

**CONTINENTAL PRECIOUS MINERALS INC.**  
**Management Discussion & Analysis**  
**For the quarter ended November 30, 2008**

This Management Discussion & Analysis ("MD&A") of Continental Precious Minerals Inc. ("Continental" or the "Company") is dated January 13, 2009 and provides an analysis of the Company's performance and financial condition for the quarter ended November 30, 2008 as well as an analysis of future prospects. This MD&A should be read in conjunction with the Company's audited consolidated financial statements for the years ended May 31, 2008 and 2007, and the unaudited financial statements for the period ended November 30, 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, 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 an updated resource estimate and 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 an updated resource estimate and 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. New uranium discoveries and revival of previously explored uranium deposits are being well received by the investment community. Continental intends to build on this industry trend as it continues to advance its mineral property interests in Sweden. 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 68 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, and an updated report on August 30, 2007 and a further updated report on April 11, 2008 (filed on [www.sedar.com](http://www.sedar.com)) ("Viken report"). The Viken report was prepared by Gerald A. Harron, of G.A. Harron & Associates Inc, Eugene Puritch of P&E Mining Consultants Inc. and Fred Brown of FHB Consulting Services Inc. The Viken report covers the Company's 100% owned MMS Viken 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 in Spring 2009.

### **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 now completed drilling of 135 holes (26,598 metres) since the Company began drilling on the Viken MMS Licence. Of such total, 73 holes (14,770 metres) were drilled since April 2008. An updated resource estimate which takes into account this drilling since April 2008 is expected to be announced by the end of January 2009. The Company is applying for the renewal of each of its MMS Licences as each approaches its expiry date. To date, each of the Company's MMS Licences with expiry dates in May to August 2008, including the Viken MMS Licence, has been renewed.

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. With the exception of four MMS Cal Licences, which

have, or will be, permitted to lapse, the Company's MMS Cal Licences that were to expire, have been renewed.

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 is planned this winter to verify mineralization and to analyze oil content.

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

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

#### **Zencor Technology Agreement**

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

#### **Recent Developments**

The Board of Directors of Continental has approved the adoption of a shareholder rights plan designed to encourage the fair and equal treatment of shareholders in connection with any take-over bid for the outstanding securities of the Company and a press release was made to that effect on November 7, 2008. The Rights plan is subject to ratification by the Company's shareholders within six months. If not ratified within six months from November 7, 2008, the Rights Plan and all of the Rights outstanding at the time will terminate.

On December 1, 2008, Mr. Scott Walters resigned from the Board of Directors of Continental and on December 3, 2008, Continental appointed Honourable Herb Dhaliwal to its Board of Directors. Mr. Dhaliwal is the Chief Executive Officer of the Dynamic Group of Companies and served three terms as a Member of Parliament.

On December 9, 2008, Continental appointed Swedish based consultants, Michael Bromley-Challenor to the position of Executive Vice-President and Director of Exploration and Development and Gustav Akerblom to the position of Executive Vice-President and Director of Environmental Management.

### Selected Quarterly Information

Three Months Ended	Net Revenues \$	Net Income (loss) Total \$	Per Share \$	Total Assets \$
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
Feb. 28, 2007	240,971	(1,786,533)	(0.04)	29,404,118

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 but this was greatly offset by the lack of revenue through interest. 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 lower net loss for the three and six month period ended November 30, 2008 of \$487,823 and \$754,482 respectively, ( 2007 - \$3,155,786 and \$4,349,228 ), primarily due to higher stock-based compensation expense in the prior year. Additional factors in the quarter relate to a decrease in interest income due to significantly lower interest rates, resulting from the conversion of short term investments to treasury bills, to mitigate market risk during the second quarter. This combined with a decrease in the amount invested, and actual interest received versus the amounts estimated during the first quarter, accounted for the reduction in interest income.

Travel and business development expenses were \$141,126 for the three months ended November 30, 2008 (2007 - \$293,949) and \$333,537 for the 6 month period (2007 - \$461,444). 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		6 months ended	
	Nov 30, 2008	Nov 30, 2007	Nov 30, 2008	Nov 30, 2007
Management compensation	\$ 36,000	\$ 36,000	\$ 122,000	\$ 72,000
Consulting fees	39,000	104,250	99,000	138,000
Directors' fees	51,000	38,750	96,000	95,750

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		6 months ended	
	Nov 30, 2008	Nov 30, 2007	Nov 30, 2008	Nov 30, 2007
Professional fees	\$ 123,867	\$ 140,975	\$ 168,311	\$ 235,309
Stock exchange fees	-	(10,532)	2,000	(10,532)
Transfer agent fees	7,409	21,674	17,214	12,882

Office and general expenses for the Company for the quarter ended November 30, 2008 and 2007 can be further broken down as follows:

	Three Months Ended Nov 30, 2008	Six Months Ended Nov 30, 2008	Three Months Ended Nov 30, 2007
<b>Office and General</b>			
Accounting and corporate services	\$ 10,986	\$ 26,335	\$ 2,530
Expense allowance	-	-	5,695
General and rent expense	20,041	24,892	8,698
Capital tax	-	-	-
Foreign exchange	(426)	(845)	223
Telephone, fax, internet	233	1,229	71
Insurance	7,515	15,075	-
Interest & bank charges	1,160	2,168	1,293
<b>Total</b>	<b>\$ 39,509</b>	<b>\$68,854</b>	<b>\$ 18,510</b>

For the three months ended November 30, 2008, the Company spent \$39,509 (2007 - \$18,510) on office and general expenses. Overall, the business growth and activities have resulted in increased office and general expenses and the increase is apparent over the 6 month period ended November 30, 2008 with \$68,854 (2007- \$55,228)

## LIQUIDITY AND CAPITAL RESOURCES

Continental had working capital of \$25,770,430 as at November 30, 2008 (May 31, 2008 - \$28,212,446) with a cash balance of \$2,461,460. The Company exchanged \$27,106,389 in short term deposits, moving the funds into cash and cash equivalents.

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

Shares outstanding	47,680,711
Options outstanding <sup>(i)</sup>	5,987,134
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
July 19, 2011	250,000 <sup>(3)</sup>	\$2.78
December 7, 2011	2,050,000 <sup>(1)</sup>	\$1.80
December 8, 2011	300,000 <sup>(4)</sup>	\$1.83
December 13, 2011	300,000	\$1.81
June 4, 2010	200,000 <sup>(3)</sup>	\$2.93
June 25, 2010	50,000	\$2.55
October 22, 2012	1,230,000 <sup>(2)</sup>	\$2.15
March 6, 2013	75,000	\$0.98
March 25, 2013	35,000	\$0.85
December 3, 2013	250,000	\$0.35

Note:

- (1) 500,000 of these options will expire March 1, 2009 following the resignation of Mr. Scott Walters
- (2) 250,000 of these options will expire March 1, 2009 following the resignation of Mr. Scott Walters
- (3) These options will expire January 30, 2009 following the cessation of a consultant's contract
- (4) 250,000 of these options will expire January 30, 2009 following the cessation of a consultant's contract.

(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 \$9,987,367 accumulated expenditures on the Sweden projects as at November 30, 2008.

	3 months ended Nov 30, 2008
Beginning of period, September 1, 2008	\$ 9,195,501
Drilling	40,342
Consulting	64,016
Geology	225,721
Geophysics	11,884
Professional fees	20,964
Data management	-

	<b>3 months ended Nov 30, 2008</b>
Assays, maps and reports	43,247
Equipment	-
Transportation	20,134
Exploration management	42,802
Travel and meals	20,382
Acquiring data, selecting targets, map preparation and landowner data	-
Licence acquisition and holding costs	110,975 <sup>(1)</sup>
General	191,399
<b>As at November 30, 2008</b>	<b>\$ 9,987,367</b>

Note:

(1) Adjusted for reclassification of costs to other categories

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 70 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 70 mineral exploration licences, 24 are referred to by the Company as its MMS (Multi Metal Sediment) Licences, 21 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. A few of the licences are in the process of being renewed for an additional term of three years. 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 Nojdfjallet 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 24 MMS Licences, containing alum shale hosted metalliferous deposits and semianthracitic laminae, and 21 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 Viken report estimated an inferred resource of 1.166 billion tonnes and indicated resource of 13.7 million tonnes on the uranium oxide, vanadium oxide, molybdenum oxide and nickel as set out in the table below:

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

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 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 will be tested both regionally and on a few selected targets in greater detail.

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

All costs incurred by the Company to acquire and maintain the Company's mineral exploration 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 November 30, 2008, directors of the Company were paid \$51,000 and \$96,000 (three and six months ended November 30, 2007 - \$38,750 and \$95,750) for their services as directors, and the president of the Company received \$4,500 and 9,000 (three and six months ended November 30, 2007 - \$4,500 and \$9,000) 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 November 30, 2008, a total of \$36,000 and \$122,000 was paid as management compensation to the President and CEO of the Company (three and six months ended November 30, 2007 - \$36,000 and \$72,000). During the quarter ended November 30, 2008, \$3,000 and \$6,000 was included in accounts payable and accrued liabilities as for fees to the chief financial officer (three and six months ended November 30, 2007 - \$nil and \$3,000).

### **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.

## **DISCLOSURE CONTROLS**

Management has ensured that there are disclosure controls and procedures, which provide reasonable assurance that material information relating to the Company is disclosed on a timely basis. Management believes these disclosure controls and procedures have been effective during the three months ended November 30, 2008.

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

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

## **OUTLOOK**

Continental continued to make tremendous progress toward achieving its primary goal of advancing its Swedish assets in 2008. 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. An updated resource estimate which takes into account this additional drilling is expected to be announced by the end of January 2009.

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)).