant changes in grades. The increase in inferred resources is primarily as a result of drilling on licences adjacent to the Viken MMS Licence and the increase in indicated resources is primarily as a result of closer spacing between drill holes in certain areas of the Viken MMS Licence. Resources have been reported using an internal (processing plus G&A) NSR cut off of US \$7.50/tonne.

Recent Developments

In the news release dated April 29, 2009, Continental announced that it has entered into a letter agreement for the sale of its 13 HRU mineral exploration licences in Sweden to Uranium International Corp. (OTCBB: URNI). The completion of the sale is subject to completion of due diligence satisfactory to the buyer.

With the signing of the letter agreement, Continental 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 which will be subject to a one year resale restriction and warrants to purchase up to 1,000,000 common shares of Uranium International 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.

In the news release dated May 6, 2009 Continental announced that it has completed a private placement of 4 million units at a price of \$0.50 per unit to raise gross proceeds of \$2 million. Each unit consists of one common share and one common share purchase warrant for the purchase of an additional common share at an exercise price of \$0.75 per share exercisable for three years. Continental now has 51,393,211 common shares issued and outstanding as of the date hereof.

SELECTED ANNUAL & QUARTERLY INFORMATION

Selected Annual Information

	Year ended May 31, 2009 \$	Year ended May 31, 2008 \$	Year ended May 31, 2007 \$
Interest and other income	305,177	1,264,072	684,806
Net income (loss)	(2,816,925)	(5,336,379)	(6,263,080)
Income (loss) per share	(0.06)	(0.11)	(0.18)
Cash/Cash Equivalents	25,846,525	323,674	6,782,661
Short term investments	131,919	28,132,776	25,829,408
Total assets	36,798,545	36,883,787	35,083,681
Total liabilities	240,480	312,511	269,301
Shareholders' Equity	36,558,065	36,571,276	34,814,380

Selected Quarterly Information

Three Months Ended	Interest and Other Income \$	Net Income (loss) Total \$	Per Share \$	Total Assets \$
May. 31, 2009	26,351	(1,416,986)	(0.03)	36,798,545
Feb. 28, 2009	48,698	(645,457)	(0.01)	35,363,398
Nov. 30, 2008	(7,975)	(487,823)	(0.01)	36,176,005
Aug. 31, 2008	238,103	(266,659)	(0.01)	36,659,527
May. 31, 2008	263,777	(589,820)	(0.01)	36,883,787
Feb. 29, 2008	319,960	(397,331)	(0.01)	37,553,013
Nov. 30, 2007	375,728	(3,155,786)	(0.07)	37,051,411
Aug. 31, 2007	304,607	(1,193,442)	(0.03)	35,881,784

Continental has maintained steady progress on its project exploration and has not experienced a great deal of variance from quarter to quarter due to any seasonal or cyclical factors. Quarterly interest and other income, continues to be impacted by lower interest rates on short term investments. The increased loss in the quarter is primarily due to stock option compensation. Overall expenses and net loss for the company continue, as the Company continues to increase its activity on projects, and business development.

RESULTS OF OPERATIONS

Continental reported a loss for the year ended May 31, 2009 of \$2,816,925 (2008 - \$5,336,379) and for the fourth quarter ended May 31, 2009, the net loss amounted to \$1,416,986 (2008 - \$589,820).

The net loss of \$2,816,925 for May 31, 2009, has improved from the 2008 level of \$5,336,379 primarily due to a reduction of \$3,652,554 in stock based compensation, offset by a reduction in interest income of \$958,895.

Continental is an exploration company and the income totalling \$305,177 for the year ended May 31, 2009 (2008 - \$1,290,282) was solely through interest income, which has been reduced due to the impact of lower rates, as a result of market forces.

Excluding the impact of stock based compensation, overall operating expenses for May 31, 2009 are \$1,943,845 (2008 \$1,875,850), which represents a marginal increase over last year, and reflects the level of activity during the past year consistent with a development company that often requires the assistance of outside consultants, in a variety of functional areas.

Travel and business development expenses were \$506,182 for the year ended May 31, 2009 (2008 - \$771,919). Travel expense for the Company is incurred for travel between Toronto (where the head office of the Company is located) and Sweden, as well as travel to meet with investors, and potential strategic alliance partners. Office and general expenses were \$302,750 for the year ended May 31, 2009 (2008- \$118,962). The increased Office and general expenses is primarily due to capital taxes and general expenses.

	3 months ended		Year ended	
	May 31, 2009	May 31, 2008	May 31, 2009	May 31, 2008
Management Compensation	\$ 37,403	\$ 37,307	\$ 229,093	\$ 147,047
Consulting Fees	7,000	80,500	100,000	271,250
Directors' Fees	24,000	24,000	153,000	155,750

The decrease in consulting fees relates to higher fees in the prior year relating to corporate financing.

As a reporting issuer listed on the TSX, Continental incurs listing and maintenance fees and requires the assistance of legal counsel and auditors. With the Company's increased activity, the involvement of professionals has resulted in an increase in expenses incurred.

	3 months ended		Year ended	
	May 31, 2009	May 31, 2008	May 31, 2009	May 31, 2008
Professional fees	\$ 91,755	\$ 62,158	\$ 531,706	\$ 317,972
Stock exchange fees	-	-	16,455	10,913
Transfer agent fees	4,799	4,193	29,952	26,097

The Company has put a lot of effort into shareholder relations over the past year. Shareholder relations' expense for the quarter ended May 31, 2009 was \$4,554 (2008 - \$8,209). For the year ended May 31, 2009, the Company spent a total of \$74,707 (2008 - \$55,940)

Office and general expenses for the Company for the year ended May 31, 2009 and 2008 can be further broken down as follows:

	Three Months Ended May 31, 2009	Year Ended May 31, 2009	Year Ended May 31, 2008
Office and General			
Accounting and corporate services	\$ 26,112	\$ 63,069	\$ 55,000
Expense allowance	-	-	20,440
General and rent expense	28,372	88,456	10,994
Capital tax	48,439	99,972	390
Foreign exchange	-	(845)	237
Telephone, fax, internet	6,089	13,094	443
Insurance	7,425	29,925	26,526
Interest & bank charges	1,733	9,079	4,932
Total	\$ 118,170	\$ 302,750	\$ 118,962

For the year ended May 31, 2009, the Company spent \$302,750 (2008 - \$118,962) on office and general expenses. The increase in office and general expenses is primarily due to capital tax expense, and costs associated with the development of a new web site.

LIQUIDITY AND CAPITAL RESOURCES

Continental had working capital of \$25,859,309 as at May 31, 2009 (May 31, 2008 - \$28,212,446) with a cash and cash equivalents balance of \$25,846,525 (May 31, 2008 - \$323,674). The change versus a year ago reflects the 2008 categorization of most of the working capital in short term investments. The decrease in working capital reflects primarily cash resources used for both operating expenses, and expenditures on mineral properties, offset by proceeds from issuance of share capital.

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

Outstanding Share Data

As at August 25, 2009, the Company's share capital consisted of:

Shares outstanding	51,393,211
Options outstanding ⁽ⁱ⁾	6,487,134
Warrants ⁽ⁱⁱ⁾	4,400,000

(i) Options outstanding

Expiry Date	No. of Options	Exercise Price
March 10, 2010	134,634	\$0.19
April 12, 2010	40,000	\$0.25
June 25, 2010	50,000	\$2.55
October 7, 2010	172,500	\$0.90
April 25, 2011	800,000	\$2.15
July 7, 2011	100,000	\$2.76
December 7, 2011	1,550,000	\$1.80
December 8, 2011	50,000	\$1.83
December 13, 2011	300,000	\$1.81
October 22, 2012	980,000	\$2.15
March 6, 2013	75,000	\$0.98
March 25, 2013	35,000	\$0.85
December 3, 2013	250,000	\$0.35
April 27, 2014	1,900,000	\$0.80
April 29, 2014	50,000	\$0.80

(ii) Warrants outstanding

Expiry Date	No. of Warrants	Exercise Price
May 6, 2011	400,000	\$0.50
May 6, 2012	4,000,000	\$0.75

RESOURCE PROPERTIES

The following is a breakdown of the \$10,698,756 accumulated expenditures on the Sweden uranium project as at May 31, 2009.

	May 31, 2009
Beginning of period, May 31, 2008	\$ 8,278,830
Drilling	290,153
Consulting	361,923
Geology	462,195
Geophysics and geochemical	38,570
Professional fees	123,049
Data management	-
Assays, maps and reports	231,513
Equipment	-
Transportation	62,418
Exploration management	147,514
Travel and meals	87,305
Acquiring data, selecting targets, map preparation and landowner data	-
License acquisition and holding costs	116,451
General	528,563
Deposit on future sale	(29,728)
As at May 31, 2009	\$ 10,698,756

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

Since March 2005, Continental has continued, through Geoforum acting as an independent contractor, to apply for additional mineral exploration licences. As a result of these efforts, Continental now holds 76 mineral exploration licences in Sweden. In addition to being reimbursed for the costs of licence application fees and being compensated for time spent at rates that are within industry standards, Geoforum has a 5% net profit interest in mineral production from the properties covered by each of the mineral exploration licences held by Continental.

Of the 76 mineral exploration licences, 26 are referred to by the Company as its MMS (Multi Metal Sediment) Licences, 19 are referred to as the MMS Cal Licences (referring to MMS targets along the Caledonian mountain chain), 18 are referred to as the MMS (VG) and 13 are referred to as the HRU Licences. An additional 4 MMS (Närke) Licences are in the process of being renewed.

Each of the licences are valid for three years and are renewable subject to satisfactory work programs having been carried out. They also confer the right to apply for a mining licence once an economic deposit has been located.

HRU Licences

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

On October 30, 2007, the Company received a metallurgical report authored by Alex Mezei of SGS Lakefield Research Ltd. on several core samples from the Skuppessavon, Pleutajokk, Sågtjärn, Lill-Juthatten, Kvarnån, Björkråmyran and Nöjdfjället licences. These samples were subject to acid leach test work aimed at evaluating various process parameters and their impact on uranium. A main composite was produced from the seven samples received and used for scoping level leach test. As the Company disclosed in a press release dated October 30, 2007, the ore leached readily in moderately acidic solutions resulting in 95% uranium extraction after about 12 hours with an acid addition of about 40 kg/t H₂SO₄ and oxidant addition of 2.0 kg/t NaClO₃ at ambient temperature. The individual composites also revealed high uranium extractions, better than 95%, with the exceptions of Kvarnån and Björkråmyran. It is likely that the results for these two mineralizations could be improved with additional test work. The main composite was also subjected to simulated heap leach tests (bench scale bottle roll tests) and revealed that with a fairly fine crush size (nominally ¼"), 60% of the contained uranium reported to the leach solution after 20 days.

MMS and MMS Cal Licences

Continental now holds 26 MMS Licences and 19 MMS Cal Licences containing alum shale hosted metalliferous deposits and semianthracite. The MMS Licence areas are contiguous to semicontiguous and are centred approximately 23 kilometres southwest of the regional centre of Östersund in the Swedish county of Jämtland. The MMS Licence area was explored by the SGU in the 1970's to early 1980's. The SGU drilled 28 vertical diamond drill holes in an area of approximately 250 square kilometres and analyzed the alum shale cores for uranium, molybdenum, vanadium and organic carbon.

The inferred resource estimate was substantially increased in the most recent Viken MMS Report, a success that may impact Continental's strategy in the future. On May 6, 2008 the Company engaged P&E Mining Consultants Inc., a geological and mine engineering consulting firm specializing in the areas of National Instrument 43-101 geological reports, resource estimate technical reports and preliminary economic analysis, to prepare a preliminary economic assessment of the Company's Viken MMS Licence. The Company has commenced metallurgical studies necessary for the Company to complete a preliminary economic assessment on the Viken MMS Licence.

The Company is currently pursuing two different metallurgical studies, one of which utilizes conventional acid leaching and the other of which utilizes a bioleach technology. The conventional acid leaching study is being led by the Alberta Research Council and the bioleach study is being led by BacTech Mining Corporation. Once the metallurgical studies have been successfully completed, the Company can then complete the preliminary economic assessment. Despite delays in completing metallurgical studies, the Company expects to be in a position to publish the results of a preliminary economic assessment in 2010.

The Viken MMS Report estimates the following inferred resources and indicated resources, containing the uranium oxide, vanadium pentoxide, molybdenum and nickel as set out in the table below.

		U ₃ O ₈	V ₂ O ₅	Mo	Ni
INDICATED RESOURCE	tonnes in 000's	23,610	23,610	23,610	23,610
	Grade (lbs/ton)	0.38	6.25	0.56	0.63
	Grade (%)	0.019	0.313	0.028	0.032
	lbs metal/oxide in 000's	9,944	162,751	14,678	16,500
		U ₃ O ₈	V ₂ O ₅	Mo	Ni
INFERRED RESOURCE	tonnes in 000's	2,830,757	2,830,757	2,830,757	2,830,757
	Grade (lbs/ton)	0.33	5.36	0.49	0.65
	Grade (%)	0.017	0.268	0.024	0.032
	lbs metal/oxide in 000's	1,037,661	16,716,126	1,516,487	2,015,742
Cut off = USD 7.50					

The Company cautions that mineral resources which are not mineral reserves do not have demonstrated economic viability. The estimate of mineral resources may be materially affected by environmental, permitting, legal, title, taxation, sociopolitical, marketing or other relevant issues. The quantity and grade of reported inferred resources in this estimation are uncertain in nature and there has been insufficient exploration to define these inferred resources as an indicated resource. It is uncertain if further exploration will result in upgrading them to an indicated resource category.

MMS (Närke) and MMS (VG) Licences

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

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

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

TRANSACTIONS

Related Party Transactions

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

During the year ended May 31, 2009, directors of the Company were paid \$153,000 (2008 - \$155,750) for their services as directors, and the president of the Company received \$18,000 (2008 - \$20,440) as an expense allowance. The President was also reimbursed for out of pocket expenses that occurred in the normal course of business.

For the year ended May 31, 2009, a total of \$229,093 was paid as management compensation to the President and CEO of the Company. For the year ended May 31, 2008, a total of \$147,047 was paid as management compensation to the President and CEO of the Company. During the year, the Company

paid \$20,000 (2008 - \$11,250) as consulting fees to the Company's Chief Financial Officer. Included in the accounts payable and accrued liabilities for the year ended May 31, 2009 are fees totalling \$7,000 payable to the Company's chief financial officer (2008 - \$3,000).

During the year, the Company incurred \$1,392,407 in 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 payable to that company.

Off-Balance Sheet Transactions

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

Proposed Transactions

There are no proposed transactions at this time.

ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES

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

Adoption of new accounting standards On December 1, 2006, the Canadian Institute of Chartered Accountants ("CICA") issued three new accounting standards: Handbook Section 3862 "Financial Instruments - Disclosures", Section 3863 "Financial Instruments - Presentation" and Section 1535 "Capital Disclosures". These new standards became effective for the company on June 1, 2008.

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 to 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.

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.

Future Accounting Changes

International Financial Reporting Standards ("IFRS") Implementation Plan

The AcSB has confirmed that IFRS will replace current Canadian GAAP for publicly accountable enterprises effective for fiscal years beginning on or after January 1, 2011. Accordingly, the Company will report interim and annual financial statements (with comparatives) in accordance with IFRS beginning with the quarter ended August 31, 2011.

The Company has commenced the development of an IFRS implementation plan to prepare for this transition, and is in the process of analyzing the key areas where changes to current accounting policies may be required. While an analysis will be required for all accounting policies, the initial key areas of assessment will include:

- Exploration and development expenditures;
- Stock-based compensation;
- Accounting for income taxes; and
- First-time adoption of Internal Financial Reporting Standards (IFRS 1).

As the analysis of each of the key areas progresses, other elements of the Company's IFRS implementation plan will also be addressed, including: the implication of changes to accounting policies and processes; financial statement note disclosures on information technology; internal controls; contractual arrangements; and employee training. The table below summarizes the expected timing of activities related to the Company's transition to IFRS.

Initial analysis of key areas for which changes to accounting policies may be required	In progress, expected to be completed by October 30, 2009
Detailed analysis of all relevant IFRS requirements and identification of areas requiring accounting policy changes or those with accounting policy alternatives	Throughout fiscal 2010
Assessment of first-time adoption (IFRS 1) requirements and alternatives	Throughout fiscal 2010
Final determination of changes to accounting policies and choices to be made with respect to first-time adoption alternatives	Q4 (May 31, 2010) - Q1 (August 31, 2010)
Resolution of the accounting policy change implications on information technology, internal controls and contractual arrangements	Q4 (May 31, 2010) - Q2 (November 30, 2010)
Management and employee education and training	Throughout the transition process
Quantification of the Financial Statement impact of changes in accounting policies	Throughout fiscal 2010

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.

FINANCIAL INSTRUMENTS

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

DISCLOSURE CONTROLS

Management has ensured that there are disclosure controls and procedures, which provide reasonable assurance that material information relating to the Company is disclosed on a timely basis. Management believes these disclosure controls and procedures were effective as of May 31, 2009.

CHANGE IN INTERNAL CONTROLS OVER FINANCIAL REPORTING

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

OUTLOOK

Continental continued to make progress toward achieving its primary goal of advancing its Swedish assets. In 2009, the Company will continue to focus on delineating the resource at the Viken licence with the confidence that Continental's strong cash position enables it to fund its drill program and other plans for project advancement.

Continental is focused on four key objectives in the coming year. First, the Company will continue to conserve its capital. Second, the Company will continue delineating the resource at the Viken licence and surrounding licences through its ongoing drill program on a cost-effective basis. Third, Continental will continue its metallurgical and environmental studies necessary for the Company to complete a preliminary economic assessment and finally, the Company will focus on completing the preliminary economic assessment on the Viken licence, the results of which are expected in 2010.

The Company's strong cash position ensures all of its plans in the coming year are fully funded and it also places the Company in a position to be able to evaluate expansion and diversification opportunities as they emerge in current market conditions.

RISKS AND UNCERTAINTIES

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

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

In addition to other information set forth elsewhere in the financial statements, readers should carefully consider the risk factors included in the annual information form for the year ended May 31, 2009 filed on SEDAR (www.sedar.com).