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**CONTINENTAL PRECIOUS MINERALS INC.**

(A DEVELOPMENT STAGE ENTERPRISE)

**INTERIM CONSOLIDATED FINANCIAL STATEMENTS**

**FOR THE THREE AND SIX MONTHS ENDED NOVEMBER 30, 2008**

**(EXPRESSED IN CANADIAN DOLLARS)**

**(UNAUDITED)**

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## **Management's Responsibility for Financial Reporting**

The accompanying unaudited interim consolidated financial statements of Continental Precious Minerals Inc. (A Development Stage Enterprise) were prepared by management in accordance with Canadian generally accepted accounting principles. The most significant of these accounting principles have been set out in the May 31, 2008 audited consolidated financial statements. Only changes in accounting policies have been disclosed in these unaudited interim consolidated financial statements. Management acknowledges responsibility for the preparation and presentation of the period end unaudited interim consolidated financial statements, including responsibility for significant accounting judgments and estimates and the choice of accounting principles and methods that are appropriate to the Company's circumstances.

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

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

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

### **Notice to Reader**

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

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

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



# Continental Precious Minerals Inc.

(A Development Stage Enterprise)

## Interim Consolidated Statements of Loss

(Expressed in Canadian Dollars)

(Prepared by Management - Unaudited)

	Three Months Ended November 30,		Six Months Ended November 30,		Cumulative since inception of Uranium and other minerals project March 21, 2005 to November 30, 2008
	2008	2007	2008	2007	2008
<b>Expenses</b>					
Consulting fees	\$ 39,000	\$ 104,250	\$ 99,000	\$ 138,000	\$ 520,250
Director fees (Note 8)	51,000	38,750	96,000	95,750	470,500
Management compensation (Note 8)	36,000	36,000	122,000	72,000	653,317
Office and general	39,509	18,510	68,854	55,228	334,999
Professional fees	123,867	140,975	168,311	235,309	690,925
Shareholder relations	38,897	22,309	53,659	43,281	187,738
Stock exchange fees	-	(10,532)	2,000	(10,532)	240,227
Transfer agent fees	7,409	21,674	17,214	12,882	140,166
Travel and business development	141,126	293,949	333,537	461,444	1,825,037
Stock-based compensation (Note 6(d))	3,040	2,865,629	24,035	3,926,201	10,748,621
	<b>479,848</b>	<b>3,531,514</b>	<b>984,610</b>	<b>5,029,563</b>	<b>15,811,780</b>
Net operating loss before the following:	<b>(479,848)</b>	<b>(3,531,514)</b>	<b>(984,610)</b>	<b>(5,029,563)</b>	<b>(15,811,780)</b>
Interest and other income	(7,975)	349,518	230,128	654,125	2,201,046
Recovery of management fees	-	-	-	-	(105,000)
Gain on sale of marketable securities	-	26,210	-	26,210	31,408
Gain on sale of subsidiary	-	-	-	-	100
Write-down of marketable securities	-	-	-	-	(12,825)
Write-off of investment in Ekwan Technology Corporation	-	-	-	-	130,439
	<b>(7,975)</b>	<b>375,728</b>	<b>230,128</b>	<b>680,335</b>	<b>2,245,168</b>
<b>Net loss for the period</b>	<b>\$ (487,823)</b>	<b>\$ (3,155,786)</b>	<b>\$ (754,482)</b>	<b>\$ (4,349,228)</b>	<b>\$ (13,566,612)</b>
Loss per share (Note 7)					
Basic and diluted	\$ (0.01)	\$ (0.07)	\$ (0.02)	\$ (0.09)	

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

# Continental Precious Minerals Inc.

(A Development Stage Enterprise)

## Interim Consolidated Statements of Deficit

(Expressed in Canadian Dollars)

(Prepared by Management - Unaudited)

	Three Months Ended November 30,		Six Months Ended November 30,		Cumulative since inception of Uranium and other minerals project March 21, 2005 to November 30, 2008
	2008	2007	2008	2007	2008
Deficit, beginning of period	\$ (17,146,971)	\$ (12,737,375)	\$ (16,880,312)	\$ (11,543,933)	\$ (4,068,182)
Net loss for the period	(487,823)	(3,155,786)	(754,482)	(4,349,228)	(13,566,612)
Deficit, end of period	\$ (17,634,794)	\$ (15,893,161)	\$ (17,634,794)	\$ (15,893,161)	\$ (17,634,794)

## Interim Consolidated Statements of Comprehensive Loss

(Expressed in Canadian Dollars)

(Prepared by Management - Unaudited)

	Three Months Ended November 30,		Six Months Ended November 30,		Cumulative since inception of Uranium and other minerals project March 21, 2005 to November 30, 2008
	2008	2007	2008	2007	2008
Net loss for the period	\$ (487,823)	\$ (3,155,786)	\$ (754,482)	\$ (4,349,228)	\$ (13,566,612)
<b>Other comprehensive loss</b>					
Net unrealized (loss) gain on available-for-sale marketable securities	(9,782)	2,345	(22,865)	(26,070)	(45,424)
Reclassification of gain on available-for-sale marketable securities	-	(4,725)	-	(4,725)	(10,575)
<b>Total comprehensive loss</b>	<b>\$ (497,605)</b>	<b>\$ (3,158,166)</b>	<b>\$ (777,347)</b>	<b>\$ (4,380,023)</b>	<b>\$ (13,622,611)</b>

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

# Continental Precious Minerals Inc.

(A Development Stage Enterprise)

## Interim Consolidated Statements of Cash Flows

(Expressed in Canadian Dollars)

(Prepared by Management - Unaudited)

	Three Months Ended November 30,		Six Months Ended November 30,		Cumulative since inception of Uranium and other minerals project March 21, 2005 to November 30, 2008
	2008	2007	2008	2007	2008
<b>Cash and Cash Equivalents</b>					
<b>(Used in) Provided by:</b>					
<b>Operating Activities</b>					
Net loss for the period	\$ (487,823)	\$ (3,155,786)	\$ (754,482)	\$ (4,349,228)	\$ (13,566,612)
Adjustments for non-cash items:					
Stock-based compensation (Note 6(d))	3,040	2,865,629	24,035	3,926,201	10,748,621
Write-down of marketable securities	-	-	-	-	12,825
Gain on sale of marketable securities	-	(26,210)	-	(26,210)	(31,408)
Gain on sale of subsidiary	-	-	-	-	(100)
Write-off of investment in Ekwan Technology Corporation	-	-	-	-	(130,439)
Changes in non-cash working capital balances:					
Accounts receivable	(5,796)	8,964	(23,463)	2,761	78,383
Prepaid expenses	(26,685)	75,858	(21,858)	81,166	(34,458)
Accounts payable and accrued liabilities	(8,790)	(39,837)	25,697	189,954	331,471
	<b>(526,054)</b>	<b>(271,382)</b>	<b>(750,071)</b>	<b>(175,356)</b>	<b>(2,591,717)</b>
<b>Investing Activities</b>					
Purchase of marketable securities	(109)	(141)	(215)	(274)	(1,970)
Proceeds from sale of marketable securities	-	42,635	-	42,635	42,635
Short-term investments	27,106,389	297,751	28,132,776	(4,806,723)	-
Expenditures on mineral properties	(791,866)	(1,199,475)	(1,708,537)	(2,561,401)	(9,945,366)
Proceeds on sale of subsidiary	-	-	-	-	100
	<b>\$ 26,314,414</b>	<b>\$ (859,230)</b>	<b>\$ 26,424,024</b>	<b>\$ (7,325,763)</b>	<b>\$ (9,904,601)</b>

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

# Continental Precious Minerals Inc.

(A Development Stage Enterprise)

## Interim Consolidated Statements of Cash Flows (Continued)

(Expressed in Canadian Dollars)

(Prepared by Management - Unaudited)

	Three Months Ended November 30,		Six Months Ended November 30,		Cumulative since inception of Uranium and other minerals project March 21, 2005 to November 30, 2008
	2008	2007	2008	2007	2008
<b>Cash and Cash Equivalents</b>					
<b>(Used in) Provided by:</b>					
<b>Financing Activities</b>					
Proceeds from issuance of share capital (net of share issue costs)	\$ 19,833	\$ 1,502,000	\$ 19,833	\$ 2,200,500	\$ 38,311,819
<b>Increase (decrease) in cash and cash equivalents during the period</b>	<b>25,808,193</b>	<b>371,388</b>	<b>25,693,786</b>	<b>(5,300,619)</b>	<b>25,815,501</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>209,267</b>	<b>1,110,654</b>	<b>323,674</b>	<b>6,782,661</b>	<b>201,959</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 26,017,460</b>	<b>\$ 1,482,042</b>	<b>\$ 26,017,460</b>	<b>\$ 1,482,042</b>	<b>\$ 26,017,460</b>
<b>Cash and cash equivalents consists of:</b>					
Cash	\$ 2,461,460	\$ 1,482,042	\$ 2,461,460	\$ 1,482,042	\$ 2,461,460
Cash equivalents	23,556,000	-	23,556,000	-	23,556,000
	<b>\$ 26,017,460</b>	<b>\$ 1,482,042</b>	<b>\$ 26,017,460</b>	<b>\$ 1,482,042</b>	<b>\$ 26,017,460</b>
<b>Supplement Schedule of Non-Cash Transactions</b>					
Shares issued as part of acquisition of mineral properties	\$ -	\$ -	\$ -	\$ -	\$ 42,000
Shares issued as part of acquisition of technology license	\$ -	\$ -	\$ -	\$ -	\$ 80,000
Interest paid	\$ 1,160	\$ 1,293	\$ 2,168	\$ 2,543	\$ 7,100

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

# Continental Precious Minerals Inc.

(A Development Stage Enterprise)

## Interim Consolidated Statements of Shareholders' Equity

(Expressed in Canadian Dollars)

(Prepared by Management - Unaudited)

	Share Capital			Contributed		Accumulated Other	
	Number of	Stated	Warrants	Surplus	Deficit	Comprehensive Loss	Total
	Common Shares	Value					
Balance, June 1, 2007	45,698,186	\$ 26,644,380	\$ 13,855,304	\$ 5,858,629	\$(11,543,933)	\$ -	\$ 34,814,380
Exercise of warrants	1,823,143	2,311,000	-	-	-	-	2,311,000
Fair value of warrants exercised	-	1,489,232	(1,489,232)	-	-	-	-
Exercise of stock options	55,000	33,500	-	-	-	-	33,500
Fair value of options exercised	-	31,465	-	(31,465)	-	-	-
Fair value of warrants expired	-	-	(2,170,764)	2,170,764	-	-	-
Fair value of options expensed	-	-	-	4,750,811	-	-	4,750,811
Cumulative transition adjustment	-	-	-	-	-	31,098	31,098
Net unrealized loss on available-for-sale marketable securities	-	-	-	-	-	(22,559)	(22,559)
Reclassification of gain on available-for-sale marketable securities	-	-	-	-	-	(10,575)	(10,575)
Net loss for the year	-	-	-	-	(5,336,379)	-	(5,336,379)
Balance, May 31, 2008	47,576,329	30,509,577	10,195,308	12,748,739	(16,880,312)	(2,036)	36,571,276
Exercise of stock options	104,382	19,833	-	-	-	-	19,833
Fair value of options exercised	-	14,718	-	(14,718)	-	-	-
Fair value of warrants expired	-	-	(5,903,704)	5,903,704	-	-	-
Fair value of options expensed	-	-	-	24,035	-	-	24,035
Net unrealized loss on available-for-sale marketable securities	-	-	-	-	-	(22,865)	(22,865)
Net loss for the period	-	-	-	-	(754,482)	-	(754,482)
<b>Balance, November 30, 2008</b>	<b>47,680,711</b>	<b>\$ 30,544,128</b>	<b>\$ 4,291,604</b>	<b>\$ 18,661,760</b>	<b>\$(17,634,794)</b>	<b>\$ (24,901)</b>	<b>\$ 35,837,797</b>

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

# Continental Precious Minerals Inc.

(A Development Stage Enterprise)

## Interim Consolidated Statements of Mineral Properties

(Expressed in Canadian Dollars)

(Prepared by Management - Unaudited)

	Three Months Ended November 30,		Six Months Ended November 30,		Cumulative since inception of Uranium and other minerals project March 21, 2005 to November 30, 2008
	2008	2007	2008	2007	2008
<b>Sweden Uranium and Other Minerals Project**</b>					
Balance, beginning of period	\$ 9,195,501	\$ 3,561,194	\$ 8,278,830	\$ 2,199,268	\$ -
Drilling	40,342	415,015	290,153	829,599	3,698,515
Consulting	64,016	353,511	252,984	638,510	1,729,101
Geology	225,721	539,252	289,432	566,636	1,047,798
Assays, maps and reports	43,247	122,785	155,919	173,283	718,840
General	191,399	122,434	308,481	122,434	630,962
Exploration management	42,802	-	79,746	-	303,824
Transportation	20,134	80,005	62,294	89,121	280,654
Licence acquisition and holding costs	110,975	(514,498)	116,120	33,631	738,827
Travel and meals	20,382	30,234	83,269	30,688	266,087
Acquiring data, selecting targets, map preparation and landowner data	-	26,415	-	44,240	314,664
Professional fees	20,964	3,650	31,569	12,587	141,343
Geophysics and geochemical	11,884	16,352	38,570	16,352	54,922
Data management	-	4,320	-	4,320	28,080
Equipment	-	-	-	-	33,750
Activity during the period	791,866	1,199,475	1,708,537	2,561,401	9,987,367
Balance, end of period	\$ 9,987,367	\$ 4,760,669	\$ 9,987,367	\$ 4,760,669	\$ 9,987,367

\*\* For a description of the above noted property, refer to Note 5 of the May 31, 2008 audited consolidated financial statements.

# Continental Precious Minerals Inc.

(A Development Stage Enterprise)

(Expressed in Canadian Dollars)

Notes to Interim Consolidated Financial Statements

**Three and Six Months Ended November 30, 2008**

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## 1. Nature of Operations

Continental Precious Minerals Inc. ("Continental" or the "Company") is a reporting issuer that trades on the Toronto Stock Exchange, under the Symbol "CZQ". The Company was amalgamated with Fin Resources Inc. under the laws of the Province of Ontario, Canada by Articles of Amalgamation dated July 7, 1987. Since amalgamation, Continental's main business focus had been in the natural resource industry which included portfolio investments in common shares of other companies involved in exploration, development and production of natural resources. As of March 21, 2005, the Company changed its main business focus to acquiring and exploring mineral properties for Uranium and other minerals. As a result, the efforts of the Company have been devoted to the development of properties for production of Uranium and other minerals in Sweden. To date, Continental has not earned significant revenues from Uranium or other mineral exploration and is considered to be in the development stage. As such, the Company will be applying Accounting Guideline 11 "Enterprises in the Development Stage" from March 21, 2005 onwards.

As at November 30, 2008, the Company had working capital of \$25,770,430 and an accumulated deficit of \$17,634,794. Management of the Company believes that it has sufficient funds to pay its ongoing administrative expenses and to meet its liabilities for the ensuing twelve months as they fall due. In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but not limited to, twelve months from the end of the reporting period. The Company's ability to continue operations and fund its mineral property expenditures is dependent on management's ability to manage its cash resources.

The recoverability of exploration and development expenditures is dependent upon the discovery of economically recoverable reserves, the preservation of the Company's interest in the underlying mineral claims, the ability to obtain necessary financing, obtain government approval and attain profitable production, or alternatively, upon the Company's ability to dispose of its interest on an advantageous basis. Changes in future conditions could require material write-downs of the carrying amounts of deferred exploration expenditures.

## 2. Accounting Policies

The unaudited interim consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and notes to the consolidated financial statements required by Canadian generally accepted accounting principles for annual consolidated financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the three and six months ended November 30, 2008 may not necessarily be indicative of the results that may be expected for the year ending May 31, 2009.

The consolidated balance sheet at May 31, 2008 has been derived from the audited consolidated financial statements at that date but does not include all of the information and footnotes required by Canadian generally accepted accounting principles for annual consolidated financial statements. The interim consolidated financial statements have been prepared by management in accordance with the accounting policies described in the Company's annual audited consolidated financial statements for the year ended May 31, 2008, except as noted below. For further information, refer to the audited consolidated financial statements and notes thereto for the year ended May 31, 2008.

# Continental Precious Minerals Inc.

(A Development Stage Enterprise)

(Expressed in Canadian Dollars)

Notes to Interim Consolidated Financial Statements

Three and Six Months Ended November 30, 2008

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## 2. Accounting Policies (Continued)

### Capital Disclosures and Financial Instruments – Disclosures and Presentation

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

#### Capital Disclosures

Handbook Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. The Company has included disclosures recommended by the new Handbook section in Note 3 to these unaudited interim consolidated financial statements.

#### Financial Instruments

Handbook Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks. The Company has included disclosures recommended by the new Handbook sections in Note 4(b) to these unaudited interim consolidated financial statements.

### Going Concern

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

# Continental Precious Minerals Inc.

(A Development Stage Enterprise)

(Expressed in Canadian Dollars)

Notes to Interim Consolidated Financial Statements

Three and Six Months Ended November 30, 2008

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## 3. Capital Management

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

The properties in which the Company currently has an interest are in the exploration and development stage; as such the Company is dependent on external financing to fund its activities. In order to carry out the planned exploration and development and pay for administrative costs, the Company will spend its existing working capital and raise additional amounts as needed. The Company will continue to assess the exploration and development potential of its existing projects and new projects and seek to explore and develop its existing projects and acquire an interest in additional projects if it feels there is sufficient geologic or economic potential and if it has adequate financial resources to do so.

Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is appropriate.

There were no changes in the Company's approach to capital management during the three and six months ended November 30, 2008. Neither the Company nor its subsidiary is subject to externally imposed capital requirements.

## 4. Property and Financial Risk Factors

### (a) Property Risk

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

### (b) Financial Risk

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

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

### Credit Risk

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

Financial instruments included in accounts receivable consist of sales tax receivable from government authorities in Canada. Accounts receivable are in good standing as of November 30, 2008. Management believes that the credit risk concentration with respect to financial instruments included in accounts receivable is minimal.

# Continental Precious Minerals Inc.

(A Development Stage Enterprise)

(Expressed in Canadian Dollars)

Notes to Interim Consolidated Financial Statements

Three and Six Months Ended November 30, 2008

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

(b) Financial Risk (Continued)

### Liquidity Risk

The Company's approach to managing liquidity risk is to ensure that it will have sufficient liquidity to meet liabilities when due. As at November 30, 2008, the Company had a cash and cash equivalents and short term investments balance of \$26,017,460 (May 31, 2008 - \$28,456,450) to settle current liabilities of \$338,208 (May 31, 2008 - \$312,511). All of the Company's financial liabilities have contractual maturities of less than 30 days and are subject to normal trade terms.

### Market Risk

#### *Interest rate risk*

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

#### *Foreign currency risk*

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

#### *Price risk*

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

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

### **Sensitivity analysis**

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

As of November 30, 2008, the carrying and fair value amounts of the Company's financial instruments are approximately equivalent.

# Continental Precious Minerals Inc.

(A Development Stage Enterprise)

(Expressed in Canadian Dollars)

Notes to Interim Consolidated Financial Statements

**Three and Six Months Ended November 30, 2008**

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

### Sensitivity analysis (Continued)

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

- (i) Cash and cash equivalents are subject to floating interest rates. As at November 30, 2008, if interest rates had decreased/increased by 1% with all other variables held constant, the loss for the six months ended November 30, 2008 would have been approximately \$118,000 higher/lower, as a result of lower/higher interest income from cash and cash equivalents. Similarly, as at November 30, 2008, reported shareholders' equity would have been approximately \$118,000 lower/higher as a result of lower/higher interest income from cash and cash equivalents due to a 1% decrease/increase in interest rates.
- (ii) The Company is exposed to foreign currency risk on Canadian-US dollar exchange rate fluctuations related to cash and cash equivalents that are denominated in US dollars. As at November 30, 2008, had the US dollar weakened/strengthened by 5% against the Canadian dollar with all other variables held constant, the Company's loss for the six months ended November 30, 2008 would have been approximately \$50 higher/lower as a result of foreign exchange losses/gains on translation of non-Canadian dollar denominated financial instruments. Similarly, as at November 30, 2008, shareholders' equity would have been approximately \$50 lower/higher had the US dollar weakened/strengthened by 5% as a result of foreign exchange losses/gains on translation of non-Canadian dollar denominated financial instruments.
- (iii) Commodity price risk could adversely affect the Company. In particular, the Company's future profitability and viability of development depends upon the world market price of uranium and other minerals. Uranium and other minerals have fluctuated widely in recent years. There is no assurance that, even if commercial quantities of uranium and other minerals may be produced in the future, a profitable market will exist for them. A decline in the market price of uranium and other minerals may also require the Company to reduce its mining rights and deferred exploration expenditures, which could have a material and adverse effect on the Company's value. As of November 30, 2008, the Company was not a uranium or other minerals producer. As a result, commodity price risk may affect the completion of future equity transactions such as equity offerings and the exercise of stock options and warrants. This may also affect the Company's liquidity and its ability to meet its ongoing obligations.

## 5. Mineral property

On a quarterly basis, management of the Company reviews exploration costs to ensure deferred expenditures include only costs and projects that are eligible for capitalization. For a description of the exploration licenses and deferred exploration expenditures owned by the Company, refer to Note 5 of the audited financial statements as at May 31, 2008. Specific changes to exploration licenses and deferred exploration expenditures that occurred from June 1, 2008 to November 30, 2008 are as follows:

On June 24, 2008, the Company was granted two additional mineral exploration licenses in Sweden; on September 3, 2008, the Company was granted one additional mineral exploration license in Sweden; on October 4, 2008, two mineral exploration licenses in Sweden were allowed to lapse; on November 26, 2008, the Company acquired one additional mineral exploration license in Sweden; and on December 17, 2008, the Company was granted two additional mineral exploration licenses in Sweden. These licenses are valid for three years renewable subject to specified work carried out. Continental now has a total of 70 mineral exploration licenses in Sweden.

# Continental Precious Minerals Inc.

(A Development Stage Enterprise)

(Expressed in Canadian Dollars)

Notes to Interim Consolidated Financial Statements

Three and Six Months Ended November 30, 2008

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## 6. Share capital

### (a) Authorized

Unlimited number of Class A preference shares

Class A Preference shares are issuable in one or more series, the terms of which are subject to the discretion of the directors at the date of issuance.

Unlimited number of Common shares

### (b) Issued

	Number of common shares	Stated value
Balance, May 31, 2008	47,576,329	\$ 30,509,577
Exercise of stock options	104,382	19,833
Fair value of options exercised	-	14,718
<b>Balance, November 30, 2008</b>	<b>47,680,711</b>	<b>\$ 30,544,128</b>

On November 7, 2008, the board of directors of Continental approved the adoption of a shareholder rights plan (the "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.

The Rights Plan is intended to provide the Company's board with adequate time to assess a takeover bid, to consider alternatives to a take-over bid as a means of maximizing shareholder value, to allow competing bids to emerge, and to provide the Company's shareholders with adequate time to properly assess a take-over bid without undue pressure.

Under the terms of the Rights Plan, one right (a "Right") was issued by the Company in respect of each outstanding common share at the close of business on November 7, 2008 and in respect of each common share issued thereafter (subject to the terms of the Rights Plan). The Rights issued under the Rights Plan become exercisable only if a person acquires or announces its intention to acquire 20% or more of the common shares of the Company without complying with the "permitted bid" provisions of the Rights Plan or without the approval of the Company's board.

Should such an acquisition occur, Rights holders (other than the acquiring person or related persons) can purchase common shares of the Company at a substantial discount to the prevailing market price (as defined in the Rights Plan) at the time the Rights become exercisable.

"Permitted bids" under the Rights Plan must be made to all holders of the Company's common shares and must be open for acceptance for a minimum of 60 days. If at the end of 60 days at least 50% of the outstanding common shares other than those owned by the offeror and certain related parties have been tendered and not withdrawn, the bidder may take up and pay for the shares but must extend the bid for a further 10 days to allow other shareholders to tender to the bid.

Although the Rights Plan is effective 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.

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Notes to Interim Consolidated Financial Statements

Three and Six Months Ended November 30, 2008

## 6. Share capital (Continued)

### (c) Warrants

The following summarizes the warrant activity for the period:

	Number of warrants	Weighted average exercise price
Balance, May 31, 2008	11,927,460	\$ 1.34
Expired	(5,927,460)	(1.68)
<b>Balance, November 30, 2008</b>	<b>6,000,000</b>	<b>\$ 1.00</b>

As of November 30, 2008, the following warrants were outstanding:

Expiry Date	Number of warrants	Exercise price (\$)	Black-Scholes value (\$)
March 29, 2009	2,560,378	1.00	1,846,033
May 11, 2009	3,439,622	1.00	2,445,571
	<b>6,000,000</b>	<b>1.00</b>	<b>4,291,604</b>

### (d) Stock options and contributed surplus

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

	Number of stock options	Weighted average exercise price (\$)
Balance, May 31, 2008	5,841,516	1.92
Exercised	(104,382)	(0.19)
<b>Balance, November 30, 2008</b>	<b>5,737,134</b>	<b>1.94</b>

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Notes to Interim Consolidated Financial Statements

Three and Six Months Ended November 30, 2008

## 6. Share capital (Continued)

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

As of November 30, 2008 the following stock options were outstanding:

Expiry Date	Options Outstanding			Options Exercisable	
	Number of options	Weighted average remaining contractual life (years)	Weighted average exercise price (\$)	Number of options	Weighted average exercise price (\$)
March 10, 2010	134,634	1.27	0.19	134,634	0.19
April 12, 2010	40,000	1.36	0.25	40,000	0.25
October 7, 2010	172,500	1.85	0.90	172,500	0.90
April 25, 2011	800,000	2.40	2.15	800,000	2.15
July 7, 2011	100,000	2.60	2.76	100,000	2.76
July 19, 2011	250,000	2.63	2.78	250,000	2.78
December 7, 2011	2,050,000	3.02	1.80	2,050,000	1.80
December 8, 2011	300,000	3.02	1.83	300,000	1.83
December 13, 2011	300,000	3.04	1.81	300,000	1.81
June 4, 2010	200,000	1.51	2.93	200,000	2.93
June 25, 2010	50,000	1.57	2.55	37,500	2.55
October 22, 2012	1,230,000	3.90	2.15	1,230,000	2.15
March 6, 2013	75,000	4.27	0.98	75,000	0.98
March 25, 2013	35,000	4.32	0.85	35,000	0.85
	<b>5,737,134</b>	<b>2.97</b>	<b>1.94</b>	<b>5,724,634</b>	<b>1.94</b>

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

	Cumulative expense at May 31, 2008	Expensed	Exercised	Expired	Contributed surplus	Remainder to be expensed
(1)	\$ 33,701	\$ -	\$ (14,718)	\$ -	\$ 18,983	\$ -
(2)	7,320	-	-	-	7,320	-
(3)	176,725	-	-	-	176,725	-
(4)	1,714,400	-	-	-	1,714,400	-
(5)	274,900	-	-	-	274,900	-
(6)	692,000	-	-	-	692,000	-
(7)	3,488,155	11,195	-	-	3,499,350	-
(8)	546,096	2,004	-	-	548,100	-
(9)	538,880	3,220	-	-	542,100	-
(10)	443,400	-	-	-	443,400	-
(11)	85,962	7,616	-	-	93,578	3,172
(12)	2,460,000	-	-	-	2,460,000	-
(13)	71,474	-	-	-	71,474	-
(14)	28,875	-	-	-	28,875	-
(15)	2,186,851	-	-	5,903,704	8,090,555	-
	<b>\$ 12,748,739</b>	<b>\$ 24,035</b>	<b>\$ (14,718)</b>	<b>\$ 5,903,704</b>	<b>\$ 18,661,760</b>	<b>\$ 3,172</b>

# Continental Precious Minerals Inc.

(A Development Stage Enterprise)

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Notes to Interim Consolidated Financial Statements

Three and Six Months Ended November 30, 2008

## 6. Share capital (Continued)

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

Expiry Date	Number	Exercise Price (\$)
(1) March 10, 2010	134,634	0.19
(2) April 12, 2010	40,000	0.25
(3) October 7, 2010	172,500	0.90
(4) April 25, 2011	800,000	2.15
(5) July 7, 2011	100,000	2.76
(6) July 19, 2011	250,000	2.78
(7) December 7, 2011	2,050,000	1.80
(8) December 8, 2011	300,000	1.83
(9) December 13, 2011	300,000	1.81
(10) June 4, 2010	200,000	2.93
(11) June 25, 2010	50,000	2.55
(12) October 22, 2012	1,230,000	2.15
(13) March 6, 2013	75,000	0.98
(14) March 25, 2013	35,000	0.85
(15) Stock Options/Warrants Expired		
	<b>5,737,134</b>	<b>1.94</b>

## 7. Loss Per Share

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

	Three Months Ended November 30,		Six Months Ended November 30,	
	2008	2007	2008	2007
Numerator:				
Loss for the period	\$ (487,823)	\$ (3,155,786)	\$ (754,482)	\$ (4,349,228)
Denominator:				
Denominator for basic loss per share	47,578,903	47,154,000	47,581,477	46,549,382
Effect of dilutive securities:				
Stock options**	-	-	-	-
Warrants**	-	-	-	-
Denominator for diluted loss per share	47,578,903	47,154,000	47,581,477	46,549,382
Basic and diluted loss per share	\$ (0.01)	\$ (0.07)	\$ (0.02)	\$ (0.09)

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

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Notes to Interim Consolidated Financial Statements

Three and Six Months Ended November 30, 2008

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## 8. Related party transactions not disclosed elsewhere

- (i) Included in accounts payable and accrued liabilities are fees totaling \$3,000 (May 31, 2008 - \$3,000) payable to the Company's chief financial officer.
- (ii) During the three and six months ended November 30, 2008, the Company paid \$51,000 and \$96,000, respectively (three and six months ended November 30, 2007 - \$38,750 and \$95,750, respectively) in fees to directors for their services.
- (iii) For the three and six months ended November 30, 2008, a total of \$36,000 and \$122,000, respectively (three and six months ended November 30, 2007 - \$36,000 and \$72,000, respectively) was paid as management compensation to the President and CEO of the Company.
- (iv) During the three and six months ended November 30, 2008, the President of the Company received \$4,500 and \$9,000, respectively (three and six months ended November 30, 2007 - \$4,500 and \$9,000, respectively) as an expense allowance.

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

## 9. Segmented Information

The Company operates in one segment within the mining industry. The Company operates in two territorial segments as it is managed in Canada and conducts its exploration activities in Sweden.

	November 30, 2008	May 31, 2008
Canada	\$ 26,108,638	\$ 28,524,957
Sweden	10,067,367	8,358,830
<b>Total assets</b>	<b>\$ 36,176,005</b>	<b>\$ 36,883,787</b>

## 10. Contingency

The Company's exploration activities are subject to various government laws and regulations relating to the protection of the environment. These environmental regulations are continually changing and generally becoming more restrictive. The Company believes that its operations comply in all material respects with all applicable past and present laws and regulations.

## 11. Commitment

The Company is committed to pay a management fee of \$12,000 per month to President of the Company. The President is also entitled to an expense allowance of \$1,500 per month.

## 12. Subsequent Event

On December 3, 2008, the Company granted 250,000 stock options with an exercise price of \$0.35 and an expiry date of December 3, 2013 to a director of the Company.