

**CONTINENTAL PRECIOUS MINERALS INC.**  
**Management Discussion & Analysis**  
**For the quarter ended February 28, 2009**

This Management Discussion & Analysis ("MD&A") of Continental Precious Minerals Inc. ("Continental" or the "Company") is dated April 13, 2009 and provides an analysis of the Company's performance and financial condition for the quarter ended February 28, 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, 2008 and 2007, and the unaudited financial statements for the period ended February 28, 2009 including the related note disclosure, all of which are prepared in accordance with generally accepted accounting principles in Canada. All amounts are in Canadian dollars unless otherwise specified. Additional information relating to the Company, including the annual information form for the year ended May 31, 2008 are available on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com).

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

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

- estimates of resources and the potential to expand resources further;
- the expectation that the Company's current cash position makes the Company well-positioned to finance its planned drill program and other plans for project advancement in Sweden; and
- the expected timing of a preliminary economic assessment on the Viken licence.

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, that all required regulatory approvals can be obtained, that the Company will not be subject to any unexpected expenditures and that there will not be any unexpected difficulties in completing a preliminary economic assessment. Actual results and developments may differ materially from those contemplated by the forward looking statements if any of these assumptions prove incorrect or as a result of the risk factors discussed elsewhere in this MD&A.

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

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

## **OVERALL PERFORMANCE**

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

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

focus has been to acquire and explore mineral properties for uranium and other minerals in Sweden. To date, Continental has not earned any revenues from its mineral property interests and is considered to be in the development stage.

Continental set the Company focus on uranium exploration as the global demand for alternative sources of energy brought the uranium industry back to life. 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 67 mineral exploration licences in Sweden, 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](http://www.sedar.com)) prepared by Andrew H. Phillips of Telluride & Associates was filed by the Company in July 2005 (revised and restated in September 2005), which covered eight of Continental's HRU 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](http://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 in Sweden. The drilling program on the Viken MMS licence and surrounding licences, designed to test the continuity and grade of the mineralization peripheral and outward from the inferred resource, is expected to resume later this year.

### **Current Exploration Drilling Program**

The Company'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. On the Viken MMS Licence, the Company has completed the drilling of 135 holes (26,598 metres) since the Company began drilling on the Viken MMS Licence.

In the news release dated February 2, 2009, Continental announced a 72% increase in its NI 43-101 compliant indicated resources and a 143 % increase in its NI 43-101 compliant inferred resources at the Company's 100 % owned MMS Viken Licence in Sweden and portions of adjacent Company licences. The increase in inferred resources is primarily as a result of drilling on licences adjacent to the MMS Viken Licence and the increase in indicated resources is primarily as a result of closer spacing between drill holes in certain areas of the MMS Viken Licence.

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 one licence, samples from which were sent to the oil shale institute in Estonia for analysis. The results are in line with results obtained by the SGU in the 1980's. The Company has drilled an additional four licences on which results are pending.

On the MMS (VG) Licences, which are south of the MMS (Närke) Licences, the Company previously undertook drilling on one licence. The core was analyzed at the oil shale institute in Estonia, with results consistent with results obtained by the SGU in the 1980's. Additional drilling has been undertaken this past winter, on which results are pending.

The most recent updated National Instrument 43-101 technical report on its 100% owned multi-metal sediment ("MMS") Viken mineral exploration licence in Sweden contains the updated resource estimate for uranium oxide, vanadium oxide, molybdenum oxide and nickel. The MMS Viken Licence and portions of adjacent Company licences have an inferred resource estimate of 2,831 billion tonnes containing 1 billion pounds of uranium oxide (0.33 lbs/ton), 2 billion pounds of nickel (0.65 lbs/ton), 17 billion pounds of vanadium pentoxide (5.36 lbs/ton) and 1.5 billion pounds of molybdenum (0.49 lbs/ton). The resource estimate also includes an indicated resource of 24 million tonnes containing 10 million pounds of uranium oxide (0.38 lbs/ton), 17 million pounds of nickel (0.63 lbs/ton), 15 million pounds of molybdenum (0.56 lbs/ton) and 162 million pounds of vanadium pentoxide (6.25 lbs/ton).

#### Selected Quarterly Information

| Three Months Ended | Net Revenues<br>\$ | Net Income (loss)<br>Total<br>\$ | Per Share<br>\$ | Total Assets<br>\$ |
|--------------------|--------------------|----------------------------------|-----------------|--------------------|
| 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         |
| May 31, 2007       | 274,159            | (3,048,677)                      | (0.09)          | 35,083,681         |

Continental has maintained steady progress on its project exploration and has not experienced a great deal of variance from quarter to quarter due to any seasonal or cyclical factors. In the most recent quarter, the lighter impact of the stock option compensation accrual reduced the net loss compared to the previous quarters. The stock option compensation has been the main contributor to the larger historical net loss. Overall expenses and resulting net loss for the Company continue as the Company increases activity on projects and continues to develop its business.

#### RESULTS OF OPERATIONS

Continental reported a net loss for the three month period ended February 28, 2009 of \$645,457 (2008 - \$397,331), and a net loss for the nine month period ended February 28, 2009 of \$1,399,939 (2008 - \$4,746,559). The increase in loss for the three month period ended February 28, 2009 traces to the phasing of professional fees and increase in office and general expenses, offset by lower travel and business development expenses and stock based compensation.

Continental is an exploration company and the income generated for the three months ended February 28, 2009 was through interest and other income \$48,698 (2008 - 319,960) and the decrease in interest income is due to decrease in interest rates.

Travel and business development expenses were \$100,789 for the three months ended February 28, 2009 (2008 - \$205,443) and \$434,326 for the 9 month period (2008 - \$666,887). 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.

|                         | 3 months ended |              | 9 months ended |              |
|-------------------------|----------------|--------------|----------------|--------------|
|                         | Feb 28, 2009   | Feb 28, 2008 | Feb 28, 2009   | Feb 28, 2008 |
| Management compensation | \$ 69,690      | \$ 37,740    | \$ 191,690     | \$ 109,740   |
| Consulting fees         | (6,000)        | 52,750       | 93,000         | 190,750      |
| Directors' fees         | 33,000         | 36,000       | 129,000        | 131,750      |

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. Transfer agent fees fluctuate from quarter to quarter as some expenses are pre-paid.

|                     | 3 months ended |              | 9 months ended |              |
|---------------------|----------------|--------------|----------------|--------------|
|                     | Feb 28, 2009   | Feb 28, 2008 | Feb 28, 2009   | Feb 28, 2008 |
| Professional fees   | \$ 271,640     | \$ 20,505    | \$ 439,951     | \$ 255,814   |
| Stock exchange fees | 14,455         | 21,445       | 16,455         | 10,913       |
| Transfer agent fees | 7,939          | 9,022        | 25,153         | 21,904       |

Office and general expenses for the Company for the quarter ended February 28, 2009 and 2008 can be further broken down as follows:

|                                   | Three Months<br>Ended Feb 28,<br>2009 | Nine Months<br>Ended Feb 28,<br>2009 | Three Months<br>Ended Feb 28,<br>2008 |
|-----------------------------------|---------------------------------------|--------------------------------------|---------------------------------------|
| Office and General                |                                       |                                      |                                       |
| Accounting and corporate services | \$ 10,622                             | \$ 36,957                            | \$ 19,530                             |
| Expense allowance                 | -                                     | -                                    | 4,500                                 |
| General and rent expense          | 35,192                                | 60,084                               | 4,172                                 |
| Capital tax                       | 51,533                                | 51,533                               | -                                     |
| Foreign exchange                  | -                                     | (845)                                | -                                     |
| Telephone, fax, internet          | 5,776                                 | 7,005                                | 103                                   |
| Insurance                         | 7,425                                 | 22,500                               | 7,560                                 |
| Interest & bank charges           | 5,178                                 | 7,346                                | 1,196                                 |
| <b>Total</b>                      | <b>\$ 115,726</b>                     | <b>\$ 184,580</b>                    | <b>\$ 37,061</b>                      |

For the three and nine months ended February 28, 2009, the Company spent \$115,726 and \$184,580 (2008 - \$37,061 and \$92,289) respectively, on office and general expenses. Excluding the impact of capital tax and costs associated with the development of a new website, general expenses are only marginally higher than last year.

## LIQUIDITY AND CAPITAL RESOURCES

Continental had working capital of \$24,632,581 as at February 28, 2009 (May 31, 2008 - \$28,212,446) with a cash and cash equivalents and short term investments balance of \$24,752,665.

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 April 13, 2009, the Company's share capital consisted of:

|                                    |            |
|------------------------------------|------------|
| Shares outstanding                 | 47,393,211 |
| Options outstanding <sup>(i)</sup> | 5,287,134  |
| Warrants <sup>(ii)</sup>           | 6,000,000  |

#### (i) Options outstanding

| Expiry Date       | No. of Options | Exercise Price |
|-------------------|----------------|----------------|
| March 10, 2010    | 134,634        | \$0.19         |
| April 12, 2010    | 40,000         | \$0.25         |
| 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         |
| June 25, 2010     | 50,000         | \$2.55         |
| 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         |

#### (ii) Warrants outstanding

| Expiry Date    | No. of Warrants | Exercise Price |
|----------------|-----------------|----------------|
| March 29, 2009 | 2,560,378       | \$1.00         |
| May 11, 2009   | 3,439,622       | \$1.00         |

## RESOURCE PROPERTIES

The following is a breakdown of the \$10,447,983 accumulated expenditures on the Sweden projects as at February 28, 2009.

|   | <b>3 months ended<br/>Feb 28, 2009</b> |
|---|--|
| Beginning of period, December 1, 2008                                 | \$ 9,987,367                           |
| Drilling  | -                                      |
| Consulting  | 62,465                                 |
| Geology   | 112,972                                |
| Geophysics  | -                                      |
| Professional fees   | 60,855                                 |
| Data management   | -                                      |
| Assays, maps and reports  | 42,695                                 |
| Equipment   | -                                      |
| Transportation  | 124                                    |
| Exploration management  | 36,246                                 |
| Travel and meals  | 3,247                                  |
| Acquiring data, selecting targets, map preparation and landowner data | -                                      |
| Licence acquisition and holding costs                                 | 331                                    |
| General   | 141,681                                |
| End of Period, February 28, 2009                                      | <b>\$ 10,447,983</b>                   |

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 67 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 67 mineral exploration licences, 25 are referred to by the Company as its MMS (Multi Metal Sediment) Licences, 17 are referred to as the MMS Cal Licences (referring to MMS targets along the Caledonian mountain chain), 7 are referred to as the MMS (Närke) Licences, 5 are referred to as the MMS (VG) and 13 are referred to as the HRU Licences.

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

As previously noted, 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 SGU. The HRU report contained an estimate of indicated resources of 4,987,000 tonnes at grades ranging from 0.068% to 0.117% uranium, being 6,043.8 tonnes of uranium oxide (or 13,320,000 pounds of uranium oxide) and inferred resources of 3,654,000 tonnes at grades ranging from 0.026% to 0.101% uranium, being 3,290 tonnes of uranium oxide (or 7,251,000 pounds of uranium oxide).

On October 30, 2007, the Company received a metallurgical report from SGS Lakefield Research Ltd. on several core samples from the Skuppesavon, Pleutajokk, Sågtjärn, Lill-Juthatten, Kvarnån, Björkråmyran and Nöjdfjället 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 7 samples received and used for scoping level leach test. The ore leached readily in moderately acidic solutions resulting in 95% uranium extraction or better.

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

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

### MMS and MMS Cal Licences

Continental now holds 25 MMS Licences, containing alum shale hosted metalliferous deposits and semianthracitic laminae, and 17 MMS Cal Licences. 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 updated NI 43-101 technical report on Viken report estimated an inferred resource of 2,831 billion tonnes and indicated resource of 24 million tonnes on the uranium oxide, vanadium oxide, molybdenum oxide and nickel as set out in the table below:

|  | U <sub>3</sub> O <sub>8</sub> | V <sub>2</sub> O <sub>5</sub> | MoO <sub>3</sub> | Ni        |
|--|-------------------------------|-------------------------------|------------------|-----------|
| <b>2,831 billion tonnes of INFERRED RESOURCE</b> |                               |                               |                  |           |
| Grade (lbs/ton)                                  | 0.33                          | 5.36                          | 0.49             | 0.65      |
| Metal oxide (lbs) (000's)                        | 1,037,661                     | 16,716,126                    | 1,516,487        | 2,015,742 |
| <b>24 million tonnes of INDICATED RESOURCE</b>   |                               |                               |                  |           |
| Grade (lbs/ton)                                  | 0.38                          | 6.25                          | 0.56             | 0.63      |
| Metal oxide (lbs) (000's)                        | 9,944                         | 162,751                       | 14,678           | 16,500    |

In September 2008, the Company announced the preliminary results of metallurgical laboratory activities for liquid hydrocarbon extraction from alum shale, tested on a sample from the Viken MMS Licence. The extraction was carried out using an organic solvent in a pressurized reactor at an elevated temperature. The sample tested resulted in 12 grams of liquid hydrocarbon being extracted from 201 grams of sample rock.

### MMS (Närke) and MMS (VG) Licences

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

This past winter, the Company has undertaken drilling in southern Sweden on the Company's MMS (Närke) Licences and will begin drilling on the MMS (VG) Licences where targets have been tested both regionally and on a few selected targets in greater detail, with results pending.

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 period ended February 28, 2009, directors of the Company were paid \$33,000 and \$129,000 (three and nine months ended February 28, 2008 - \$36,000 and \$131,750) for their services as directors, and the president of the Company received \$4,500 and \$13,500 (three and nine months ended February 28, 2008 - \$4,500 and \$13,500) as an expense allowance. The President was also reimbursed for out of pocket expenses that occurred in the normal course of business.

For the period ended February 28, 2009, a total of \$37,740 and \$159,740 was paid as management compensation to the President and CEO of the Company (three and nine months ended February 28, 2008 - \$36,000 and \$108,000). The Company paid \$4,000 and \$13,000, respectively for the three and nine months ended February 28, 2009 (\$2,750 and \$5,750, respectively for three and nine months ended February 29, 2008) to the Company's Chief Financial Officer. Included in accounts payable and accrued liabilities are fees totalling \$3,500 (May 31, 2008 - \$3,000) payable to the Company's Chief Financial Officer.

### **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**

### **Change in accounting policies**

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 unaudited interim consolidated financial statements as at and for the three and six months ended November 30, 2008.

### **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.

### **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.

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

No changes were made in the Company’s internal control over financial reporting during the quarter ended February 28, 2009 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. Since April 2008, Continental has drilled an additional 73 holes at the Viken licence and surrounding licences for a total of 14,770 metres.

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 and finally, the Company has begun preparing a preliminary economic assessment on the Viken licence, the results of which are expected in the second half of 2009.

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, 2008 filed on SEDAR ([www.sedar.com](http://www.sedar.com)).