

**Continent Resources Inc.**  
**First Quarter 2008**  
**Consolidated Financial Statements**  
**For the Three Months Ended March 31, 2008**

**CONTINENT RESOURCES INC.**

**Index to Financial Statements**

**Three Months Ended March 31, 2008**

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## **NOTICE TO READER**

### **CONTINENT RESOURCES INC.**

The accompanying unaudited interim consolidated financial statements of Continent Resources Inc. (the "Company") for the three months ended March 31, 2008 have been prepared by management and approved by the Board of Directors of the Company. These statements have not been reviewed by the auditors of the Company.

**CONTINENT RESOURCES INC.**

**Consolidated Balance Sheets**

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	<b>(Unaudited)</b> As at Mar 31, 2008	<b>(Audited)</b> As at Dec 31, 2007
<b>ASSETS</b>		
Current assets		
Cash and cash equivalent	\$ 320,847	\$ 349,929
Accounts receivable	11,810	10,400
	<u>332,657</u>	<u>360,329</u>
Property (Note 3)	50,688	34,688
	<u>383,345</u>	<u>395,017</u>
<b>LIABILITIES</b>		
Current liabilities		
Accounts payable and accrued liabilities	18,019	5,258
	<u>18,019</u>	<u>5,258</u>
<b>SHAREHOLDERS' EQUITY</b>		
Share capital (Note 4)	614,271	611,141
Contributed surplus (Note 4)	78,549	52,556
Accumulated deficit	<u>(327,494)</u>	<u>(273,938)</u>
	365,326	389,759
	<u>\$ 383,345</u>	<u>\$ 395,017</u>

**APPROVED ON BEHALF OF THE BOARD**

"Robert Bick" DIRECTOR

"Paul Conley" DIRECTOR

**CONTINENT RESOURCES INC.**

**Consolidated Statements of Loss and Deficit**

**Three months ended March 31, 2008**

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	<b>Mar 31, 2008</b>	<b>Mar 31, 2007</b>
<b>Revenue</b>		
Interest revenue	<u>\$2,017</u>	<u>\$ -</u>
<b>Expenses</b>		
Bank charges	76	267
Consulting	9,000	-
Filing fees	4,465	-
Meals and entertainment	213	-
Office	281	357
Professional fees	13,120	5,020
Stock based compensation	25,993	-
Travel	<u>2,425</u>	<u>-</u>
	(55,573)	(5,644)
<b>Loss for the period</b>	(53,556)	(5,644)
<b>Deficit- Beginning of period</b>	(273,938)	(134,556)
<b>Deficit- End of period</b>	<u>(327,494)</u>	<u>(140,200)</u>
<b>Basic and diluted loss per share</b>	\$(0.005)	\$(0.001)

**CONTINENT RESOURCES INC.**

**Consolidated Statements of Cash Flow**

**Three months ended March 31, 2008**

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	Mar 31, 2008	Mar 31, 2007
<b>OPERATING ACTIVITIES</b>		
Loss for the period	\$(53,556)	\$(5,644)
Stock based compensation	25,993	-
Changes in non-cash working capital items, net		
Investment in money market instruments	356,175	-
Accounts receivable	(1,410)	(1,331)
Accounts payable and accrued liabilities	12,761	300
	<u>339,963</u>	<u>(6,675)</u>
<b>INVESTING ACTIVITIES</b>		
Expenditures on resource properties	<u>(16,000)</u>	<u>(22,500)</u>
	(16,000)	(22,500)
<b>FINANCING ACTIVITIES</b>		
Issuance of share capital	-	48,260
Share issuance costs	3,130	(14,438)
	<u>327,093</u>	<u>33,822</u>
<b>Net increase (decrease) in cash</b>	327,093	4,647
<b>Cash, beginning of period</b>	(6,246)	141
<b>Cash, end of period</b>	\$320,847	\$4,788

# CONTINENT RESOURCES INC.

## Notes to Financial Statement

**Period Ended March 31, 2008**

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### 1. THE COMPANY

Continent Resources Inc. (the “Company”) was incorporated on November 8, 2005 pursuant to the provision of the *Business Corporations Act* (British Columbia) and continued under the *Business Corporations Act* (Alberta) on January 12, 2006. On July 11, 2007, the Company completed its initial public offering of 2,875,000 common shares at the price of \$0.20 per common share (the “IPO”) pursuant to its prospectus dated April 17, 2007. The common shares of the Company were listed for trading on the Canadian Trading and Quotation System Inc. (“CNQ”).

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### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. The financial statements have, in management’s opinion, been properly prepared using careful judgment with reasonable limits of materiality and within the framework of the significant accounting policies summarized below.

#### **Cash and cash equivalents**

Cash and cash equivalents consist of balances with banks, and investments in money market instruments with a term to maturity of three months or less at date of purchase.

#### **Property**

Property is stated at cost less accumulated amortization. No amortization is being taken as the Company is not in the production stage as yet. Once the Company starts production, property will be amortized over the useful life.

#### **Income taxes**

The Company follows the liability method of income tax allocation. Under this method, current income taxes are recognized for the estimated income taxes payable for the current year. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting bases of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes that are likely to be realized.

#### **Revenue recognition**

Interest income is recognized as earned.

## Per Share Calculations

The Company uses the treasury stock method of reporting earnings and other per share amounts. Basic earnings per share are computed by dividing earnings from operations by the weighted average number of common shares outstanding for the period. Diluted per share amounts reflect the potential dilution that could occur if securities or other contracts to issue common shares were exercised or converted to common shares. The treasury stock method is used to determine the dilutive effect of stock options and other dilutive instruments. Under the treasury stock method, only dilutive instruments where the market price exceeds the exercise price impact the diluted calculations.

## Stock Based Compensation

The Company maintains a stock-based compensation plan, being a stock option plan (the “Plan”), whereby the Board of Directors may, from time to time, grant employees, officers, directors or consultants to the Company options to acquire common shares in such numbers, at such exercise prices as may be determined by the Board. The exercise price is fixed at the time of the granting. The Company uses the fair value method to account for stock options granted. Under this method, the compensation cost of options granted are measured at the grant date using the Black-Scholes option pricing model, and expensed over the vesting period. Stock based compensation is recorded in the statement of loss and comprehensive loss with a corresponding increase to contributed surplus. On the exercise of stock options, consideration received and the accumulated contributed surplus amount is credited to share capital.

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## 3. PROPERTY

	Cost	Accumulated Amortization	Net Book Value
<b>Mining Property Options</b>	\$50,688	-	\$50,688

Pursuant to a mineral property option agreement dated January 10, 2006 (the “Option Agreement”), the Company has been granted an exclusive option to acquire an undivided 100% interest in a specified mining property. Property also includes capitalized costs of \$4,188. As at March 31, 2008, the Company has issued 30,000 shares at \$0.15 per share and 30,000 shares at \$0.20 per share; and made total cash payments of \$36,000. The Company has the following future cash payment requirements to fulfill its obligation under the Option Agreement:

\$20,000 cash on or before January 10, 2009; and  
\$40,000 cash on or before January 10, 2010.

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#### 4. SHARE CAPITAL

**Authorized:**

Unlimited

Common voting shares

Unlimited

Preferred voting shares

<b>Common voting shares issued:</b>	<b>Number of shares</b>	<b>Amount</b>
December 31, 2005	1	\$ -
Issued for cash proceeds January 12, 2006	11,710,000	1,172
Issued for cash consideration January 13, 2006	750,000	75,000
Issued for cash consideration May 3, 2006	383,400	57,510
Share issuance costs [see note (v)]		<u>(20,150)</u>
December 31, 2006	12,843,401	\$ 113,532
Issued pursuant to mineral property option agreement [see note (i)]	60,000	10,500
Cancelled on share surrender [see note (ii)]	(3,750,000)	(371)
Issued for cash proceeds [See note (iii)]	187,500	37,760
Issued for cash proceeds pursuant to initial public offering [see note (iv)]	2,875,000	575,000
Share issuance costs [see note (v)]		<u>(125,280)</u>
December 31, 2007	12,215,901	\$ 611,141
Share issuance costs [see note (v)]		<u>3,130</u>
March 31, 2008	12,215,901	\$ 614,271

(i) Pursuant to the Option Agreement as described in Note 3, the Company has the option to acquire certain mineral claims. The Company has issued a total of 60,000 shares during the year ended December 31, 2007. The acquisition of the property option is measured at the fair value of the equity instruments granted in consideration.

(ii) On February 21, 2007 the Company accepted a total of 3,750,000 shares surrendered to it by way of a gift. The Company cancelled the share certificates and returned said shares to Treasury.

(iii) The Company accepted subscriptions for and issued 187,500 shares at \$0.20 per share in February 2007. These shares are fully paid and non-assessable shares of the Company.

(iv) The Company closed a prospectus offering on July 11, 2007 for 2,875,000 common shares of the Company at a price of \$0.20 per common share for aggregate gross proceeds of \$575,000. Expenses of the issue were \$117,784 (\$0.041 per share) giving net proceeds of \$457,216.

(v) Share issuance costs are not tax effected since the Company does not deem that the realization of the associated future tax asset is more likely than not. The tax effects will be realized in a future period if the Company assesses that the benefit of these costs are more likely than not to be realized.

The common voting shares of the Company were listed for trading on July 30, 2007 on the CNQ under the symbol CORE. There were no preferred voting shares issued as at March 31, 2008.

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### **Stock Based Compensation**

The Company maintains the Plan whereby the Board of Directors may, from time to time, grant employees, officers, directors or, or consultants to the Company options to acquire common shares in such numbers, at such exercise prices as may be determined by the Board. The exercise price is fixed at the time of the granting.

During the year ended December 31, 2007, the Company issued 287,500 options to purchase common shares to the IPO agent exercisable at \$0.20 per share for a period of twenty-four months from closing of the IPO. The Company also granted 400,000 common shares at an exercise price of \$0.20 per share to four directors of the Company.

Stock based compensation reflected in the financial statements for the year ended December 31, 2007 was calculated using the Black-Scholes option pricing model assuming a risk free interest rate of 3.88%, a dividend yield of nil, an expected volatility of 62% and expected lives of the stock options of one and a half to four and a half years. Stock based compensation of \$52,185 has been recorded in the statement of loss and comprehensive loss and credited to contributed surplus for the year ended December 31, 2007.

On February 28, 2008, the Company granted 150,000 incentive stock options to a consultant of the Company. The options are exercisable at \$0.34 per share and will expire February 28, 2013.

Subsequent to the recognition of stock based compensation of \$52,185 for the year ended December 31, 2007, an additional \$25,993 has been recorded in the statement of loss and comprehensive loss and credited to contributed surplus for the quarter ended March 31, 2008. Stock based compensation of \$25,993 was calculated using the Black-Scholes option pricing model assuming a risk free interest rate of 3.88%, a dividend yield of nil, an expected volatility of 55% and expected lives of the stock options of 4.92 years.

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## Stock Options

The following table discloses the reconciliation of stock options granted and exercisable for the quarter ended March 31, 2008.

	<b>Options</b>	<b>Weighted -average exercise price</b>	<b>Weighted - average remaining contractual life</b>
Outstanding – beginning of 2007	-	-	-
Option granted in 2007	287,500	\$0.20	1.33
Option granted to directors in 2007	400,000	\$0.20	4.33
Option granted to consultant during the quarter ended March 31, 2008	150,000	\$0.34	4.92
Outstanding - end of March 31, 2008	<u>837,500</u>	<u>\$0.23</u>	<u>3.41</u>
Exercisable - end of March 31, 2008	<u>837,500</u>	<u>\$0.23</u>	<u>3.41</u>

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## Contributed Surplus

The following table reconciles the Company's contributed surplus:

Balance, December 31, 2006 and 2005	--
Stock based compensation expense for the year ended 2007	52,185
Cancellation of 3,750,000 common voting shares	371
<u>Stock based compensation expense for the quarter ended March 31, 2008</u>	<u>25,993</u>
<u>Balance, March 31, 2008</u>	<u>78,549</u>

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## 5. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, accounts receivable, accounts payable, and accrued liabilities. 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 carrying values of these financial instruments approximate their cost, unless otherwise noted.

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## 6. RELATED PARTY TRANSACTIONS

On February 28, 2008, the Company entered into an advisory agreement with a consultant of the Company to provide administrative services. A senior officer of the Company is also a director of the consultant. Consulting fees of \$9,000 were paid to consultant for the three months ending March 31, 2008. These transactions were conducted in the normal course of operations, on

commercial terms established and agreed to by the related parties, and were recorded at the exchange amount.

The consultant was also granted 150,000 options as part of its compensation on February 29, 2008. Each option entitles the consultant to purchase an additional common share at a price of \$0.34 for a period of five (5) years.

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## 7. SUBSEQUENT EVENTS

- (a) Messrs Vladimir Gerchikov, Barry Foster and Michael Whitehead resigned as directors and officers of the Company on January 14, 2008 and had 90 days to exercise their options, until April 13, 2008. 300,000 options granted to them expired unexercised on April 13, 2008.
- (b) The Company issued 40,000 common shares pursuant to the Option Agreement to fulfill its obligations on April 16, 2008.
- (c) On May 17, 2008, the Company entered into a non-legally binding letter of intent (the “LOI”) to acquire an undivided 100% interest in certain mineral properties in the United States. In consideration for the Company’s acquisition, key terms of the purchase price include:
  1. USD\$150,000 payable in cash, no later than five (5) business days after the closing, provided that all of the applicable regulatory approvals required in connection with the transaction have been obtained by the Company.
  2. Upon the first anniversary of the closing, subject to the Company retaining good, valid and marketable title to an ownership interest in the properties, the Company shall pay to the sellers USD\$150,000 in cash.
  3. After the closing and upon completion of the first financing in an amount of at least USD\$1,000,000 by way of a public offering or private placement, the Company shall pay to the sellers USD\$150,000 in cash.
  4. Upon completion of the closing, Continent shall grant 9,000,000 options (the “Options”) to the sellers, subject to a vesting schedule over a period of 42 months whereby the options will be vested as follows:

Upon Closing	25% (or equivalent to 2,250,000 Options)
14 months from the Closing	25% (or equivalent to 2,250,000 Options)
28 months from the Closing	25% (or equivalent to 2,250,000 Options)
42 months from the Closing	25% (or equivalent to 2,250,000 Options)

5. Each Option shall entitle the holders to purchase one common share from the Company at a price of \$0.25 per share for a period of ten (10) years from the date the Options are granted subject to applicable securities rules and regulations.

The Sellers are also entitled to a royalty equal to 2.0% of the net smelter returns (“NSR”) on minerals from the properties. The Company may purchase one half of one percent (0.5%) of the NSR on minerals from the properties from the Sellers at any time for a total purchase price of \$1,000,000.

A finder’s fee of \$150,000, to be paid in cash or in common shares or a combination of both cash and common shares at a deemed value of \$0.25 per share, will be paid upon the completion of the closing.

Closing of the acquisition is targeted to occur on the date which is 45 days from the date of signing the LOI, or such other date as mutually agreed upon by the Company and the sellers.