CONTINENTAL PRECIOUS MINERALS INC.

(A DEVELOPMENT STAGE ENTERPRISE)

CONSOLIDATED FINANCIAL STATEMENTS
May 31, 2008 and 2007

(AUDITED)

Auditors' Report

To the Shareholders of
Continental Precious Minerals Inc.

We have audited the consolidated balance sheets of Continental Precious Minerals Inc. (A Development Stage Company) as at May 31, 2008 and 2007 and the consolidated statements of operations and deficit, comprehensive loss, cash flows, shareholders' equity and mineral properties for each of the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at May 31, 2008 and 2007 and the results of its operations and its cash flows for each of the years then ended in accordance with Canadian generally accepted accounting principles.

"McCarney Greenwood LLP"

McCarney Greenwood LLP
Chartered Accountants
Licensed Public Accountants
Toronto, Canada

July 31, 2008

Continental Precious Minerals Inc.
(A Development Stage Enterprise)
(Expressed in Canadian Dollars)
Consolidated Balance Sheets
As at May 31,

		2008		2007
Assets				
Current assets				
Cash and cash equivalents	**$**	**323,674**	$	6,782,661
Marketable securities (quoted market value - May 31, 2008: $44,986; May 31, 2007: $94,024)		**44,986**		62,927
Short-term investments (Note 4)		**28,132,776**		25,829,408
Accounts receivable		**10,921**		20,531
Prepaid expenses		**12,600**		108,886
		28,524,957		32,804,413
Mineral property (Note 5)		**8,278,830**		2,199,268
Technology licence (Note 6)		**80,000**		80,000
	$	**36,883,787**	$	35,083,681
Liabilities				
Current liabilities				
Accounts payable and accrued liabilities	**$**	**312,511**	$	269,301
Shareholders' equity				
Share capital (Note 7(b))		**30,509,577**		26,644,380
Warrants (Note 7(c))		**10,195,308**		13,855,304
Contributed surplus (Note 7(d))		**12,748,739**		5,858,629
Deficit		**(16,880,312)**		(11,543,933)
Accumulated other comprehensive loss		**(2,036)**		-
		36,571,276		34,814,380
	$	**36,883,787**	$	35,083,681

The notes to these consolidated financial statements are an integral part of these statements.

Approved by the Board of Directors:

"Edward Godin" , Director *"Patricia Sheahan"* , Director

Continental Precious Minerals Inc.
(A Development Stage Enterprise)
(Expressed in Canadian Dollars)
Consolidated Statements of Operations and Deficit
Year ended May 31,

	2008	2007	Cumulative since inception of Uranium project March 21, 2005 to May 31, 2008
Expenses			
Consulting fees	**$ 271,250**	$ 150,000	$ 421,250
Director fees (Note 10)	**155,750**	168,750	374,500
Management compensation (Note 10)	**147,047**	295,584	531,317
Office and general	**118,962**	89,863	266,145
Professional fees	**317,972**	144,376	522,614
Shareholder relations	**55,940**	43,180	134,079
Stock exchange fees	**10,913**	212,214	238,227
Transfer agent fees	**26,097**	67,506	122,952
Travel and business development	**771,919**	553,281	1,491,500
Stock based compensation (Note 7(d))	**4,750,811**	5,223,132	10,724,586
	6,626,661	6,947,886	14,827,170
Net operating loss before the following:	**(6,626,661)**	(6,947,886)	(14,827,170)
Interest and other income	**1,264,072**	684,806	1,970,918
Recovery of management fees	-	-	(105,000)
Gain on sale of marketable securities	**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
	1,290,282	684,806	2,015,040
Net loss for the period	**(5,336,379)**	(6,263,080)	(12,812,130)
Deficit, beginning of period	**(11,543,933)**	(5,280,853)	(4,068,182)
Deficit, end of period	**$ (16,880,312)**	$ (11,543,933)	$ (16,880,312)
Loss per share (Note 8)			
Basic and diluted	**$ (0.11)**	$ (0.18)	

The notes to these consolidated financial statements are an integral part of these statements.

Continental Precious Minerals Inc.
(A Development Stage Company)
(Expressed in Canadian Dollars)
Consolidated Statements of Comprehensive Loss
Year ended May 31,

	2008	2007	Cumulative since inception of Uranium project March 21, 2005 to May 31, 2008
Net loss for the period	$ (5,336,379)	$ (6,263,080)	$ (12,812,130)
Other comprehensive loss			
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)
Total comprehensive loss	$ (5,369,513)	$ (6,263,080)	$ (12,845,264)

The notes to these consolidated financial statements are an integral part of these statements.

Continental Precious Minerals Inc.
(A Development Stage Enterprise)
(Expressed in Canadian Dollars)
Consolidated Statements of Cash Flows
Year ended May 31,

	2008	2007	Cumulative since inception of Uranium project March 21, 2005 to May 31, 2008
Cash flows from operating activities			
Net loss for the period	**$ (5,336,379)**	$ (6,263,080)	$ (12,812,130)
Adjustments for non-cash items:			
Stock based compensation	**4,750,811**	5,223,132	10,724,586
Write-down of marketable securities	**-**	-	12,825
Gain on sale of marketable securities	**(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	**9,610**	(8,679)	101,846
Prepaid expenses	**96,286**	(108,886)	(12,600)
Accounts payable and accrued liabilities	**43,210**	212,460	305,774
Cash flows used in operating activities	**(462,672)**	(945,053)	(1,841,646)
Cash flows from investing activities			
Purchase of marketable securities	**(520)**	(507)	(1,755)
Proceeds from sale of marketable securities	**42,635**	-	42,635
Short-term investments	**(2,303,368)**	(20,809,271)	(28,132,776)
Expenditures on mineral properties	**(6,079,562)**	(1,859,299)	(8,236,829)
Proceeds on sale of subsidiary	**-**	-	100
Cash flows used in investing activities	**(8,340,815)**	(22,669,077)	(36,328,625)
Cash flows from financing activities			
Proceeds from issuance of share capital (net of share issue costs)	**2,344,500**	22,518,904	38,291,986
(Decrease) increase in cash and cash equivalents during the period	**(6,458,987)**	(1,095,226)	121,715
Cash and cash equivalents, beginning of period	**6,782,661**	7,877,887	201,959
Cash and cash equivalents, end of period	**$ 323,674**	$ 6,782,661	$ 323,674
Supplement schedule of non-cash transactions			
Shares issued as part of acquisition of mineral properties	**$ -**	$ -	$ 42,000
Shares issued as part of acquisition of technology license	**$ -**	$ 80,000	$ 80,000
Interest paid	**$ 4,932**	$ -	$ 4,932

The notes to these consolidated financial statements are an integral part of these statements.

Continental Precious Minerals Inc.

(A Development Stage Company)
(Expressed in Canadian Dollars)
Consolidated Statements of Shareholders' Equity
Year ended May 31,

	2008	2007	Cumulative since inception of Uranium project March 21, 2005 to May 31, 2008
Share Capital			
Balance, beginning of period	**$ 26,644,380**	$ 6,257,752	$ 4,571,479
Private placements	**-**	15,999,998	29,024,998
Fair value of warrants issued	**-**	(6,080,001)	(17,659,855)
Finder's fee on private placement	**-**	-	198,000
Exercise of options	**33,500**	94,914	230,225
Fair value of options exercised	**31,465**	50,323	169,258
Exercise of warrants	**2,311,000**	7,987,878	11,312,958
Fair value of warrants exercised	**1,489,232**	5,045,646	7,049,524
License payments on properties	**-**	80,000	122,000
Cost of issue: cash	**-**	(1,563,886)	(2,554,295)
Cost of issue: non-cash items	**-**	(1,228,244)	(1,954,715)
Balance, end of period	**$ 30,509,577**	$ 26,644,380	$ 30,509,577
Warrants			
Balance, beginning of period	**$ 13,855,304**	$ 11,593,679	$ -
Fair value of warrants issued	**-**	7,308,245	19,614,570
Fair value of warrants exercised	**(1,489,232)**	(5,045,646)	(7,247,524)
Fair value of warrants expired	**(2,170,764)**	(974)	(2,171,738)
Balance, end of period	**$ 10,195,308**	$ 13,855,304	$ 10,195,308
Contributed Surplus			
Balance, beginning of period	**$ 5,858,629**	$ 684,846	$ 37,607
Fair value of options expensed	**4,750,811**	5,223,132	10,708,652
Fair value of warrants expired	**2,170,764**	974	2,171,738
Fair value of options exercised	**(31,465)**	(50,323)	(169,258)
Balance, end of period	**$ 12,748,739**	$ 5,858,629	$ 12,748,739
Deficit			
Balance, beginning of period	**$ (11,543,933)**	$ (5,280,853)	$ (4,068,182)
Net loss for period	**(5,336,379)**	(6,263,080)	(12,812,130)
Balance, end period	**$ (16,880,312)**	$ (11,543,933)	$ (16,880,312)

The notes to these consolidated financial statements are an integral part of these statements.

Continental Precious Minerals Inc.
(A Development Stage Company)
(Expressed in Canadian Dollars)
Consolidated Statements of Shareholders' Equity (Continued)
Year ended May 31,

	2008	2007	Cumulative since inception of Uranium project March 21, 2005 to May 31, 2008
Accumulated Other Comprehensive Loss			
Balance, beginning of period	**$ -**	**$ -**	**$ -**
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)**
Balance, end of period	**$ (2,036)**	**$ -**	**$ (2,036)**
Total Shareholders' Equity	**$ 36,571,276**	$ 34,814,380	$ 36,571,276

*** Transition adjustment relates to the adoption of the new accounting standards pertaining to financial instruments; see Note 2 for details.*

The notes to these consolidated financial statements are an integral part of these statements.

Continental Precious Minerals Inc.
(A Development Stage Enterprise)
Consolidated Statements of Mineral Properties
Year ended May 31,

	2008	2007	Cumulative since inception of Uranium project March 21, 2005 to May 31, 2008
Sweden Uranium Project			
Balance, beginning of period	**$ 2,199,268**	$ 339,969	$ -
Drilling	**2,538,906**	869,456	3,408,362
Consulting	**1,011,128**	397,382	1,476,117
Geology	**724,966**	33,400	758,366
Assays, maps and reports	**498,598**	64,323	562,921
General	**316,464**	6,017	322,481
Exploration management	**224,078**	-	224,078
Transportation	**217,170**	1,190	218,360
Licence acquisition and holding costs	**201,952**	191,461	622,707
Travel and meals	**152,947**	19,478	182,818
Acquiring data, selecting targets, map preparation and landowner data	**136,681**	177,983	314,664
Professional fees	**36,000**	41,099	
Geophysics	**16,352**	-	16,352
Data management	**4,320**	23,760	28,080
Equipment	**-**	33,750	33,750
Activity during the period	**6,079,562**	1,859,299	8,169,056
Balance, end of period	**8,278,830**	2,199,268	8,169,056

The notes to these consolidated financial statements are an integral part of these statements.

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. As a result, the efforts of the Company have been devoted to the development of properties for production of Uranium in Sweden. To date, Continental has not earned significant revenues from Uranium 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.

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. Summary of significant accounting policies

The following is a summary of significant accounting policies used in the preparation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles ("GAAP"):

(a) Basis of consolidation

These consolidated financial statements include the assets, liabilities, revenues and expenses of the Company and its wholly owned Swedish subsidiary, Continental Minerals Sweden AB ("Continental Sweden"), previously Gigantissimo 2577 AB (refer to note 3 for detail). The purpose of the subsidiary is to conduct the work on the licenses.

(b) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, bank balances, deposits held at call and certificate of deposits that are highly liquid and convertible into known amounts of cash. Cash and cash equivalents are reported separately from bank overdraft balances, which are included in accounts payable and accrued liabilities.

(c) Intangible asset

The Company's intangible asset is comprised of a technology licence. In assessing the useful life of its intangible asset, the Company has determined this asset to have an indefinite useful life. The Company will perform annually an impairment analysis to assess the recoverability of the recorded balance of the intangible asset. The impairment test will be conducted more frequently if events occur or circumstances change that would more likely than not reduce the fair value of the asset below its carrying value.

2. Summary of significant accounting policies (continued)

(d) Mineral property costs

Direct exploration and development costs are deferred in the accounts, net of amounts recovered from third parties, including receipts from options. At production, these costs will be amortized using the units-of-production method based on estimated reserves. Costs relating to properties abandoned are written off when the decision to abandon is made, or earlier if a determination is made that the property does not have economically recoverable reserves.

The Company is in the process of exploring Uranium mineral properties in Sweden. On a regular basis, the Company reviews the carrying values of deferred mineral property acquisition and exploration expenditures with a view to assessing whether there has been any impairment in value. The recorded book value of the Company's mineral properties in Sweden is not intended to reflect their present or future value. Should a mineral property become impaired as evidenced by unfavourable exploration results, or a decision to discontinue further work, the acquisition cost and related deferred exploration expenditures will be expensed.

(e) Asset retirement obligations

The Company measures the expected costs required to retire its mining interests at a fair value which approximates the cost a third party would incur in performing the tasks necessary to abandon the field and restore the site. The fair value is recognized in the consolidated financial statements at the present value of expected future cash outflows to satisfy the obligation.

Asset retirement costs are depleted using the unit of production method based on estimated reserves and are included with depletion and amortization expense. The accretion of the liability for the asset retirement obligation is included in the statement of operations and deficit.

As at May 31, 2008 the Company did not have an asset retirement obligation.

(f) Income taxes

The Company follows the asset and liability method of tax accounting for income taxes. Under this method, current income taxes are recognized for the future income tax consequences attributed to the differences between the financial statement carrying values and their respective income tax bases. Future income tax assets and liabilities are measured using the substantially enacted tax rates that are expected to apply when the asset is realized or the liability is settled. The effect on future income tax assets and liabilities of a change in tax rates is included in income in the period that includes the enactment date. Future income tax assets are evaluated, and if realization is not considered "more than likely than not", a valuation allowance is provided.

2. Summary of significant accounting policies (continued)

(g) Stock-based compensation

The Company uses the fair value based method to measure stock-based compensation for all stock-based awards to non-employees, and for direct awards made to directors and employees of common shares, stock appreciation rights, and awards that call for settlement for cash or other assets. The fair value of each option is accounted for in operations, over the vesting period of the options, and the related credit is included in contributed surplus.

(h) Revenue recognition

Gains and losses on sale of marketable securities and properties are recognized when realized. Interest income is recognized on the accrual basis.

(i) Foreign currency translation

The Company uses the temporal method of foreign currency translation for its operations and for the operations of its integrated foreign subsidiary. Pursuant to this method, foreign currency accounts are translated into Canadian dollars at the transaction date. Each asset, liability, revenue or expense is translated into Canadian dollars by the use of the exchange rate in effect at transaction date. At the year end date, monetary assets and liabilities are translated into Canadian dollars by using the exchange rate in effect at that date and the resulting foreign exchange gains and losses are included in operations in the current period.

(j) Share issue costs

All costs related to the issuance of the common shares are recorded as a reduction of share capital.

(k) Financial Instruments, Comprehensive Income and Hedges

The Canadian Institute of Chartered Accountants ("CICA") issued Handbook Sections 3855, “Financial Instruments – Recognition and Measurement”, 1530, “Comprehensive Income”, 3861 "Financial Instruments - Disclosure and Presentation" and 3865, “Hedges”. These new standards are effective for interim and annual financial statements relating to fiscal years commencing on or after October 1, 2006 on a prospective basis; accordingly, comparative amounts for prior periods have not been restated. The Company has adopted these new standards effective June 1, 2007.

Section 3855 prescribes when a financial instrument is to be recognized on the balance sheet and at what amount. It also specifies how financial instrument gains and losses are to be presented. This Section requires that:

- All financial assets be measured at fair value on initial recognition and certain financial assets to be measured at fair value subsequent to initial recognition;
- All financial liabilities be measured at fair value if they are classified as held for trading purposes. Other financial liabilities are measured at amortized cost using the effective interest method; and
- All derivative financial instruments be measured at fair value on the balance sheet, even when they are part of an effective hedging relationship.

2. Summary of significant accounting policies (continued)

(k) Financial Instruments, Comprehensive Income and Hedges (continued)

Section 1530 introduces a new requirement to temporarily present certain gains and losses from changes in fair value outside net income. It includes unrealized gains and losses, such as: changes in the currency translation adjustment relating to self-sustaining foreign operations; unrealized gains or losses on available-for-sale investments; and the effective portion of gains or losses on derivatives designated as cash flow hedges or hedges of the net investment in self-sustaining foreign operations.

Section 3861 establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them. Under the new standards, policies followed for periods prior to the effective date generally are not reversed and therefore, the comparative figures have not been restated except for the requirement to restate currency translation adjustment as part of other comprehensive income. Section 3865 provides alternative treatments to Section 3855 for entities which choose to designate qualifying transactions as hedges for accounting purposes. It replaces and expands on Accounting Guideline 13 “Hedging Relationships”, and the hedging guidance in Section 1650 “Foreign Currency Translation” by specifying how hedge accounting is applied and what disclosures are necessary when it is applied.

Under adoption of these new standards, the Company designated its cash and cash equivalents and short-term investments as held-for-trading, which are measured at fair value. The Company's marketable securities are designated as available-for-sale and are presented at market value with the gain or loss realized in the accumulated other comprehensive income. Accounts receivable are classified as loans and receivables, which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

<u>Impact upon adoption of sections 1530, 3855 and 3865</u>

The Company has recorded the following transition adjustments in its consolidated financial statements as at June 1, 2007 resulting from the adoption of sections 1530 and 3855:

i) an increase of $31,098, representing a fair value adjustment to the value of marketable securities;
ii) an increase in accumulated other comprehensive income of $31,098, representing the fair value adjustment to the value of marketable securities, net of taxes of $5,616 and a recovery of non-capital loss carryforwards amounting to $5,616.

The Company has evaluated the impact of sections 3861 and 3865 on its consolidated financial statements and determined that no adjustments are currently required.

Accounting Policy Choice for Transaction Costs

On June 1, 2007, the Emerging Issues Committee of the CICA issued Abstract No.166, Accounting Policy Choice for Transaction Costs (EIC-166). This EIC addresses the accounting policy choice of expensing or adding transaction costs related to the acquisition of financial assets and financial liabilities that are classified as other than held-for-trading. Specifically, it requires that the same accounting policy choice to be applied to all similar financial instruments classified as other than held-for-trading, but permits a different policy choice for financial instruments that are not similar. The Company has adopted EIC-166 effective November 30, 2007 which requires retroactive application to all transaction costs accounted for in accordance with CICA Handbook Section 3855, Financial Instruments - Recognition and Measurement. The Company has evaluated the impact of EIC-166 and determined that no adjustments are currently required.

(Expressed in Canadian Dollars)

2. Summary of significant accounting policies (continued)

(k) Financial Instruments, Comprehensive Income and Hedges (continued)

Future Accounting Changes

Capital Disclosures and Financial Instruments – Disclosures and Presentation

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535, Capital Disclosures, Handbook Section 3862, Financial Instruments – Disclosures, and Handbook Section 3863, Financial Instruments – Presentation. These new standards are effective for interim and annual financial statements for the Company's reporting period beginning on June 1, 2008.

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 new 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 is currently assessing the impact of these new accounting standards on its financial statements.

3. Acquisition of subsidiary

On May 5, 2006 the Company acquired 100% of Gigantissimo 2577 AB ("Gigantissimo") by paying Swedish Krona ("SEK") 100,000 to the shareholders of Gigantissimo in exchange for all of the 1,000 outstanding common shares of Gigantissimo. As a result of the share exchange, the Company acquired control of Gigantissimo, a Swedish corporation, which was incorporated on February 17, 2006 and holds only cash in the company.

On August 3, 2006, the Company's subsidiary Gigantissimo 2577 AB changed its name to Continental Minerals Sweden AB. The subsidiary is inactive at the present.

4. Short-term investments

Short-term investments are comprised of short-term deposits with a financial institution maturing within 12 months.

5. Mineral property

Accumulated costs with respect to the Company's interest in mineral properties owned, leased, under consideration to be acquired or under option, consisted of the following:

	2008	2007
Sweden - Uranium projects (i)(ii)(iii)(iv)(v)(vi)	**$ 8,278,830**	$ 2,199,268
Balance, end of period	**$ 8,278,830**	$ 2,199,268

5. Mineral property (continued)

(i) Between February 2005 and February 2006, the Company was granted thirty nine (39) exploration licenses in Sweden. These licenses are valid for three years, ten (10) renewed during the year for three years and the balance are renewable subject to specified work carried out.

(ii) On August 17, 2006, the Company was granted seven (7) mineral exploration licenses in Sweden. These licenses are valid for three years, renewable subject to specified work carried out.

(iii) On September 21, 2006, the Company was granted five (5) mineral exploration licenses in Sweden. These licenses are valid for three years, renewable subject to specified work carried out.

(iv) Between March 27 and March 30 2007, the Company was granted eight (8) mineral exploration licenses in Sweden. These licenses are valid for three years, renewable subject to specified work carried out.

(v) Between April 3 and April 4 2007, the Company was granted five (5) mineral exploration licenses in Sweden. These licenses are valid for three years, renewable subject to specified work carried out.

(vi) On November 13 and November 25, 2007, the Company was granted two (2) mineral exploration licences in Sweden. These licenses are valid for three years renewable subject to specified work carried out.

On May 31, 2008, the Company held a total of 66 mineral exploration licences in Sweden (2007 - 64 mineral exploration licenses).

The Company is obligated to pay 5% net profit on any mineral production from the lands covered by the exploration licenses. The Company is in the development stage of mineral exploration and the commercial production has not yet commenced on these mineral properties.

6. Technology licence

On September 1, 2006, the Company entered into a collaborative technology development and deployment agreement (the "Agreement") with Zencor Technology Ltd. ("Zencor") relating to technology for the separation and extraction of kerogen and other minerals from alum oil shales. Pursuant to the Agreement, the Company has been granted a perpetual, exclusive, transferable, royalty-free licence to use and exploit certain technology in Sweden owned by Zencor. Zencor has also agreed to pay to the Company a royalty equal to 2% of gross revenues earned by Zencor in any way related to or derived from the use of this technology anywhere in the world. The Agreement provides for an issue up to an aggregate of 100,000 common shares to Zencor. The Company issued 50,000 common shares valued at $80,000 during the fiscal year 2007 and the remaining 50,000 common shares will be issued upon completion of a Validation Test. In addition, if the Company is satisfied upon completion of an independent Validation Test and elects to proceed with the Pilot Plant Test, it shall fund the costs of a Pilot Plant Test, to a maximum of $1,000,000 for both the Validation Test and Pilot Plant Project.

7. 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

(Expressed in Canadian Dollars)

7. Share capital (Continued)

(b) Issued

	Number of common shares		Stated value
Balance, March 21, 2005	5,796,513	$	4,293,379
Private placement	2,205,000		278,100
Balance, May 31, 2005	8,001,513	$	4,571,479
Acquisition of Uranium licences in Sweden	300,000		42,000
Private placements	16,250,000		13,025,000
Fair market warrant valuations on private placements	-		(11,579,854)
Finder's fee on private placement	220,000		198,000
Exercise of stock options	286,404		101,811
Fair market valuation on exercise of stock options	-		87,470
Exercise of warrants	1,267,600		1,014,080
Fair market valuation on exercise of warrants	-		514,646
Cost of issue: cash	-		(990,409)
Cost of issue: non-cash items	-		(726,471)
Balance, May 31, 2006	26,325,517		6,257,752
Private placement (i)	12,307,691		15,999,998
Fair market warrant valuations on private placements (i)	-		(6,080,001)
Exercise of warrants	6,658,073		7,987,878
Fair market valuation on exercise of warrants	-		5,045,646
Exercise of stock options	356,905		94,914
Fair market valuation on exercise of stock options	-		50,323
Licence payment on property (Note 6)	50,000		80,000
Cost of issue: cash	-		(1,563,886)
Cost of issue: non-cash items	-		(1,228,244)
Balance, May 31, 2007	45,698,186		26,644,380
Exercise of warrants	1,823,143		2,311,000
Fair market valuation on exercise of warrants	-		1,489,232
Exercise of stock options	55,000		33,500
Fair market valuation on exercise of stock options	-		31,465
Balance, May 31, 2008	**47,576,329**	**$**	**30,509,577**

7. Share capital (Continued)

(b) Issued (Continued)

(i) On November 28, 2006, the Company closed a private placement and issued a total of 12,307,691 units of the Company at a price of $1.30 per unit for gross proceeds of $15,999,998. Each unit consisted of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of $1.75 for a period of 24 months from closing. The fair value of the warrants was estimated using the Black-Scholes pricing option model. The assumptions used for the valuation of the respective warrants were: dividend yield 0%, expected volatility 175%, risk-free interest rate of 3.89% and an expected life of two years. Value assigned to 6,153,847 warrants is $6,080,001. In connection with the financing, the agents received a cash commission of $1,165,720 and 1,120,885 broker warrants for the purchase of that number of units. Each unit consists of one common share of the Company and one-half of one common share purchase warrant. Each whole warrant entitles the holder to purchase one common share at a price of $1.75 for a period of 24 months from closing.

The fair value of the broker warrants was estimated using the Black-Scholes pricing option model. The assumptions used for the valuation of the respective warrants were: dividend yield 0%, expected volatility 175%, risk-free interest rate of 3.89% and an expected life of two years. Value assigned to 1,120,885 broker warrants is $1,154,512.

(ii) On October 4, 2006, the Company amended the November 12, 1987 escrow agreement by the entering into of a new escrow agreement. As a consequence, of the 375,000 common shares subject to escrow under the 1987 agreement, only the 187,500 common shares held by the president of the Company were escrowed, to be released over 36 months. The first 10% or 18,750 common shares were released on October 12, 2006. Additionally 28,125 common shares were released on April 12, 2007, 28,125 common shares released on October 12, 2007 and 28,125 common shares released on April 12, 2008.

(Expressed in Canadian Dollars)

7. Share capital (Continued)

(c) Warrants

The following summarizes the warrant activity for the three years ended May 31, 2008

	Number of warrants		Weighted average exercise price
Balance, May 31, 2005	-		-
Granted	17,100,000		1.06
Exercised	(1,267,600)		(0.80)
Balance, May 31, 2006	15,832,400	$	1.09
Exercised	(6,658,073)		(1.20)
Issued (Note 7(b)(iv))	7,342,676		1.68
Expired	(2,400)		(0.80)
Balance, May 31, 2007	16,514,603	$	1.30
Exercised	(1,823,143)		(1.27)
Expired	(2,764,000)		(1.19)
Balance, May 31, 2008	**11,927,460**		**1.34**

As of May 31, 2008, the following warrants were outstanding:

Expiry Date	Number of warrants	Exercise price ($)	Black-Scholes value ($)
November 28, 2008	984,997	1.30	1,014,547
November 28, 2008	4,942,463	1.75	4,889,157
March 29, 2009	2,560,378	1.00	1,846,033
May 11, 2009	3,439,622	1.00	2,445,571
	11,927,460		**10,195,308**

The fair market value of warrants issued are separately recorded and disclosed from share capital in the year they are issued. Warrants that are issued and exercised will be recorded as share capital and warrants that expire unexercised will be recorded as contributed surplus.

(Expressed in Canadian Dollars)

7. Share capital (Continued)

(d) Stock options and contributed surplus

The stock option plan (the "Plan") authorizes the board of directors of the Company to grant non-transferable stock options to its service providers. Under the Plan, the number of shares subject to stock options cannot exceed 8,250,000 and the total number of shares which may be reserved for issuance to any one individual under the Plan cannot exceed 5% of the issued and outstanding shares, provided that (i) the maximum number of shares which may be reserved for issuance to insiders under the Plan and any other stock option plans or options cannot exceed 10% of the issued and outstanding shares at the time of the grant, (ii) the maximum number of shares which may be issued to insiders under the Plan and any other share compensation arrangements within any one year period cannot exceed 10% of the outstanding issue, and (iii) the maximum number of shares which may be issued to any one insider under the Plan and any other compensation arrangement within a one year period cannot exceed 5% of the shares outstanding at the time of the grant. The exercise price shall be determined by the board of directors from time to time on the basis of the closing price of the shares on the stock exchange on which the shares are then listed for trading.

The following summarizes the stock options that have been granted, exercised, forfeited, cancelled, or expired during the three years ended May 31, 2008:

	Number of stock options	Weighted average exercise price ($)
Balance, May 31, 2005	809,825	0.17
Granted	1,140,000	1.78
Exercised	(286,404)	0.36
Balance, May 31, 2006	1,663,421	1.24
Granted (i),(ii),(iii),(iv),(v)	3,000,000	1.92
Exercised	(356,905)	0.27
Balance, May 31, 2007	4,306,516	1.79
Granted (vi),(vii),(viii),(ix),(x)	1,590,000	2.18
Exercised	(55,000)	(0.61)
Balance, May 31, 2008	**5,841,516**	**1.92**

(Expressed in Canadian Dollars)

7. Share capital (Continued)

(d) Stock options and contributed surplus (Continued)

As of May 31, 2008 the following stock options were outstanding:

	Options Outstanding			Options Exercisable	
Expiry Date	**Number of options**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price ($)**	**Number of options**	**Weighted average exercise price ($)**
March 10, 2010	239,016	1.78	0.19	239,016	0.19
April 12, 2010	40,000	1.87	0.25	40,000	0.25
October 7, 2010	172,500	2.35	0.90	172,500	0.90
April 25, 2011	800,000	2.90	2.15	800,000	2.15
July 7, 2011 (i)	100,000	3.10	2.76	100,000	2.76
July 19, 2011 (ii)	250,000	3.13	2.78	250,000	2.78
December 7, 2011 (iii)	2,050,000	3.52	1.80	1,537,500	1.80
December 8, 2011 (iv)	300,000	3.52	1.83	225,000	1.83
December 13, 2011 (v)	300,000	3.54	1.81	225,000	1.81
June 4, 2010 (vi)	200,000	2.01	2.93	200,000	2.93
June 25, 2010(vii)	50,000	2.07	2.55	25,000	2.55
October 22, 2012 (viii)	1,230,000	4.40	2.15	1,230,000	2.15
March 6, 2013 (ix)	75,000	4.77	0.98	75,000	0.98
March 25, 2013 (x)	35,000	4.82	0.85	35,000	0.85
	5,841,516	**3.44**	**1.92**	**5,154,016**	**1.91**

As of May 31, 2007 the following stock options were outstanding:

	Options Outstanding			Options Exercisable	
Expiry Date	**Number of options**	**Weighted average remaining contractual life (years)**	**Weighted average exercise price ($)**	**Number of options**	**Weighted average exercise price ($)**
December 9, 2007	20,000	0.52	0.10	20,000	0.10
March 10, 2010	239,016	2.78	0.19	239,016	0.19
April 12, 2010	40,000	2.86	0.25	40,000	0.25
October 7, 2010	207,500	3.35	0.90	207,500	0.90
April 25, 2011	800,000	3.90	2.15	600,000	2.15
July 7, 2011	100,000	4.10	2.76	50,000	2.76
July 19, 2011	250,000	4.13	2.78	125,000	2.78
December 7, 2011	2,050,000	4.52	1.80	512,500	1.80
December 8, 2011	300,000	4.52	1.83	75,000	1.83
December 13, 2011	300,000	4.53	1.81	75,000	1.81
	4,306,516	4.18	1.79	1,944,016	1.65

7. Share capital (Continued)

(d) Stock options and contributed surplus (Continued)

The fair value of stock options granted is expensed over the vesting period with an offsetting credit to contributed surplus. When stock options are exercised the proceeds are recorded in share capital and the fair value assigned to the options is transferred from contributed surplus. Stock options that expire remain in contributed surplus.

The fair value of the stock options issued in 2008 and 2007 is categorized below:

(i) The fair market value of $274,900 for the 100,000 stock options issued on July 7, 2006 was calculated using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected average volatility of 254%; risk-free interest rate of 4.49% and an expected average life of 5 years.

(ii) The fair market value of $692,000 for the 250,000 stock options issued on July 19, 2006 was calculated using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected average volatility of 252%; risk-free interest rate of 4.35% and an expected average life of 5 years.

(iii) The fair market value of $3,499,350 for the 2,050,000 stock options granted to directors, an officer and a consultant on December 7, 2006, exercisable at $1.80 and expiring on December 7, 2011, was calculated using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected average volatility of 277%; risk-free interest rate of 3.77% and an expected average life of 5 years.

(iv) The fair market value of $548,100 for the 300,000 stock options granted to consultants on December 8, 2006, exercisable at $1.83 and expiring on December 8, 2011, was calculated using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected average volatility of 276%; risk-free interest rate of 3.76% and an expected average life of 5 years.

(v) The fair market value of $542,100 for the 300,000 stock options granted to consultants on December 13, 2006, exercisable at $1.81 and expiring on December 13, 2011, was calculated using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected average volatility of 276%; risk-free interest rate of 3.76% and an expected average life of 5 years.

(vi) The fair market value of $443,400 for the 200,000 stock options granted to a consultant on June 4, 2007, exercisable at $2.93 and expiring on June 4, 2010 was calculated using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected average volatility of 133%; risk-free interest rate of 4.54% and an expected average life of 3 years.

(vii) The fair market value of $96,750 for the 50,000 stock options granted to a consultant on June 25, 2007, exercisable at $2.55 and expiring on June 25, 2010, was calculated using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected average volatility of 131%; risk-free interest rate of 4.61% and an expected average life of 3 years.

(viii) The fair market value of $2,460,000 for the 1,230,000 stock options granted to a consultant on October 22, 2007, exercisable at $2.15 and expiring on October 22, 2012, was calculated using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected average volatility of 217%; risk-free interest rate of 4.16% and an expected average life of 5 years.

(Expressed in Canadian Dollars)

7. Share capital (Continued)

(d) Stock options and contributed surplus (Continued)

(ix) The fair market value of $71,474 for the 75,000 stock options granted to consultants on March 6, 2008, exercisable at $0.98 and expiring on March 6, 2013 was calculated using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected average volatility of 194%; risk-free interest rate of 3.17% and an expected average life of 5 years.

(x) The fair market value of $28,875 for the 35,000 stock options granted to consultants on March 25, 2008, exercisable at $0.85 and expiring on March 25, 2013, was calculated using the Black-Scholes option pricing model with the following assumptions: dividend yield of 0%; expected average volatility of 192%; risk-free interest rate of 3.12% and an expected average life of 5 years.

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

	Cumulative expense at May 31, 2007	Expensed	Exercised	Expired	Contributed surplus	Remainder to be expensed
(1)	$ 33,701	$ -	$ -	$ -	$ 33,701	$ -
(2)	7,320	-	-	-	7,320	-
(3)	208,190	-	(31,465)	-	176,725	-
(4)	1,599,429	114,971	-	-	1,714,400	-
(5)	240,268	34,632	-	-	274,900	-
(6)	595,352	96,648	-	-	692,000	-
(7)	2,415,354	1,072,801	-	-	3,488,155	11,195
(8)	376,936	169,160	-	-	546,096	2,004
(9)	365,992	172,888	-	-	538,880	3,220
(10)	-	443,400	-	-	443,400	-
(11)	-	85,962	-	-	85,962	10,788
(12)	-	2,460,000	-	-	2,460,000	-
(13)	-	71,474	-	-	71,474	-
(14)	-	28,875	-	-	28,875	-
(15)	16,087	-	-	2,170,764	2,186,851	-
	$ 5,858,629	$ 4,750,811	$ (31,465)	$ 2,170,764	$ 12,748,739	$ 27,207

(Expressed in Canadian Dollars)

7. Share capital (Continued)

(d) Stock options and contributed surplus (Continued)

Expiry Date	Number	Exercise Price ($)
(1) March 10, 2010	239,016	0.19
(2) April 12, 2010	800,000	2.15
(3) October 7, 2010	100,000	2.76
(4) April 25, 2011	250,000	2.78
(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	0.25
(11) June 25, 2010	207,500	0.90
(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

8. Loss Per Share

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

	2008	2007
Numerator:		
Loss for the period	**$ (5,336,379)**	$ (6,263,080)
Denominator:		
Denominator for basic loss per share	**46,997,568**	34,297,572
Effect of dilutive securities:		
Stock options (i)	**-**	-
Warrants (i)	**-**	-
Denominator for diluted loss per share	**46,997,568**	34,297,572
Basic loss per share	**$ (0.11)**	$ (0.18)
Diluted loss per share	**$ (0.11)**	$ (0.18)

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

(Expressed in Canadian Dollars)

9. Income taxes

Future income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts for tax purposes.

There are no future tax liabilities.

Significant components of the Company's future tax assets are as follows:

		2008		2007
Future tax assets:				
Marketable securities	$	591	$	10,627
Investment and advances		167,522		208,652
Mineral properties		21,347		26,588
Share issue costs		387,003		666,542
Capital losses carried forward		97,059		118,522
Non-capital losses carried forward		1,165,139		1,140,200
Future tax assets		1,838,661		2,171,131
Valuation allowance for future tax assets		(1,838,661)		(2,171,131)
Non-capital losses carried forward	$	-	$	-

The Company provided a valuation allowance equal to the future tax assets because it is not more likely than not that they will be realized.

The Company's income tax expense for each of the years ended May 31, 2008 and 2007 is $Nil. The reconciliation of income tax to the consolidated financial statements at the statutory tax rates are as follows:

		2008		2007
Loss before income taxes	**$**	**(5,336,379)**	$	(6,263,080)
Income tax recovery at the combined federal and provincial rate of 35.03% and 36.12% respectively		**(1,869,334)**		(2,262,224)
Non-deductible meals and entertainment		**19,267**		19,984
Stock-option compensation		**1,664,209**		1,886,595
Capitalized gains on sale of marketable securities		**(4,591)**		-
Difference between Canadian and foreign taxes		**-**		868
Unamortized share issue costs		**(178,954)**		(184,522)
Tax benefit not recognized		**369,403**		539,299
	$	**-**	$	-

(Expressed in Canadian Dollars)

9. Income taxes (Continued)

As at May 31, 2008, the Company had unclaimed various mining and oil gas tax pools of approximately $8,358,900, capital loss carryforwards of approximately $630,090, and unclaimed non-capital losses of approximately $4,017,700 to reduce future years' income for income tax purposes. No benefit from these amounts has been recorded in these consolidated financial statements.

The capital losses have no expiration date, however the non-capital losses will expire as follows:

2009	254,100
2010	225,200
2014	201,000
2015	218,700
2026	566,300
2027	1,484,800
2028	$ 1,067,600
	$ 4,017,700

10. Related party transactions not disclosed elsewhere

(i) Included in accounts payable and accrued liabilities are fees totaling $3,000 (2007 - $Nil) payable to the Company's chief financial officer.

(ii) During the year, the Company paid $155,750 (2007 - $168,750) in fees to directors for their services.

(iii) During the year, a total of $147,047 (2007 - $295,584) was paid as management compensation to the President and CEO of the Company.

(iv) The President of the Company received $20,440 (2007 - $16,500) 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.

11. 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.

	2008	2007
Canada	$ 28,524,957	$ 32,804,413
Sweden	$ 8,358,830	$ 2,279,268
Total assets	**$ 36,883,787**	**$ 35,083,681**

12. 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.

13. Financial Instruments

The Company's financial instruments consist of cash equivalents, marketable securities, short term invesments, accounts receivable, accounts payable and accrued liabilities unless otherwise noted. The carrying value of the financial instruments is approximate to their fair value due to their short term to maturity. It is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

14. 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.

15. Subsequent Event

On June 24, 2008, the Company was granted two (2) mineral exploration licenses in Sweden. These licenses are valid for three years renewable subject to specified work carried out.