

Continent Resources Inc.
(An Exploration Stage Company)
Consolidated Financial Statements
For the Nine Months Ended September 30, 2008

CONTINENT RESOURCES INC.

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Nine Months Ended September 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 nine months ended September 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.
(An Exploration Stage Company)

Consolidated Balance Sheets

	(Unaudited) As at Sep 30, 2008	(Audited) As at Dec 31, 2007
ASSETS		
Current assets		
Cash and cash equivalent	\$1,399,327	\$ 349,929
Accounts receivable	6,976	10,400
	<u>1,406,303</u>	<u>360,329</u>
Mineral properties (Note 3)	<u>761,056</u>	<u>34,688</u>
	<u>2,167,359</u>	<u>395,017</u>
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities	<u>20,357</u>	<u>5,258</u>
	20,357	5,258
SHAREHOLDERS' EQUITY		
Share capital (Note 4)	2,536,246	611,141
Contributed surplus (Note 4)	2,458,497	52,556
Accumulated deficit	<u>(2,847,741)</u>	<u>(273,938)</u>
	2,147,002	389,759
	<u>\$ 2,167,359</u>	<u>\$ 395,017</u>

APPROVED ON BEHALF OF THE BOARD

"Robert Bick" DIRECTOR

"Herrick Lau" DIRECTOR

The accompanying notes are an integral part of these financial statements.

CONTINENT RESOURCES INC.
(An Exploration Stage Company)

Consolidated Statements of Loss and Deficit

Nine months ended September 30, 2008

	Three months ended Sep 30		Nine months ended Sep 30	
	2008	2007	2008	2007
Revenue				
Interest revenue	\$2,278	\$ -	\$5,479	\$ -
Expenses				
Bank charges and interest	1,246	268	1,753	618
Consulting	6,245	10,117	53,452	10,117
Filing fees and transfer agent	6,864	12,109	25,683	12,619
Meals and entertainment	4,210	-	5,957	-
Office and miscellaneous	1,390	2,395	6,930	2,752
Rent	-	12,171	-	12,171
Professional fees	28,542	600	51,545	5,324
Stock based compensation	2,161,077	-	2,405,941	-
Travel	19,435	1,782	28,021	1,782
	(2,229,009)	(39,442)	(2,579,282)	(45,383)
Loss for the period	(2,226,731)	(39,442)	(2,573,803)	(45,383)
Deficit- Beginning of period	(621,010)	(140,497)	(273,938)	(134,556)
Deficit- End of period	(2,847,741)	(179,939)	(2,847,741)	(179,939)
Basic and diluted loss per share	\$(0.168)	\$(0.004)	\$(0.205)	\$(0.004)
Weighted average number of common shares outstanding	13,255,227	11,903,401	12,575,967	10,864,372

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CONTINENT RESOURCES INC.
(An Exploration Stage Company)

Consolidated Statements of Cash Flow

Nine months ended September 30, 2008

	Three months ended September 30		Nine months ended September 30	
	2008	2007	2008	2007
OPERATING ACTIVITIES				
Loss for the period	\$(2,226,731)	\$(39,442)	\$(2,573,804)	(45,383)
Stock based compensation	2,161,077	-	2,405,941	-
Changes in non-cash working capital items, net				
Accounts receivable	(3,135)	(2,855)	3,424	(3,685)
Investment in money market instruments	-	-	356,175	-
Prepaid expense	2,200	-	-	-
Accounts payable and accrued liabilities	3,012	(33,889)	15,100	(26,383)
	(63,577)	(76,186)	206,836	(75,451)
INVESTING ACTIVITIES				
Expenditures on resource properties	(696,483)	-	(726,369)	(22,500)
	(696,483)	-	(726,369)	(22,500)
FINANCING ACTIVITIES				
Issuance of share capital	2,089,500	575,000	2,101,500	643,410
Promissory note repayment	-	(6,000)	-	(6,000)
Share issuance expenses	(179,525)	(102,693)	(176,395)	(145,430)
	1,909,975	466,307	1,925,105	491,980
Net increase (decrease) in cash	1,149,915	390,121	1,405,572	394,029
Cash, beginning of period	249,411	4,049	(6,246)	141
Cash, end of period	\$1,399,326	\$394,170	\$1,399,326	\$394,170

The accompanying notes are an integral part of these financial statements.

CONTINENT RESOURCES INC.
(An Exploration Stage Company)

Consolidated Schedule of Mineral Properties

Nine months ended September 30, 2008

	Sol D'Or Property	SEG Properties	Total
Beginning Balance, June 30, 2008	\$ 62,688	\$ -	\$ 62,688
Capital expenditures incurred in the period			
Asset acquisition costs		625,071	625,071
Deferred exploration costs			
Field expenses and other		32,172	32,172
Geological consulting		34,968	34,968
Archaeological studies		6,158	6,158
Total deferred exploration costs	\$ -	\$ 73,298	\$ 73,298
Total capital expenditures in the period	\$ -	\$ 698,369	\$ 698,369
Ending Balance, September 30, 2008	\$ 62,688	\$ 698,369	\$ 761,057

The accompanying notes are an integral part of these financial statements.

CONTINENT RESOURCES INC.
(An Exploration Stage Company)

Notes to Consolidated Financial Statements

Nine Months Ended September 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. Effective July 30, 2007, the common shares of the Company are listed for trading on the Canadian Trading and Quotation System Inc. (“CNQ”) and trade under the symbol CORE. On June 20, 2008, the Company incorporated its subsidiary, Continent Resources (USA) Inc., under the laws of Nevada, USA. On August 18, 2008, the Company continued under the business Corporations Act from Alberta to British Columbia. On September 26, 2008, as the CNQ adopted a new trading symbol format, the trading symbol for the Company on the CNQ changed from CORE to CTT.

The Company is in the exploration stage and has interests in mineral properties located in both Canada and the United States of America. The recoverability of amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves, confirmation of the Company’s interest in the underlying mineral claims, the ability of the Company to obtain financing to complete their development, and future profitable production or disposition thereof.

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.

Short Term Investments and Available for Sale Term Deposits

For the investments with original maturities of greater than three months and remaining maturities of less than one year entered into in 2008, the Company has classified the investments as held for trade investments and are recorded at market value. Unrealized holding gains and losses on held for trade investments are included in the statement of operations in accordance with the Company's designation of marketable securities as held for trading assets.

Mineral Properties

The cost of mineral properties and related exploration and development costs are capitalized and deferred until the properties are placed into production, sold or abandoned. These costs will be amortized against revenue from future commercial production or written off if the properties are sold, allowed to lapse, abandoned or impaired. Properties acquired under option agreements, whereby payments are made at the sole discretion of the Company, are recorded in the accounts at such time as the payments are made. It is reasonably possible that economically recoverable reserves may not be discovered and accordingly a material portion of the carrying value of mineral properties and related deferred exploration costs could be written off. Although the Company has taken steps to verify title to mineral properties in which it has an interest, according to the usual industry standards for the stage of exploration of such properties, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected title defects.

Asset Retirement Obligations

An asset retirement obligation is a legal obligation associated with the retirement of tangible long-lived assets that the Company is required to settle. This would include obligations related to future removal of property and equipment, and site restoration costs. The Company recognizes the fair value of a liability for an asset retirement obligation in the year in which it is incurred when a reasonable estimate of fair value can be made. The carrying amount of the related long-lived asset is increased by the same amount as the liability. The Company currently does not have any significant asset retirement obligations.

Impairment of Long-Lived Assets

The Company follows the recommendations of the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 3063, "Impairment of Long-Lived Assets". Section 3063 establishes standards for recognizing, measuring and disclosing impairment of long-lived assets held for use. The Company conducts its impairment test on long-lived assets when events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment is recognized when the carrying amount of an asset to be held and used exceeds the undiscounted future net cash flows expected from its use and disposal. If there is an impairment, the impairment

amount is measured as the amount by which the carrying amount of the asset exceeds its fair value, calculated using discounted cash flows when quoted market prices are not available.

Comprehensive Income

Comprehensive income includes net income and other comprehensive income/loss. Other comprehensive income/loss includes unrealized gains or losses from marketable securities as available-for-sale financial instruments. Other comprehensive income/loss and comprehensive income are displayed separately in the statements of other comprehensive income.

Earnings (Loss) Per Share

Basic earnings (loss) per share are calculated using the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share is calculated giving effect to the potential dilution that would occur if securities or other contracts to issue common shares were exercised or converted to common shares using the treasury method. The treasury method assumes that proceeds received from the exercise of stock options and warrants are used to repurchase common shares at the prevailing market rate. Diluted loss per share is equal to the basic loss per share as there were no dilutive securities as at September 30, 2008.

Income taxes

The Company accounts for income taxes using the asset and liability method, whereby future tax assets and liabilities are recognized for the future income tax consequences attributable to differences between the carrying values of the asset and liabilities and their respective income tax bases. Future income tax assets and liabilities are measured using substantively enacted income tax rates expected to apply to taxable income in the years in which temporary differences are expected to be recovered or settled. The effect on future income taxes and liabilities of a change in rates is included in operations in the period that includes the substantive enactment date. Where the probability of a realization of a future income tax asset is more likely than not, a valuation allowance is recorded.

Stock Based Compensation

The Company accounts for stock options granted using CICA Handbook Section 3870 “Stock-Based Compensation and Other Stock- Based Payments”. Under this Handbook section, the Company is required to expense, over the vesting period, the fair value of the options and awards granted. Accordingly, the fair value of the options at the date of grant is accrued and charged to operations, with a corresponding credit to contributed surplus, on a straight-line basis over the vesting period. If and when the stock options are ultimately exercised, the applicable amounts of contributed surplus are transferred to share capital.

Risk Management

The Company is engaged in mineral exploration and development and is accordingly exposed to environmental risks associated with mineral exploration activity. The Company is currently in the initial exploration stages on its property interests and has not determined whether significant site reclamation costs will be required. The Company would only record liabilities for site reclamation when reasonably determinable and when such costs can be reliably quantified.

Goodwill and Intangible Assets

The CICA issued Handbook Section 3064 “Goodwill and Intangible Assets”, which will replace the existing Goodwill and Intangible Asset standard. The new standard revises the requirement for recognition, measurement, presentation and disclosure of intangible assets. This standard is effective for years beginning on or after January 1, 2009. The Company does not believe this new standard to materially impact its financial statements.

International Financial Reporting Standards

In February 2008, the Accounting Standards Board (AcSB) confirmed that Canadian public companies will have to adopt International Financial Reporting Standards (IFRS) effective for years beginning on or after January 1, 2011. The Company is currently evaluating the impact this new framework will have on its consolidated financial statements.

3. MINERAL PROPERTIES

Sol D’Or property

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 September 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.

SEG Properties

On August 12, 2008, the Company signed an agreement of purchase and sale (the “SEG Purchase Agreement”) with Southwest Exploration Group LLC (“SEG”) and its principals, Thornwell Rogers, Michael R. Pawlowski and Daniel P. Laux (collectively, the “Sellers”), to acquire an undivided 100% interest in six properties in Arizona and New Mexico. These six properties

comprise of the 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 Yavapai County, Arizona (collectively, “SEG Properties”). Pursuant to the SEG Purchase Agreement, the Company must do the followings:

1. Make cash payment of USD\$150,000 (paid in cash on August 12, 2008);
2. Upon completion of the non-brokered private placement, make cash payment of USD\$150,000 (paid in cash on September 19, 2008);
3. Make a further cash payment of USD\$150,000 payable in cash the first anniversary of the closing;
4. Grant 9,000,000 options to the Sellers (granted on August 12, 2008 (the “Closing”)), 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)

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 production from each of the individual properties from the Sellers at any time for a purchase price of \$1,000,000 per property.

In addition, a finder’s fee of \$150,000 was paid in cash by the Company on August 12, 2008.

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
Issued pursuant to private placement [see note (vi)]	8,358,000	2,089,500
Share issuance expenses [see note (v)]		<u>(176,395)</u>
September 30, 2008	20,613,901	\$2,536,246

- (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.

(vi) On September 19, 2008, the Company completed a non-brokered private placement of 8,338,000 units at \$0.25 per unit resulting in gross proceeds of \$2,084,500. Each unit comprises of one common share and one share purchase warrant. Each warrant entitles the holder to purchase one common share of the Company at an exercise price of \$0.35 per share until September 19, 2010. The Company applied the residual approach and allocated the total proceeds of \$2,084,500 to the common shares and \$nil to the attached warrants to the private placement. The Company also paid six finders aggregate finders' fees of \$174,525 and 20,000 units with a fair market value of \$5,000. This amount has been charged to share issue costs and credited to share capital.

The common voting shares of the Company were listed for trading on July 30, 2007 on the CNQ under the new symbol CTT effective September 26, 2008. There were no preferred voting shares issued as at September 30, 2008.

Share Purchase Warrants

As at September 30, 2008, the Company has issued and outstanding warrants enabling the holders to acquire common shares as follows:

<u>Number of Shares</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
8,358,000	\$0.35	September 19, 2010

Stock Based Compensation

The Company maintains a stock option plan whereby the board of directors (the "Board") 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.

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.

Subsequent to the recognition of stock based compensation of \$52,185 for the year ended December 31, 2007, \$25,933 for the three months ended March 31, 2008 and \$218,871 for the three months ended June 30, 2008, an additional \$2,161,077 has been recorded in the statement of loss and comprehensive loss and credited to contributed surplus for the 9,000,000 stock options granted in the quarter ended September 30, 2008. Stock based compensation of \$2,161,077 was calculated using the Black-Scholes option pricing model assuming a risk free interest rate of 3.68%, a dividend yield of nil, an expected volatility of 85% and expected lives of the stock options of 9.87 years.

Stock Options

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

	Options	Weighted -average exercise price	Weighted - average remaining contractual life
Outstanding – beginning of 2007	-	-	-
Options granted in 2007	287,500	\$0.20	0.83
Options granted to directors in 2007	400,000	\$0.20	3.83
Options granted to consultant during the quarter ended March 31, 2008	150,000	\$0.34	4.42
Options granted to directors in 2007 expired unexercised on April 13, 2008	(300,000)	\$0.20	3.83
Option granted to directors and officers during the quarter ended June 30, 2008	925,000	\$0.35	4.68
Option granted pursuant to the SEG Purchase Agreement on August 12, 2008	9,000,000	\$0.25	9.87
Outstanding - end of Sep. 30, 2008	<u>10,462,500</u>	<u>\$0.26</u>	<u>9.03</u>
Exercisable - end of Sep. 30, 2008	<u>10,462,500</u>	<u>\$0.26</u>	<u>9.03</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	218,871
Stock based compensation for the quarter ended September 30, 2008	2,161,077
<u>Balance, September 30, 2008</u>	<u>2,458,497</u>

Escrow Shares

At September 30, 2008, the Company has 4,888,498 common shares held in escrow by the Company's transfer agent. The common shares in escrow will be released 15% every six months.

5. FINANCIAL INSTRUMENTS

The Company's financial instruments consist of cash and cash equivalent, accounts receivable, prepaid expenses, 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.

On June 4, 2008, the Company granted 925,000 incentive stock options to four directors and officers. The options are exercisable at \$0.35 per share expiring on June 4, 2013.

On July 8, 2008, the Company entered into an advisory agreement (the "Advisory Agreement") with the Consultant which superseded the February 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 paid the Consultant a monthly fee of \$10,000. Consulting fees of \$52,500 were paid to Consultant for the nine months ended September 30, 2008.

During the nine months ended September 30, 2008, the Company paid two directors geological consulting fee of \$13,237.50 regarding the acquisition and exploration of the Company's mineral properties.

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.
