

**CONTINENTAL PRECIOUS MINERALS INC.**  
**Management Discussion & Analysis**  
**For the quarter ended February 29, 2008**

This Management Discussion & Analysis ("MD&A") of Continental Precious Minerals Inc. ("Continental" or the "Company") is dated April 14, 2008 and provides an analysis of the Company's performance and financial condition for the quarter ended February 29, 2008 as well as an analysis of future prospects. This MD&A should be read in conjunction with the Company's consolidated financial statements for the quarter ended February 29, 2008 and the audited consolidated financial statements for the year ended May 31, 2007, including the related note disclosure, both 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 consolidated financial statements for the quarter ended February 29, 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 exploration activities in Sweden; and
- planned drilling and other activities.

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

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

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

## **OVERALL PERFORMANCE**

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

Continental is a reporting issuer 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 and continues to apply for additional mineral exploration licenses. A number of Continental's licenses in Sweden also cover alum oil shales. Historical production of kerogen from alum oil shales is also of interest to Continental.

### **Uranium Exploration Projects in Sweden**

The Company now has 100% ownership in 66 mineral exploration licenses in Sweden, the bulk of which are in northern Sweden. Continental is optimistic about these interests as it sees potential in the growth of the uranium industry.

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 licenses in Sweden. Seven of the properties covered by the licenses 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 covered the Company's 100% owned MMS Viken license in Sweden. The drilling program is on-going on the Viken MMS license and surrounding licenses and is designed to test the continuity and grade of the mineralization peripheral and outward from the inferred resource.

### **Current Exploration Drilling Program**

The Company is continuing its focus on its MMS Viken license, the Pleutajokk deposit on its Guorbavare license (HRU), its Björkråmyran license (HRU) and its Lill-Juthatten license (HRU). The Company has also started a drill program of about 1,000 metres on its MMS Närke licenses in Southern Sweden.

The Company presently has four drills operating in Sweden and has completed 64 drill holes to date, for a total of 12,634 meters focused on the region around the MMS Viken licenses. The Company is also contemplating the completion of a preliminary economic study for the MMS Viken license in early 2008.

The most recent update of the resource estimate for the MMS Viken license for uranium oxide, as well as vanadium oxide, molybdenum oxide and nickel, almost doubles the prior inferred resource estimate for the MMS Viken License, 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 license 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.

### SELECTED ANNUAL & QUARTERLY INFORMATION

#### Selected Annual Information

	Year ended May 31, 2007 \$	Year ended May 31, 2006 \$	Year ended May 31, 2005 \$
Interest and other income	684,806	22,015	7,393
Net income (loss)	(6,263,080)	(1,150,747)	(166,162)
Income (loss) per share	(0.18)	(0.10)	(0.03)
Cash	6,782,661	7,877,877	451,880
Short term investments	25,829,408	5,020,137	-
Total assets	35,083,681	13,312,265	540,778
Total liabilities	269,301	56,841	39,610
Shareholders' Equity	34,814,380	13,255,424	501,168

#### Selected Quarterly Information

Three Months Ended	Net Revenues \$	Net Income (loss) Total \$	Per Share \$	Total Assets \$
Feb. 29, 2008	319,960	(397,331)	(0.01)	37,553,013
Nov. 30, 2007	375,728	(3,155,786)	(0.07)	32,210,742
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
Nov. 30, 2006	94,204	(627,943)	(0.02)	29,170,943
Aug. 31, 2006	75,472	(799,927)	(0.03)	13,560,225
May 31, 2006	21,824	(776,530)	(0.06)	13,312,265

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 four quarters. The stock option compensation has been the main contributor to the larger overall net loss seen in the preceding four quarters. 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 loss for the three months ended February 29, 2008 of \$397,331 (2007 - \$1,786,533) which included a non-cash expense of \$292,875 (2007 - \$1,517,062) for stock options granted during the financial year. Over the nine-month period, stock-option compensation expenses were responsible for significant operating loss for the fiscal year to date with the non-cash expense of \$4,219,076 (Feb. 28/07 - \$2,452,830). This resulted in the net loss for the nine months ended February 29, 2008 of \$4,746,559 (2007 - \$3,214,403).

Continental is an exploration company and the income generated for the quarter ended February 29, 2008 was \$319,960 (2007 - \$240,971) through interest and other income. For the nine-month period ended February 29, 2008, the income through interest and a gain on the sale of marketable securities amounted to \$1,000,295 (2007 - \$410,647). The increased interest earnings are due to the Company's increased cash position compared to the same period of the previous year.

Travel and business development expenses were \$205,443 (2007 - \$172,779) for the quarter ended February 29, 2008. This increase can be attributed to several factors, including travel between Toronto (where the head office of the Company is located) and Sweden, as well as travel to meet with investors. This increase in travel expense can also be seen for the nine months ended February 29, 2008 - \$666,887 (2007 - \$355,114).

Continental's increased activity on its mineral exploration property interests has resulted in more expenses being incurred in compensating management and directors for their increased time and effort. As well, Continental looks to financial advisors and outside consultants for additional support and administration of the business.

	3 months ended		9 months ended	
	Feb 29, 2008	Feb 28, 2007	Feb 29, 2008	Feb 28, 2007
Management Compensation	\$ 37,740	\$ 38,639	\$ 109,740	\$ 96,134
Consulting Fees	52,750	5,500	190,750	177,750
Directors' Fees	36,000	65,265	131,750	113,020

The increase in consulting fees during the quarter ended February 29, 2008 was due to the preparation of the updated MMS Viken technical report.

As an issuer on the TSX, Continental incurs listing and maintenance fees and requires the assistance of legal counsel and auditors. With the Company's increased activity, the involvement of the professionals has shown an increase in the expenses incurred. For stock exchange listing and maintenance fees, the costs have gone down compared to the same period of the year before due to higher costs involved with financing activity during the same period last year. The comparison can be seen below:

	3 months ended		9 months ended	
	Feb 29, 2008	Feb 28, 2007	Feb 29, 2008	Feb 28, 2007
Professional fees	\$ 20,505	\$ 1,235	\$ 255,814	\$ 90,820
Stock exchange fees	21,445	194,852	10,913	196,452
Transfer agent fees	9,022	11,527	21,904	53,834

The Company has put a lot of effort into shareholder relations over the past year; introducing new investors, and building a presence as an issuer on the TSX. Shareholder relations' expense for the quarter ended February 29, 2008 was \$4,450 (2007 - \$4,246). Over the nine months ended February 29, 2008, the Company spent \$47,731 (2007 - \$35,540)

Office and general expenses for the Company for the period ended February 29, 2008 and 2007 can be further broken down as follows:

	Three Months Ended Feb. 29, 2008	Nine Months Ended Feb. 29, 2008	Three Months Ended Feb. 28, 2007
<b>Office and General</b>			
Accounting and corporate services	\$ 19,530	\$ 43,220	\$ 10,380
Expense allowance	4,500	15,940	1,500
General and rent expense	4,172	9,462	3,466
Capital tax	-	390	-
Foreign exchange	-	237	-
Telephone, fax, internet	103	335	105
Insurance	7,560	18,966	-
Interest & bank charges	1,196	3,739	948
<b>Total</b>	<b>\$ 37,061</b>	<b>\$ 92,289</b>	<b>\$ 16,399</b>

For the quarter ended February 29, 2008, the Company spent \$37,061 (2007 - \$16,399) on office and general expenses. Overall, the business growth and activities have resulted in increased office and general expenses, and insurance. The increase is also apparent over the 9-month period ended February 29, 2008 with \$92,289 (2007 - \$53,556).

#### LIQUIDITY AND CAPITAL RESOURCES

Continental had working capital of \$29,801,248 as at February 29, 2008 (May 31, 2007 - \$32,535,112) with a cash balance of \$365,974 (May 31, 2007 - \$6,782,661). The Company holds \$30,430,313 in short term deposits (May 31, 2007 - \$25,829,408) that are not exposed to any significant risk. The decrease of cash from \$6,782,661 at the year ended May 31, 2007 is primarily due to the purchase of marketable securities of \$408, short-term deposits of \$4,600,905, and expenditures on mineral properties of \$4,403,312. These decreases in cash were offset by proceeds on the sale of marketable securities of \$42,635 and proceeds from the issuance of share capital of \$2,200,500.

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 14, 2008, the Company's share capital consisted of:

Shares outstanding	47,438,744
Options outstanding <sup>(i)</sup>	5,841,516
Warrants <sup>(ii)</sup>	14,829,045

#### (i) Options outstanding

Expiry Date	No. of Options	Exercise Price
March 10, 2010	239,016	\$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	\$2.78

Expiry Date	No. of Options	Exercise Price
December 7, 2011	2,050,000	\$1.80
December 8, 2011	300,000	\$1.83
December 13, 2011	300,000	\$1.81
June 4, 2010	200,000	\$2.93
June 25, 2010	50,000	\$2.55
October 22, 2012	1,230,000	\$2.15
March 6, 2013	75,000	\$0.98
March 25, 2013	35,000	\$0.85

(ii) Warrants outstanding

Expiry Date	No. of Warrants	Exercise Price
April 17, 2008	1,025,000	\$1.20
May 11, 2008	137,585	\$0.75
May 11, 2008	64,000	\$0.90
May 11, 2008	1,675,000	\$1.20
November 28, 2008	984,997	\$1.30
November 28, 2008	4,942,463	\$1.75
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 6,602,580 accumulated expenditures on the Sweden uranium project as at February 29, 2008.

	Feb. 29, 2008
Beginning of period	\$ 4,760,669
Drilling	875,759
Consulting	317,991
Geology	31,623
Geophysics	-
Professional fees	11,413
Data management	-
Assays, maps and reports	132,559
Equipment	-
Transportation	76,570
Travel and meals	76,215
Acquiring data, selecting targets, map preparation and landowner data	33,462
License acquisition and holding costs	143,858 <sup>(1)</sup>
General	142,461
<b>As at Feb. 29, 2008</b>	<b>\$ 6,602,580</b>

Note:

(1) Adjusted for reclassification of costs to other categories

Continental first acquired interests in mineral exploration licenses in Sweden in 2005 upon the acquisition by Continental of a group of mineral exploration licenses, now referred to by Continental as its HRU Licenses (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 licenses and a 5% net profit interest in any mineral production from the properties covered by the mineral exploration licenses.

Since March 2005, Continental has continued, through Geoforum acting as an independent contractor, to apply for additional mineral exploration licenses. As a result of these efforts, Continental now holds 66 mineral exploration licenses in Sweden. In addition to being reimbursed for the costs of license 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 licenses held by Continental.

Of the 66 mineral exploration licenses, 18 are referred to by the Company as its MMS (Multi Metal Sediment) Licenses, 23 are referred to as the MMS Cal Licenses (referring to MMS targets along the Caledonian mountain chain), 7 are referred to as the MMS (Närke) Licenses, 5 are referred to as the MMS (VG) and 13 are referred to as the HRU Licenses.

Each of the licenses were issued between February 2005 and November 2007, are valid for three years and are renewable subject to satisfactory work programs having been carried out. Seven licenses were recently renewed for an additional term of three years. They also confer the right to apply for a mining license once an economic deposit has been located.

#### HRU Licenses

As previously noted, seven of the HRU Licenses 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 licenses. 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.

Initial verification drilling has been undertaken on the Skuppesavon, Kvarnån and Sagtjärn licenses and the Company expects to commence drilling at Nöjdfjället and Lill-Juthatten. The Company is currently awaiting permits from the County authorities to drill on these two licenses.

#### MMS and MMS Cal Licenses

Continental now holds 18 MMS Licenses, containing alum shale hosted metalliferous deposits and semianthracitic laminae, and 23 MMS Cal Licenses. The MMS License 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 License 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.

As indicated earlier, the Company is currently drilling on the Viken MMS License and surrounding licenses. The Company presently has drills operating on the extensions to the north of the MMS Viken License where the primary objective is to substantially increase Continental's inferred resource; and another drill is being used for reconnaissance drilling on licenses in the vicinity.

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

#### MMS (Närke) and MMS (VG) Licenses

The MMS (Närke) licenses 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) licenses are 80 kilometres south south-west of the Närke area.

The Company expects to commence initial exploration on its licenses in Southern Sweden in the Spring/Summer of 2008. Geological reconnaissance is underway in the Närke area where promising exposed stratigraphic sequences have been observed in potential oil shale horizons.

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 licenses 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 three and nine months ended February 29, 2008, directors of the Company were paid \$36,000 and 131,750 (three and nine months ended February 28, 2007 - \$65,265 and \$113,020) for their services as directors, and the president of the Company received \$4,500 and \$13,500 (three and nine months ended February 28, 2007 - \$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 three and nine months ended February 29, 2008, a total of \$36,000 and \$108,000 (three and nine months ended February 28, 2007 - \$38,326 and \$95,821) was paid to the president of the Company. The Company also paid \$2,750 and \$5,750 (three and nine months ended February 28, 2007 - \$5,000 and \$10,250) to the Chief Financial Officer of the Company.

#### **Off-Balance Sheet Transactions**

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

#### **Proposed Transactions**

There are no proposed transactions at this time.

#### **ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES**

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

#### **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 February 29, 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**

The Company is continuing its focus on the Viken MMS license, the Pleutajokk deposit on Guorbavare license (HRU), Björkråmyran license (HRU) and Lill-Juthatten license (HRU), with the following drilling and other activities planned:

- Drilling of approximately 40,000 metres on the Viken MMS license and surrounding licenses at a cost of approximately \$4,000,000. Metallurgical studies have commenced and are expected to continue for about a year.

- Drilling of pilot holes of approximately 3,000 metres on the MMS cal licenses, initially to test thickness and grade, bearing in mind infrastructure and environmental issues.
- Drilling of approximately 3,000 metres on the MMS (VG) licenses.
- Drilling of approximately 1,000 metres on the MMS (Närke) licenses.
- Drilling of verification twin holes of approximately 2,500 metres on the HRU licenses other than Björkråmyran license and Lill-Juthatten and drilling of approximately 1,000 metres on the Björkråmyran license. Geophysical and environmental studies on the Lill- Juthatten license, followed by drilling once the Company has obtained a drilling permit.

The drilling programs referred to above may be adjusted based on results obtained.

On February 14, 2008, the Company announced a normal course issuer bid to purchase up to 3,616,105 common shares, representing approximately 10% of the Company's issued and outstanding common shares excluding shares held by insiders (see news release February 14, 2008). The Company is intending to purchase its common shares under the normal course issuer bid because it believes that, from time to time, the market price of its common shares may not fully reflect the underlying value of its business and its future prospects. The Company believes that, in such circumstances, the outstanding common shares represent an attractive investment for the Company.

#### **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, 2007 filed on SEDAR ([www.sedar.com](http://www.sedar.com)).