

Continent Resources Inc.
Consolidated Financial Statements
For the Six Months Ended June 30, 2008

CONTINENT RESOURCES INC.

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Six Months Ended June 30, 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 six months ended June 30, 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

	(Unaudited) As at Jun 30, 2008	(Audited) As at Dec 31, 2007
ASSETS		
Current assets		
Cash and cash equivalent	\$ 249,411	\$ 349,929
Accounts receivable	3,842	10,400
Prepaid expense	2,200	-
	<hr/> 255,453	<hr/> 360,329
Property (Note 3)	<hr/> 62,688	<hr/> 34,688
	<hr/> 318,141	<hr/> 395,017
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	<hr/> 15,460	<hr/> 5,258
	15,460	5,258
SHAREHOLDERS' EQUITY		
Share capital (Note 4)	626,271	611,141
Contributed surplus (Note 4)	297,420	52,556
Accumulated deficit	<hr/> (621,010)	<hr/> (273,938)
	302,681	389,759
	<hr/> \$ 318,141	<hr/> \$ 395,017

APPROVED ON BEHALF OF THE BOARD

"Robert Bick" DIRECTOR

"Herrick Lau" DIRECTOR

CONTINENT RESOURCES INC.

Consolidated Statements of Loss and Deficit

Six months ended June 30, 2008

	Three months ended June 30		Six months ended June 30	
	2008	2007	2008	2007
Revenue				
Interest revenue	\$1,184	\$ -	\$3,201	\$ -
Expenses				
Bank charges	431	83	506	350
Consulting	38,207	-	47,207	-
Filing fees	12,003	510	16,468	510
Meals and entertainment	1,535	-	1,748	-
Office	5,258	-	5,539	357
Professional fees	12,233	(296)	25,353	4,724
Stock based compensation	218,871	-	244,864	-
Travel	6,163	-	8,588	-
	(294,700)	(297)	(350,273)	(5,941)
Loss for the period	(293,517)	(297)	(347,072)	(5,941)
Deficit- Beginning of period	(327,493)	(140,200)	(273,938)	(134,556)
Deficit- End of period	(621,010)	(140,497)	(621,010)	(140,497)
Basic and diluted loss per share	\$(0.024)	\$(0.000)	\$(0.028)	\$(0.001)

CONTINENT RESOURCES INC.

Consolidated Statements of Cash Flow

Six months ended June 30, 2008

	Three months ended June 30		Six months ended June 30	
	2008	2007	2008	2007
OPERATING ACTIVITIES				
Loss for the period	\$(293,517)	\$(297)	\$(347,073)	(5,941)
Stock based compensation	218,871	-	244,864	-
Changes in non-cash working capital items, net				
Accounts receivable	8,004	501	6,595	(830)
Investment in money market instruments	-	-	356,175	-
Prepaid expense	(2,200)	-	(2,200)	-
Accounts payable and accrued liabilities	(2,595)	7,206	10,166	7,506
	(71,437)	7,410	268,527	735
INVESTING ACTIVITIES				
Expenditures on resource properties	(12,000)	-	(28,000)	(22,500)
	(12,000)	-	(28,000)	(22,500)
FINANCING ACTIVITIES				
Issuance of share capital	12,000	20,150	12,000	68,410
Share issuance costs	-	(28,299)	3,130	(42,737)
	12,000	(8,149)	15,130	25,673
Net increase (decrease) in cash	(71,437)	(739)	255,657	3,908
Cash, beginning of period	320,848	4,788	(6,246)	141
Cash, end of period	\$249,411	\$4,049	\$249,411	\$4,049

CONTINENT RESOURCES INC.

Notes to Consolidated Financial Statements

Six Months Ended June 30, 2008

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 are listed for trading on the Canadian Trading and Quotation System Inc. (“CNQ”). On June 20, 2008, the Company incorporated its subsidiary, Continent Resources (USA) Inc., under the laws of Nevada, USA.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated 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.

3. PROPERTY

	Cost	Accumulated Amortization	Net Book Value
Mining Property Options	\$62,688	-	\$62,688

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 the Sol D’Or property. Property also includes capitalized costs of \$4,188. As at June 30, 2008, the Company has issued 30,000 shares at \$0.15 per share, 30,000 shares at \$0.20 per share and 40,000 shares at \$0.30 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.

4. SHARE CAPITAL

Authorized:

Unlimited

Common voting shares

Unlimited

Preferred voting shares

Common voting shares issued:	Number of shares	Amount
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
Issued pursuant to mineral property option agreement [see note (i)]	40,000	12,000
Share issuance costs [see note (v)]		<u>3,130</u>
June 30, 2008	12,255,901	\$ 626,271

- (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 and 40,000 shares on April 16, 2008. 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 June 30, 2008.

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 options pursuant to the Plan at an exercise price of \$0.20 per share to four directors of the Company.

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

On April 13, 2008, 300,000 stock options granted to former directors of the Company in 2007 expired unexercised.

On June 4, 2008, the Company granted 925,000 stock options to directors and officers of the Company pursuant to the Plan at an exercise price of \$0.35 per share and will expire on June 4, 2013.

Subsequent to the recognition of stock based compensation of \$52,185 for the year ended December 31, 2007 and \$25,933 for the three months ended March 31, 2008, an additional \$218,871 has been recorded in the statement of loss and comprehensive loss and credited to contributed surplus for the 925,000 stock options granted in the quarter ended June 30, 2008. Stock based compensation of \$218,871 was calculated using the Black-Scholes option pricing model assuming a risk free interest rate of 3.50%, a dividend yield of nil, an expected volatility of 83% and expected lives of the stock options of 4.93 years.

Stock Options

The following table discloses the reconciliation of stock options granted and exercisable for the period ended June 30, 2008.

	Options	Weighted -average exercise price	Weighted - average remaining contractual life
Outstanding – beginning of 2007	-	-	-
Options granted in 2007	287,500	\$0.20	1.08
Options granted to directors in 2007	400,000	\$0.20	4.08
Options granted to consultant during the quarter ended March 31, 2008	150,000	\$0.34	4.67
Options granted to directors in 2007 expired unexercised on April 13, 2008	(300,000)	\$0.20	4.08
Option granted to directors and officers during the quarter ended June 30, 2008	925,000	\$0.35	4.93
Outstanding - end of June 30, 2008	<u>1,462,500</u>	<u>\$0.31</u>	<u>4.09</u>
Exercisable - end of June 30, 2008	<u>1,462,500</u>	<u>\$0.31</u>	<u>4.09</u>

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
Stock based compensation for the quarter ended March 31, 2008	25,993
Stock based compensation for the quarter ended June 30, 2008	<u>218,871</u>
Balance, June 30, 2008	<u>297,420</u>

5. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash, accounts receivable, deferred charge, 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.

6. RELATED PARTY TRANSACTIONS

On February 28, 2008 the Company entered into an advisory agreement with a consultant (the “Consultant”) of the Company to provide administrative services (the “February Advisory Agreement”). A senior officer and director of the Company is also a director of the Consultant. Consulting fees of \$22,500 were paid to Consultant for the six months ended June 30, 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.

7. SUBSEQUENT EVENTS

- (a) The Company entered into an advisory agreement with the Consultant which superseded the February Advisory Agreement on July 8, 2008 (the “Advisory Agreement”). Under the Advisory Agreement the Consultant is to provide administrative and CFO services to the Company. The term of the Advisory Agreement is for 12 months, commencing July 1, 2008. The Company will pay the Consultant a monthly fee of \$10,000 and grant the Consultant 150,000 options (granted under the February Advisory Agreement), exercisable at \$0.34 per share for 5 years.
- (b) On August 13, 2008, the Company announced the signing of an agreement of purchase and sale (the “Agreement”) with Southwest Exploration Group LLC (“Southwest”) and its principals, Thornwell Rogers, Michael R. Pawlowski and Daniel P. Laux, which superseded the previously announced letter of intent, to acquire an undivided 100% interest in certain mineral claims containing known copper mineralization in the prolific S.W. United States porphyry copper district in Arizona and New Mexico. Pursuant to the terms of payment and option issuances in the Agreement, the first cash payment of US\$150,000 and the 9,000,000 stock options to the three principals of Southwest have been made and granted, respectively.
- (c) On May 30, 2008, the Company announced a non-brokered private placement (the “Private Placement”) and subsequently amended the terms of the Private Placement in news releases dated July 9, 2008 and August 11, 2008. Pursuant to the Private Placement, the Company will issue up to 8,400,000 equity units (the “Units”) at a price of \$0.25 per Unit, for gross proceeds of up to \$2,100,000. Each Unit consists of one common share of the Company (the “Share”) and one Share purchase warrant (the “Warrant”). Each Warrant will entitle the holder thereof to purchase one additional Share (a “Warrant Share”) of the Company at a price of \$0.35 per Warrant Share for a period of two years from the date of issuance. As at August 27, 2008, the Private Placement remains in progress.

Finder’s fees, payable in cash and/or Units, will be paid in an amount of up to 10% of the gross proceeds of the Private Placement.

Shares issued pursuant to this Private Placement, as well as any Shares issued pursuant to the exercise of the Warrants and the finder's fees, are subject to a four-month hold period from the date of issuance.

Proceeds from the private placement will be used to carry out geological, geochemical and geophysical studies on the properties being acquired, the initial phase of drilling on the Lone Mountain property and for general working capital.