

**CONTINENT RESOURCES INC.**

(A Development Stage Company)

Interim Consolidated Financial Statements

(Expressed in Canadian Dollars)

For the Six Months Ended June 30, 2009

## **NOTICE TO READER**

### **CONTINENT RESOURCES INC.**

(A Development Stage Company)

The accompanying unaudited interim consolidated financial statements of Continent Resources Inc. (the "Company") for the six months ended June 30, 2009 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.

(The accompanying notes are an integral part of these consolidated financial statements)

**CONTINENT RESOURCES INC.**

(A Development Stage Company)

Consolidated Balance Sheets

(Expressed in Canadian dollars)

	June 30, 2009 \$	December 31, 2008 \$
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	1,212,279	929,861
Amounts receivable	16,086	10,289
Prepaid expenses	11,519	62,318
	1,239,884	1,002,468
Mineral property costs (Note 3)	1,417,764	1,092,172
	<b>2,657,648</b>	<b>2,094,640</b>
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Accounts payable and accrued liabilities	44,696	50,208
Due to related parties (Note 8)	43,317	23,060
	88,013	73,268
<b>Shareholders' Equity</b>		
Share capital (Note 4)	3,342,976	2,536,246
Contributed surplus (Note 7)	1,379,558	1,025,188
Deficit	(2,152,899)	(1,540,062)
	2,569,635	2,021,372
	<b>2,657,648</b>	<b>2,094,640</b>

**Nature of Operations and Continuance of Business (Note 1)**  
**Subsequent Events (Note 11)**

Approved on behalf of the Board:

"Lawrence Dick"

Lawrence Dick, Director

"Herrick Lau"

Herrick Lau, Director

(The accompanying notes are an integral part of these consolidated financial statements)

**CONTINENT RESOURCES INC.**

(A Development Stage Company)

Consolidated Statements of Loss, Comprehensive Loss, and Deficit

(Expressed in Canadian dollars)

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2009</b>	<b>2008</b>	<b>2009</b>	<b>2008</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Expenses				
Bank charges	226	431	510	506
Consulting	98,584	38,207	144,755	47,207
Filing fees and transfer agent	10,668	12,003	16,664	16,468
Foreign exchange loss (gain)	377	--	(5,829)	--
General and administrative	8,070	5,258	11,013	5,539
Insurance	--	--	26,774	--
Professional fees	15,300	12,233	18,643	25,353
Stock-based compensation (Note 6)	115,410	218,871	354,370	244,864
Travel and promotion	43,573	7,698	52,308	10,336
	292,208	294,701	619,208	350,273
<b>Loss before other income</b>	<b>(292,208)</b>	<b>(294,701)</b>	<b>(619,208)</b>	<b>(350,273)</b>
Other income				
Interest income	1,038	1,184	6,371	3,201
<b>Net loss and comprehensive loss for the period</b>	<b>(291,170)</b>	<b>(293,517)</b>	<b>(612,837)</b>	<b>(347,072)</b>
Deficit, beginning of period	(1,861,729)	(327,493)	(1,540,062)	(273,938)
<b>Deficit, end of period</b>	<b>(2,152,899)</b>	<b>(621,010)</b>	<b>(2,152,899)</b>	<b>(621,010)</b>
Net loss per share, basic and diluted	(0.013)	(0.024)	(0.028)	(0.028)
Weighted average shares outstanding	22,615,267	12,249,308	21,620,113	12,232,604

(The accompanying notes are an integral part of these consolidated financial statements)

**CONTINENT RESOURCES INC.**

(A Development Stage Company)

Consolidated Statements of Cash Flows

(Expressed in Canadian dollars)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2009	2008	2009	2008
	\$	\$	\$	\$
<b>Cash provided by (used in):</b>				
Operating activities				
Net loss for the period	(291,170)	(293,517)	(612,837)	(347,073)
Items not involving cash:				
Stock-based compensation	115,410	218,871	354,370	244,864
Changes in non-cash operating working capital:				
Amounts receivable	(2,299)	8,004	(5,797)	6,595
Deferred charges	4,000	--	--	--
Prepaid expenses	(11,519)	(2,200)	50,799	(2,200)
Accounts payable and accrued liabilities	33,470	(2,595)	(25,512)	10,166
Due to related parties	35,375	--	20,257	--
	<b>(116,733)</b>	<b>(71,437)</b>	<b>(218,720)</b>	<b>(87,648)</b>
Investing activities				
Mineral property expenditures	(76,404)	--	(305,592)	(16,000)
	<b>(76,404)</b>	<b>--</b>	<b>(305,592)</b>	<b>(16,000)</b>
Financing activities				
Issuance of share capital	811,500	--	811,500	--
Share issuance costs	(4,770)	--	(4,770)	3,130
	<b>806,730</b>	<b>--</b>	<b>806,730</b>	<b>3,130</b>
<b>Net change in cash and cash equivalents</b>	<b>613,593</b>	<b>(71,437)</b>	<b>282,418</b>	<b>(100,518)</b>
Cash and cash equivalents, beginning of period	598,686	320,848	929,861	349,929
<b>Cash and cash equivalents, end of period</b>	<b>1,212,279</b>	<b>249,411</b>	<b>1,212,279</b>	<b>249,411</b>
<b>Non-cash investing and financing activities:</b>				
Shares issued for mineral properties	--	--	--	12,000
Finders' fees on private placement	48,818	--	48,818	--

At June 30, 2009, the Company's cash and cash equivalents consisted of \$330,279 in cash (2008 – \$49,411) and \$882,000 in cash equivalents (2008 – \$200,000).

(The accompanying notes are an integral part of these consolidated financial statements)

## **CONTINENT RESOURCES INC.**

(A Development Stage Company) Notes to the Consolidated Financial Statements

Periods ended June 30, 2009

(Expressed in Canadian dollars)

### **1. Nature of Operations and Continuance of Business**

Continent Resources Inc. (the "Company") was incorporated on November 8, 2005 pursuant to the British Columbia Business Corporations Act (British Columbia) and continued under the Alberta Business Corporations Act (Alberta) on January 12, 2006. On August 18, 2008, the Company continued under the British Columbia Business Corporations Act. The Company is a development stage company and is in the business of acquiring, exploring and dealing in mineral properties in Ontario and the Southwestern United States. On June 20, 2008, the Company incorporated its subsidiary, Continent Resources (USA) Inc., under the laws of the state of Nevada. The Company is currently listed on the Canadian National Stock Exchange ("CNSX") under the symbol "CTT".

The Company is a development stage company and is engaged in the acquisition, exploration, and development of mineral resource properties located in Ontario and Southwestern United States. The recoverability of valuations assigned to mineral properties is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the properties, the ability to obtain necessary financing to complete development, and future profitable production or proceeds from disposition. There has been no determination whether properties held contain economically recoverable mineral reserves.

These consolidated financial statements have been prepared on the going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business. As June 30, 2009, the Company has not recognized any revenues from operations and has an accumulated deficit of \$2,152,899. The continued operations of the Company are dependent on its ability to generate future cash flows or obtain additional financing to support its exploration costs. Management is of the opinion that sufficient working capital will be obtained from external financing to meet the Company's liabilities and commitments as they become due, although there is a risk that additional financing will not be available on a timely basis or on terms acceptable to the Company. These consolidated financial statements do not reflect any adjustments that may be necessary if the Company is unable to continue as a going concern.

### **2. Significant Accounting Policies**

#### **(a) Basis of Presentation and Consolidation**

The consolidated financial statements of the Company are prepared in accordance with Canadian generally accepted accounting principles. The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Continent Resources (USA) Inc., and all significant intercompany balances and transactions have been eliminated upon consolidation. The Company's year-end is December 31.

#### **(b) Use of Estimates**

The preparation of the financial statements in conformity with Canadian generally accepted accounting principles requires the Company's management to make estimates and assumptions that affect the amounts reported in the financial statements and the related notes to the financial statements. Significant financial statement items which involve the use of estimates include the recoverability of mineral property costs, asset retirement obligations, stock-based compensation, and future income tax asset valuation allowances. Actual results could differ from those estimates.

## **CONTINENT RESOURCES INC.**

(A Development Stage Company) Notes to the Consolidated Financial Statements

Periods ended June 30, 2009

(Expressed in Canadian dollars)

### **2. Significant Accounting Policies (continued)**

#### (c) Cash and Cash Equivalents

The Company considers all highly liquid instruments with a maturity of three months or less at the time of issuance to be cash equivalents.

#### (d) Mineral Properties

All costs related to the acquisition, exploration and development of mineral properties are capitalized. Upon commencement of commercial production, the related accumulated costs are amortized against future income of the project using the unit of production method over estimated recoverable ore reserves. Management periodically assesses carrying values of non-producing properties and if management determines that the carrying values cannot be recovered or the carrying values are related to properties that are allowed to lapse, the unrecoverable amounts are charged to operations.

The recoverability of the carried amounts of mineral properties is dependent on the existence of economically recoverable ore reserves and the ability to obtain the necessary financing to complete the development of such ore reserves and the success of future operations. The Company has not yet determined whether any of its mineral properties contain economically recoverable reserves. Amounts capitalized as mineral properties represent costs incurred to date, less write-downs, option proceeds and recoveries, and do not necessarily reflect present or future values.

When options are granted on mineral properties, or properties are sold, proceeds are credited to the cost of the property. If no future capital expenditure is required and proceeds exceed carrying value of that particular claim group, the excess proceeds are reported as a gain.

Impairment may occur in the carrying value of mineral interests when one of the following conditions exists:

- (i) the Company's work program on a property has significantly changed, so that previously identified resource targets or work programs are no longer being pursued;
- (ii) exploration results are not promising and no more work is being planned in the foreseeable future; or
- (iii) the remaining lease term is insufficient to conduct necessary studies or exploration work.

Once impairment has been determined, carrying value is written down to net realizable value.

#### (e) Asset Retirement Obligations

The Company follows CICA Handbook Section 3110, "Asset Retirement Obligations", which established standards for asset retirement obligations and the associated retirement costs related to site reclamation and abandonment. The fair value of the liability for an asset retirement obligation is recorded when it is incurred and the corresponding increase to the asset is depreciated over the life of the asset. The liability is increased over time to reflect an accretion element considered in the initial measurement at fair value. As at the end of the current period, the Company has not incurred any asset retirement obligations related to the exploration and development of its mineral properties.

## **CONTINENT RESOURCES INC.**

(A Development Stage Company) Notes to the Consolidated Financial Statements

Periods ended June 30, 2009

(Expressed in Canadian dollars)

### **2. Significant Accounting Policies (continued)**

(f) Income Taxes

The Company follows the asset and liability method of accounting for income taxes. Future income tax assets and liabilities are determined based on temporary differences between the accounting and tax bases of existing assets and liabilities, and are measured using the tax rates expected to apply when these differences reverse. A valuation allowance is recorded against any future tax asset if it is more likely than not that the asset will not be realized.

(g) Loss Per Share

Basic loss per share is computed using the weighted average number of common shares outstanding during the period. The treasury stock method is used for the calculation of diluted loss per share. Stock options and warrants are dilutive when the average market price of the common shares during the period exceeds the exercise price of the options and warrants.

As the Company has recorded a loss in each of the periods presented, basic and diluted loss per share are the same since the exercise of warrants or options would reduce the loss per share.

(h) Comprehensive Income

CICA Handbook Section 1530 establishes standards for the reporting and display of comprehensive income. The Company did not have items that affected comprehensive income.

(i) Foreign Currency Translation

Monetary assets and liabilities of integrated operations and other monetary assets and liabilities expressed in foreign currencies are translated to Canadian dollars at exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities have been translated at exchange rates in effect at the transaction date. Revenues and expenses are translated at the average exchange rate for the period. Foreign exchange gains and losses are included in the statement of operations and deficit.

(j) Stock-based Compensation

The Company has a stock option plan, which is described in Note 6. The Company recognizes stock-based compensation expense in accordance with CICA Handbook Section 3870, "Stock-Based Compensation and Other Stock-Based Payments". When stock or stock options are issued to employees, compensation expense is recognized based on the fair value of the stock or stock options issued on the date of grant, over the vesting period of the stock or stock options. Stock-based payments to non-employees are measured at the fair value of the consideration received, or the fair value of the equity instruments issued, or liabilities incurred, whichever is more reliably measurable. The fair value of stock-based payments to non-employees is periodically re-measured until counterparty performance is complete, and any change therein is recognized over the period and in the same manner as if the Company had paid cash instead of paying with or using equity instruments. The cost of stock-based payments to non-employees that are fully vested and non-forfeitable at the grant date is measured and recognized at that date. On the exercise of stock options, share capital is credited for consideration received and for fair value amounts previously credited to contributed surplus.

## CONTINENT RESOURCES INC.

(A Development Stage Company) Notes to the Consolidated Financial Statements

Periods ended June 30, 2009

(Expressed in Canadian dollars)

### 2. Significant Accounting Policies (continued)

#### (k) Reclassifications

Certain of the figures presented for comparative purposes have been reclassified to conform to the presentation adopted in the current period.

#### (l) Financial instruments

The AcSB issued CICA Handbook Section 3862, Financial Instruments - Disclosures, which requires an increased emphasis on disclosing the nature and the extent of risk arising from financial statements and how the entity manages those risks. This section, together with Section 3863, "*Financial Instruments – Presentation*", replaced Section 3861, "*Financial Instruments – Disclosure and Presentation*". Section 3863, *Financial Instruments - Presentation* establishes standards for presentation of financial instruments and non-financial derivatives. Other than the additional disclosure in Note 9, the adoption of these Sections has had no significant impact on the Company's financial statements.

#### (m) Capital disclosures

The AcSB issued CICA Handbook Section 1535, Capital Disclosures, which establishes standards for 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. Other than the additional disclosure in Note 10, the adoption of this section has had no significant impact on the Company's financial statements.

#### (n) Adoption of New Accounting Policies

The Company adopted the following new accounting policies effective January 1, 2009:

In February 2008, the AcSB issued CICA Handbook Section 3064, "Goodwill and Intangible Assets", which replaces Section 3062, "Goodwill and Intangible Assets", and Section 3450, "Research and Development Costs". Section 3064 establishes standards for the recognition, measurement presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in Section 3062. The adoption of this standard has had no impact on the Company's financial statements.

#### (o) Recent Accounting Pronouncements

In January 2009, the Accounting Standards Board ("AcSB") issued CICA Handbook Sections 1582, "Business Combinations", 1601, "Consolidated Financial Statements" and 1602, "Non-controlling Interests" which replace CICA Handbook Sections 1581, "Business Combinations" and 1600, "Consolidated Financial Statements". Section 1582 establishes standards for the accounting for business combinations that is equivalent to the business combination accounting standard under IFRS. Section 1582 is applicable for the Company's business combinations with acquisition dates on or after January 1, 2011. Early adoption of this section is permitted. Section 1601 together with Section 1602 establishes standards for the preparation of consolidated financial statements. Section 1601 is applicable for the Company's interim and annual consolidated financial statements for its fiscal year beginning January 1, 2011. Early adoption of this section is permitted and all three sections must be adopted concurrently.

## CONTINENT RESOURCES INC.

(A Development Stage Company) Notes to the Consolidated Financial Statements

Periods ended June 30, 2009

(Expressed in Canadian dollars)

### 2. Significant Accounting Policies (continued)

#### (o) Recent Accounting Pronouncements (continued)

In February 2008, the AcSB confirmed that public companies will be required to prepare interim and annual financial statements under International Financial Reporting Standards (“IFRS”) for fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. Management is currently assessing the impact of adopting IFRS and it has not yet determined its effect on the Company’s financial statements.

### 3. Mineral Property Costs

	Sol D’Or \$	Lone Mountain \$	Mimbres \$	Teague Springs \$	Twin Peaks \$	West Jerome \$	West Safford \$	Total \$
<b>Balance, December 31, 2008</b>	<b>62,688</b>	<b>442,431</b>	<b>117,741</b>	<b>117,433</b>	<b>119,199</b>	<b>105,250</b>	<b>127,430</b>	<b>1,092,172</b>
Acquisition costs	20,000	59,440	—	—	—	—	—	79,440
Exploration costs								
Assays and reports	—	1,580	—	—	—	—	—	1,580
Drilling	—	94,920	—	—	—	—	—	94,920
Environmental	—	—	—	—	336	—	—	336
Field expenses	—	6,385	—	—	—	—	—	6,385
General administrative	—	1,415	—	—	—	—	—	1,415
Geochemistry	—	13,484	—	—	—	—	—	13,484
Geological consulting	—	81,205	567	72	1,249	2,054	2,363	87,510
Geologic mapping	—	9,475	—	—	—	—	—	9,475
Geophysical studies	—	13,258	—	—	—	1,978	1,979	17,215
Staking and recording	—	1,112	—	1,263	626	724	1,582	5,307
Travel and accommodation	—	7,570	—	—	33	597	325	8,525
	—	230,404	567	1,335	2,244	5,353	6,249	246,152
<b>Balance, June 30, 2009</b>	<b>82,688</b>	<b>732,275</b>	<b>118,308</b>	<b>118,768</b>	<b>121,443</b>	<b>110,603</b>	<b>133,679</b>	<b>1,417,764</b>

#### (a) Sol D’Or Property

On January 10, 2006, the Company entered into a Mineral Property Option Agreement (the “Agreement”) to acquire an undivided 100% interest in a mining property located in northwestern Ontario known as the Sol D’Or Property (“Sol D’Or”). Under the terms of the Agreement, the Company has been granted an exclusive option to acquire a 100% undivided interest in Sol D’Or in exchange for \$96,000 and issuance of 100,000 common shares of the Company over a four-year period from the date of acquisition. To ensure that the Agreement is held in good standing, the Company is committed to the following payment terms:

Date	Cash	Common Shares
January 10, 2006	\$ 8,000 (paid)	—
January 10, 2007	\$12,000 (paid)	60,000 (issued)
January 10, 2008	\$16,000 (paid)	40,000 (issued)
January 10, 2009	\$20,000*	—
January 10, 2010	\$40,000	—

\*Included in accounts payable

## CONTINENT RESOURCES INC.

(A Development Stage Company) Notes to the Consolidated Financial Statements

Periods ended June 30, 2009

(Expressed in Canadian dollars)

### 3. Mineral Property Costs (continued)

#### (b) Southwest Exploration Group ("SEG") Properties

On August 12, 2008, the Company signed an agreement of purchase and sale (the "SEG Agreement") with Southwest Exploration Group LLC ("SEG") to acquire an undivided 100% interest in six properties in Arizona and New Mexico – comprised of Lone Mountain and Mimbres Properties in Grant County, New Mexico, West Safford and Teague Properties in Graham County, Arizona, Twin Peaks Property in Maricopa County, Arizona, and West Jerome Property in Yavapi County, Arizona – in exchange for US\$450,000, comprised of US\$150,000 on August 12, 2008 (paid), US\$150,000 on completion of the private placement offering (paid on September 19, 2008), and US\$150,000 on August 12, 2009.

SEG is entitled to a royalty equal to 2% of the net smelter returns ("NSR"). The Company has the option to purchase an additional 0.5% of the NSR from SEG for each of the individual properties in exchange for \$1,000,000 for each property.

### 4. Share Capital

#### Preferred Shares

Authorized: unlimited, without par value

Issued and outstanding: nil preferred shares

#### Common Shares

Authorized: unlimited, without par value

	Number of Shares	\$
Balance, December 31, 2008	20,613,901	2,536,246
Issuance of shares pursuant to option exercise	50,000	10,000
Issuance of shares pursuant to warrant exercise	90,000	31,500
Issuance of shares pursuant to private placement	7,443,800	818,818
Share issuance costs	–	(53,588)
<b>Balance, June 30, 2009</b>	<b>28,197,701</b>	<b>3,342,976</b>

In June 2009, the Company completed a non-brokered private placement of 7,000,000 units at \$0.11 per unit resulting in gross proceeds of \$770,000. Each unit is comprised of one common share of the Company and one share purchase warrant. Each share purchase warrant entitles the warrant holder to purchase one common share of the Company for a period of two years at an exercise price of \$0.20 per common share. The Company has applied the residual approach and allocated the full value of the private placement to the common shares.

## CONTINENT RESOURCES INC.

(A Development Stage Company) Notes to the Consolidated Financial Statements

Periods ended June 30, 2009

(Expressed in Canadian dollars)

### 4. Share Capital (continued)

In connection with this private placement, the Company paid two finders 443,800 units in aggregate (the "Finder's Units") at a deemed price of \$0.11 per unit, with the units having the same terms as those units being sold under the non-brokered private placement. One finder also received 443,800 finder's warrants (the "Finder's Warrants"). Each Finder's Warrant entitles the holder thereof to purchase one common share of the Company at a price of \$0.30 for a period of two years from the closing of the private placement. The Finder's Units and Finder's Warrants each represent 7% of the total number of units purchased in the private placement by investors introduced to the Company by the finders.

In September 2008, the Company completed a non-brokered private placement of 8,358,000 units at \$0.25 per unit resulting in gross proceeds of \$2,089,500. Each unit is comprised of one common share of the Company and one share purchase warrant. Each share purchase warrant entitles the warrant holder to purchase one common share of the Company at an exercise price of \$0.35 per common share until September 19, 2010. The Company has applied the residual approach and allocated the full value of the private placement to the common shares. In connection with this private placement, the Company paid aggregate finders' fees of \$176,395.

In January 2008, the Company issued 40,000 common shares with a fair value of \$12,000 as part of the acquisition of the Sol D'Or Property, as disclosed in Note 3(a).

### 5. Share Purchase Warrants

The following table summarizes the continuity of share purchase warrants:

	Number of Warrants	Weighted Average Exercise Price \$
Balance, December 31, 2008	8,358,000	0.35
Granted	7,887,600	0.20
Exercised	(90,000)	0.35
<b>Balance, June 30, 2009</b>	<b>16,155,600</b>	<b>0.28</b>

## CONTINENT RESOURCES INC.

(A Development Stage Company) Notes to the Consolidated Financial Statements  
Periods ended June 30, 2009  
(Expressed in Canadian dollars)

### 5. Share Purchase Warrants (continued)

Full share equivalent warrants outstanding and exercisable at of June 30, 2009:

Description	Number of Full Share Equivalent Warrants	Price per Share \$	Expiry Date
Warrants	8,268,000	0.35	September 19, 2010
Warrants	4,121,450	0.20	May 31, 2011
Warrants	3,322,350	0.20	June 11, 2011
Warrants	226,450	0.30	May 31, 2011
Warrants	217,350	0.30	June 11, 2011
	<u>16,155,600</u>		

### 6. Stock Options

The Company has adopted a Stock Option Plan (the "Plan") pursuant to which options may be granted to directors, officers, employees and consultants of the Company. Under the terms of the Plan, the Company can issue a maximum of 10% of the issued and outstanding common shares at the time of the grant, and the exercise price of each option is equal to or above the market price of the common shares on the grant date. Options granted under the Plan are determined by, and at the discretion of, the Board of Directors.

The following table summarizes the continuity of the Company's stock options:

	Number of options	Weighted average exercise price \$
Outstanding, December 31, 2008	10,462,500	0.26
Granted	735,000	0.25
Exercised	(50,000)	0.20
Expired	—	—
Cancelled	—	—
<b>Outstanding, June 30, 2009</b>	<b>11,147,500</b>	<b>0.26</b>

On May 27, 2009, 50,000 agent's options were exercised at a price of \$0.20 per share.

On January 8, 2009, the Company granted 735,000 incentive stock options to certain directors, officers and a consultant at an exercise price of \$0.25 per share. The options were fully vested upon grant and will expire on January 8, 2014. These options were assigned a fair value of \$124,819 and had been recorded as stock based compensation.

## CONTINENT RESOURCES INC.

(A Development Stage Company) Notes to the Consolidated Financial Statements

Periods ended June 30, 2009

(Expressed in Canadian dollars)

### 6. Stock Options (continued)

Additional information regarding stock options outstanding as at June 30, 2009 is as follows:

Range of exercise prices \$	Number of options	Outstanding		Exercisable	
		Weighted average remaining contractual life (years)	Weighted average exercise price \$	Number of options	Weighted average exercise price \$
0.20	337,500	2.14	0.20	337,500	0.20
0.25	9,735,000*	8.77	0.25	4,685,704	0.25
0.34	150,000	3.67	0.34	150,000	0.34
0.35	925,000	3.93	0.35	925,000	0.35
	<b>11,147,500</b>	<b>8.10</b>	<b>0.26</b>	<b>6,098,204</b>	<b>0.26</b>

\*On August 12, 2008, pursuant to the SEG Purchase Agreement signed between the Company and SEG and its principals, the Company granted 9,000,000 stock options to three SEG principals at an exercise price of \$0.25 per share and will expire on August 11, 2018, which is not a part of the Company's incentive stock option plan. The stock options vest at a rate of 25% on the grant date, 25% on October 12, 2009 (14 months from the grant date), December 12, 2010 (28 months from the grant date), and February 12, 2012 (42 months from the grant date). The fair value of stock options granted to SEG was \$2,161,077. Of this amount, the Company recognized \$948,642 for the vested portion which was recorded as contributed surplus and charged to operations.

During the period ended June 30, 2009 the Company recognized \$354,370 (2008 – \$244,864) of stock-based compensation expense. The fair values for stock options granted or modified have been estimated using the Black-Scholes option pricing model assuming no expected dividends and the following weighted average assumptions:

	2009	2008
Risk-free Interest rate	2.03%	3.68%
Expected life (in years)	5.00	5.00
Expected volatility	131%	84%

### 7. Contributed Surplus

	\$
Balance, December 31, 2008	1,025,188
Fair value of stock options vested	354,370
<b>Balance, June 30, 2009</b>	<b>1,379,558</b>

## CONTINENT RESOURCES INC.

(A Development Stage Company) Notes to the Consolidated Financial Statements

Periods ended June 30, 2009

(Expressed in Canadian dollars)

### 8. Related Party Transactions

- (a) As at June 30, 2009, the Company owed \$43,317 (2008 - \$nil) to directors, officers, and management of the Company. This amount is unsecured, non-interest bearing, and due on demand.
- (b) During the period ended June 30, 2009, the Company paid consulting fees of \$40,942 (2008 - \$7,245) to four directors of the Company with respect to consulting services on the acquisition and exploration of the Company's mineral properties.
- (c) On September 9, 2008, the Company signed a geological consulting agreement (the "Consulting Agreement") with the President and Vice-President of Exploration of Continent Resources (USA) Inc., a wholly-owned subsidiary of the Company. As at June 30, 2009, the Company paid \$82,347 (2008 - \$nil) of consulting fees relating to the Consulting Agreement.
- (d) During the period ended June 30, 2009, the Company paid \$88,543 (2008 - \$23,625) of consulting and management fees and expenses reimbursement with respect to management and administrative services, including the services of the Chief Financial Officer of the Company, as per the advisory agreement signed on February 28, 2008 and amended on July 1, 2008.

All of the above transactions have been in the normal course of operations and, in management's opinion, undertaken with the same terms and conditions as transactions with unrelated parties.

### 9. Financial Instruments

#### (a) Classification of Financial Instruments

The Company has classified its financial instruments as follows:

	June 30, 2009	December 31, 2008
	\$	\$
Financial assets:		
Held for trading, measured at fair value:		
Cash	1,212,279	929,861
Loans and receivables, measured at amortized cost:		
Amounts receivable	16,086	10,289
Financial liabilities, measured at amortized cost:		
Accounts payable and accrued liabilities	44,696	50,208
Due to related parties	43,317	23,060

#### (b) Fair Values

The fair values of financial instruments, which include cash and cash equivalents, amounts receivable, and accounts payable and accrued liabilities, approximate their carrying values due to the relatively short-term maturity of these instruments.

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### **9. Financial Instruments (continued)**

#### (c) Credit Risk

Financial instruments that potentially subject the Company to a concentration of credit risk consist primarily of cash. The Company limits its exposure to credit loss by placing its cash with high credit quality financial institutions. The carrying amount of financial assets represents the maximum credit exposure.

#### (d) Foreign Exchange Rate and Interest Rate Risk

The Company is not exposed to any significant foreign exchange rate or interest rate risk.

#### (e) Liquidity

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company currently settles its financial obligations out of cash. The ability to do this relies on the Company raising equity financing in a timely manner and by maintaining sufficient cash in excess of anticipated needs.

### **10. Capital Management**

The Company manages its capital to maintain its ability to continue as a going concern and to provide returns to shareholders and benefits to other stakeholders. The capital structure of the Company consists of cash, marketable securities, and equity comprised of issued capital, contributed surplus and deficit.

The Company manages its capital structure and makes adjustments to it in light of economic conditions. The Company, upon approval from its Board of Directors, will balance its overall capital structure through new share issues or by undertaking other activities as deemed appropriate under the specific circumstances.

The Company is not subject to externally imposed capital requirements and the Company's overall strategy with respect to capital risk management remains unchanged from the year ended December 31, 2008.

### **11. Subsequent Events**

On July 17, 2009, the Company has also granted 800,000 incentive stock options to certain directors and consultants. The options are exercisable at \$0.64 per share and will expire on July 17, 2014.

On July 21, 2009, the company has negotiated, subject to regulatory approval, a private placement of up to 12,000,000 units at a price of \$0.50 per unit (the "Unit"), for gross proceeds of up to \$6,000,000. Each Unit will consist of one common share of the Company (the "Shares") and one-half of one Share purchase warrant (the "Warrants"). Each whole Warrant will entitle the holder thereof to purchase one additional Share (a "Warrant Share") of the Company at a price of \$0.80 per Warrant Share for a period of two years from the date of issuance. The Warrants will contain an accelerated expiry provision whereby the Warrants will expire 30 days after notice is given following the Shares trading at or above \$1.00 for 10 consecutive trading days.

On July 31, 2009, the Company has entered into an agreement with Fronteer Group, Reno, Nevada under which the Company has the right to purchase the Dos Cabezas Property in southern Arizona

## **CONTINENT RESOURCES INC.**

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for the total price of USD\$400,000 payable over 3 years. The Dos Cabezas property is a series of gold-silver-copper quartz fissure veins exposed for 3 miles that were previously produced by underground miners. The last gold mining occurred in 1996 by Western States Mining, a subsidiary of the Fronteer Group.

On August 27, 2009, the Company has closed the non-brokered private placement previously announced on July 21, 2009, raising gross proceeds of \$6,000,000.

The private placement consisted of the issuance of 12,000,000 units ("Units") at a price of \$0.50 per Unit. Each Unit is comprised of one common share of the Company (the "Shares") and one-half of one Share purchase warrant (the "Warrants"). Each whole Warrant entitles the holder to purchase one additional Share at a price of \$0.80 for a period of two years from the date of issuance.

The Company paid two finders \$108,000 and 621,500 units (the "Finder's Units") in aggregate at a deemed price of \$0.50 per Finder's Unit, with the units having the same terms as the Units sold under the non-brokered private placement. One finder also received 836,500 finder's warrants (the "Finder's Warrants"). Each Finder's Warrant entitles the holder to purchase one Share at a price of \$0.85 for a period of two years from the closing of the private placement. The cash, Finder's Units and Finder's Warrants represent 7% of the total dollar value of Units purchased by investors introduced to the Company by the finders.

The securities issued under the private placement are subject to a four month hold period which will expire on December 26, 2009. The proceeds from the private placement will be used to carry out geological, geochemical and geophysical studies on the properties in Arizona and New Mexico, USA and for general working capital.