

# **Anglo Swiss Resources Inc.**

(an exploration stage company)

Quarterly Consolidated Financial Statements

**September 30, 2008**

**(expressed in Canadian dollars)**

**In accordance with National Instrument 51-102 released by the Canadian Securities Administrators, the Company discloses that its auditors have not reviewed the un-audited financial statements for the period ended September 30, 2008.**

# Anglo Swiss Resources Inc.

(an exploration stage company)

Balance Sheets (unaudited)

As at September 30, 2008 and December 31, 2007

(expressed in Canadian dollars)

	September 30, 2008 \$	December 31, 2007 \$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	535,008	4,151,934
Accounts receivable and subscriptions receivable	237,535	207,983
Prepaid expenses	115,558	4,240
	<hr/>	<hr/>
	888,101	4,364,157
<b>Reclamation bond</b>	25,800	20,800
<b>Property, plant and equipment</b>	796,964	746,219
<b>Mineral properties</b> (note 3)	6,880,321	4,586,447
	<hr/>	<hr/>
	8,591,186	9,717,623
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	235,915	535,179
Future income tax liability	664,384	-
<b>Shareholders' Equity</b>		
<b>Capital stock</b> (note 4)		
Authorized		
500,000,000 common shares without par value		
400,000,000 preferred shares without par value		
Issued		
102,462,837 (2007 - 100,422,837 common shares)	18,487,447	18,866,832
<b>Options</b> (note 4)	1,550,780	1,124,470
<b>Warrants</b> (note 4)	768,541	768,541
<b>Contributed surplus</b> (note 4)	401,007	401,007
<b>Deficit</b>	<hr/>	<hr/>
	(13,516,888)	(11,978,406)
	<hr/>	<hr/>
	7,690,887	9,182,444
	<hr/>	<hr/>
	8,591,186	9,717,623

**Going concern and nature of operations** (note 1)

*The attached notes form an integral part of the financial statements*

**Approved by the directors:**

"Leroy Wolbaum", Director

"Greg Pendura", Director

# Anglo Swiss Resources Inc.

(an exploration stage company)

Statements of Loss and Deficit (unaudited)

For the periods ended September 30, 2008 and 2007

(expressed in Canadian dollars)

	3 Months Ended Sept 30, 2008 \$	3 Months Ended Sept 30, 2007 \$	9 Months Ended Sept 30, 2008 \$	9 Months Ended Sept 30, 2007 \$
<b>Expenses</b>				
Interest and other income	(35,462)	(3,698)	(65,534)	(5,723)
Administrative	14,772	59,168	108,778	75,562
Consulting fees	54,400	15,000	187,400	45,000
Depreciation	51,996	769	143,815	2,449
Filing fees	1,957	12,128	21,123	29,434
General exploration	123,237	3,054	183,170	6,751
Interest and service charges	1,799	1,942	6,832	5,051
Professional fees	7,496	64,504	34,286	139,378
Shareholders' information	86,902	31,334	428,318	59,104
Stock-based compensation	177,006	109,250	426,310	215,451
Transfer agent fees	6,692	4,091	15,825	10,379
Travel and promotion	15,115	9,228	48,159	10,878
Write-down of mineral properties	-	-	-	-
<b>Loss before income taxes</b>	<b>505,910</b>	<b>306,770</b>	<b>1,538,482</b>	<b>593,714</b>
Income tax recovery – future income taxes	-	-	-	-
<b>Loss for the period</b>	<b>505,910</b>	<b>306,770</b>	<b>1,538,482</b>	<b>593,714</b>
<b>Deficit - Beginning of year</b>	<b>13,010,978</b>	<b>9,936,560</b>	<b>11,978,406</b>	<b>9,649,616</b>
<b>Deficit - End of period</b>	<b>13,516,888</b>	<b>10,243,330</b>	<b>13,516,888</b>	<b>10,243,330</b>
<b>Weighted average number of shares outstanding</b>	<b>98,749,857</b>	<b>73,013,647</b>	<b>98,749,857</b>	<b>73,013,647</b>
<b>Basic and diluted loss per share</b>	<b>0.00</b>	<b>0.00</b>	<b>0.02</b>	<b>0.01</b>

*The attached notes form an integral part of the financial statements*

# Anglo Swiss Resources Inc.

(an exploration stage company)

Statements of Cash Flows (unaudited)

For the periods ended September 30, 2008 and 2007

(expressed in Canadian dollars)

	3 Months Ended Sept 30, 2008 \$	3 Months Ended Sept 30, 2007 \$	9 Months Ended Sept 30, 2008 \$	9 Months Ended Sept 30, 2007 \$
<b>Cash flows used in operating activities</b>				
Loss for the year	(505,910)	(306,770)	(1,538,482)	(593,714)
Items not affecting cash				
Depreciation	51,996	769	143,815	2,449
Write-down of mineral properties	-	-	-	-
Stock-based compensation	177,003	109,250	426,310	215,451
Income tax recovery	-	-	-	-
Changes in non-cash working capital				
Accounts receivable	(71,338)	(25,905)	(29,552)	(9,997)
Prepaid expenses	18,996	(14,907)	(111,318)	(13,722)
Accounts payable and accrued liabilities	(114,924)	(41,900)	(299,265)	(70,292)
	(444,177)	(279,463)	(1,408,492)	(469,825)
<b>Cash flows from financing activities</b>				
Proceeds from issuance of private placement and options	90,000	1,300,000	285,000	1,800,000
Share issue cost	-	-	-	-
	90,000	1,300,000	285,000	1,800,000
<b>Cash flows used in investing activities</b>				
Purchase of equipment	(26,314)	-	(194,560)	(754,622)
Funds on deposit	(5,000)	-	(5,000)	-
Mineral property acquisition	(40,000)	(484,136)	(40,000)	-
Mineral property (cost) recoveries	(1,029,239)	-	(2,253,874)	-
	(1,100,553)	(484,136)	(2,493,434)	(754,622)
<b>Increase in cash and cash equivalents</b>	(1,454,730)	536,401	(3,616,926)	575,553
<b>Cash and cash equivalents - Beginning of year</b>	1,989,738	104,023	4,151,934	64,871
<b>Cash and cash equivalents - End of year</b>	535,008	640,424	535,008	640,424
<b>Supplemental disclosure of non cash Investing and financing activities</b>				
Shares issued for mineral properties	-	-	-	-
Shares issued for agent issue costs	-	-	-	-

*The attached notes form an integral part of the financial statements*

# Anglo Swiss Resources Inc.

(an exploration stage company)

Notes to the Consolidated Financial Statements (unaudited)

**For the nine months ended September 30, 2008**

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(expressed in Canadian dollars)

## **1 Going concern and nature of operations**

The Company is incorporated in British Columbia, Canada and is involved in the acquisition and exploration of its gold, diamond and gemstone properties in Canada. The Company has not determined whether these properties contain ore reserves that are economically recoverable. The ability of Company to recover the costs it has incurred to date on these properties is dependant upon the Company being able to identify a commercial ore body, to finance its exploration and development costs and to resolve any environmental, regulatory, or other constraints which may hinder the successful development of the properties. The Company is in the development stage with no source of operating revenue and is dependant upon equity financing to maintain its current operations.

At September 30, 2008, the company has working capital of \$652,186. As is typical for a development stage company, the company has incurred losses in the current and prior periods resulting in an accumulated deficit of \$13,516,888. The company expects to continue to incur losses and is dependent on equity financing to be able to meet its obligations as they fall due. Accordingly, there is some doubt about the ability of the company to continue as a going concern.

These financial statements have been prepared on a going concern basis, which assumes the company will be able to realize assets and discharge liabilities in the normal course of business for the foreseeable future. These financial statements do not include the adjustments that would be necessary should the company be unable to continue as a going concern, which could be material.

## **2 Significant accounting policies**

### *Bases of Accounting and Consolidation*

The interim financial statements for Anglo Swiss Resources Inc. have been prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP) on a basis consistent with those applied to the most recent annual financial statements. These interim financial statements do not include all of the information and disclosures required by Canadian generally accepted accounting principles for annual financial statements and should be read in conjunction with the Company's financial statements for the year ended December 31, 2007.

These consolidated financial statements include the accounts of the Company and its wholly-owned subsidiary, Kenville Sand and Gravel Inc., which was incorporated on September 7, 2007.

# Anglo Swiss Resources Inc.

(an exploration stage company)

Notes to the Consolidated Financial Statements (unaudited)

**For the nine months ended September 30, 2008**

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(expressed in Canadian dollars)

## 2 Significant accounting policies continued.

### *Capital Disclosures and Financial Instruments - Disclosures and Presentation*

Effective January 1, 2008, the Company adopted the following three new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"):

#### (i) Capital Disclosures (Section 1535)

CICA Handbook Section 1535 requires the disclosure of an entity's objectives, policies and processes for managing capital, quantitative data about what the entity regards as capital and whether the entity has complied with any capital requirements and, if it has not complied, the consequences of such non-compliance.

The capital of the Company consists of items included in shareholder's equity. The Company manages its capital structure and makes adjustments to it based on the funds available to the Company in order to support the acquisition, exploration and development of its resource assets. There were no changes to in the Company's capital management approach during the nine months ended September 30, 2008. The Company is not currently subject to externally imposed capital requirements.

#### (ii) Financial Instruments – Disclosure (Section 3862) and Presentation (Section 3863)

CICA Handbook Sections 3862 and 3863 replace CICA Section 3861, Financial Instruments – Disclosure and Presentation. They increase the disclosures currently required, which will enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. In addition, disclosure is required of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk. The quantitative disclosures must provide information about the extent to which the entity is exposed to risk, based on information provided internally to the entity's key management personnel.

The Company's financial instruments consists of cash and cash equivalents, term deposits, amounts receivable, reclamation bonds, accounts payable and accrued liabilities, the fair values of which approximate their carrying amounts due to the short-term nature of these instruments. Cash, cash equivalents, term deposits and are designated as held for trading and therefore carried at fair value, with the unrealized gain or loss recorded in interest income. Amounts receivable, reclamation bonds, accounts payable and accrued liabilities are classified as other financial liabilities and are measured at amortized cost.

# Anglo Swiss Resources Inc.

(an exploration stage company)

Notes to the Consolidated Financial Statements (unaudited)

**For the nine months ended September 30, 2008**

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(expressed in Canadian dollars)

## 2 Significant accounting policies continued.

Financial instrument risk exposure and risk management:

The Company's risk exposures and the impact on the Company's financial instruments are summarized below:

(a) Credit risk

The Company's credit risk is limited to trade receivables in the ordinary course of business and the quality of its financial investments. As at September 30, 2008, the Company's financial instruments consist of interest-bearing short term investment-grade issued by a Canadian chartered bank. The Company does not believe that it is exposed to significant credit risk on financial instruments issued by the Canadian chartered bank.

(b) Market risk: interest rate risk

The Company is exposed to interest rate risk on its cash, cash equivalents and short-term investments, but is not exposed to any interest rate risk on outstanding borrowing as there are none at September 30, 2008.

(c) Liquidity risk

The Company manages its liquidity risk by ensuring that there is sufficient capital in order to meet the short-term business requirements. The Company maintains cash and short-term investments which are available on demand for this purpose.

### *International Financial Reporting Standards ("IFRS")*

In February 2008, the Canadian Accounting Standards Board announced 2011 as the changeover date for publically-listed companies to use IFRS, replacing Canada's own generally accepted accounting principles. The specific implementation is set for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

# Anglo Swiss Resources Inc.

(an exploration stage company)

Notes to the Consolidated Financial Statements (unaudited)

**For the nine months ended September 30, 2008**

(expressed in Canadian dollars)

## 3 Mineral properties

	<b>Acquisition costs \$</b>	<b>Exploration expenditures \$</b>	<b>Total \$</b>
<b>Kenville</b>			
Balance - December 31, 2007	1,377,476	481,162	1,858,638
Expenditures	-	2,122,122	2,122,122
Balance – September 30, 2008	<u>1,377,476</u>	<u>2,603,284</u>	<u>3,980,760</u>
<b>Blu Starr</b>			
Balance - December 31, 2007	812,306	570,623	1,382,929
Expenditures	-	66,825	66,825
Balance – September 30, 2008	<u>812,306</u>	<u>637,448</u>	<u>1,449,754</u>
<b>McAllister</b>			
Balance - December 31, 2007	-	7,967	7,967
Expenditures	-	600	600
Balance – September 30, 2008	<u>-</u>	<u>8,567</u>	<u>8,567</u>
<b>New Shoshoni Claims</b>			
Balance - December 31, 2007	134,000	1,065,413	1,199,413
Acquisition costs	40,000	-	40,000
Expenditures	-	54,023	54,023
Balance – September 30, 2008	<u>174,000</u>	<u>1,119,436</u>	<u>1,293,436</u>
<b>Group of Four Claims</b>			
Balance - December 31, 2007	137,500	-	137,500
Expenditures	-	10,304	10,304
Balance – September 30, 2008	<u>137,500</u>	<u>10,304</u>	<u>147,804</u>
<b>Total mineral properties - December 31, 2007</b>	<u>2,461,282</u>	<u>2,125,165</u>	<u>4,586,447</u>
<b>Total mineral properties – September 30, 2008</b>	<u>2,501,282</u>	<u>4,379,039</u>	<u>6,880,321</u>

# Anglo Swiss Resources Inc.

(an exploration stage company)

Notes to the Consolidated Financial Statements (unaudited)

For the nine months ended September 30, 2008

(expressed in Canadian dollars)

## 4 Capital stock

### Common shares issued and outstanding

	Common shares	Amount \$
Balance - December 31, 2007	100,422,837	18,866,831
Capital stock issued		
Shares issued for property	-	-
Shares issued for cash	1,175,000	134,000
Warrants	865,000	151,000
Income tax effect - renounced flow through expenditures	-	(664,384)
Balance – September 30, 2008	102,462,837	18,487,447

### Contributed Surplus, Options and Warrants

	Options \$	Warrants \$	Contributed Surplus \$
Balance - December 31, 2007	1,124,470	768,541	401,007
Stock based compensation	426,310	-	-
Balance – September 30, 2008	1,550,780	768,541	401,007

### Options

The company has a fixed stock option plan which was amended in June 2008 to allow a greater number of options. Under the terms of the plan, the company may grant options to eligible directors, employees and consultants of the company, up to a maximum of 20,250,000 common shares (previously 14,850,000). Options may be issued under the stock option plan at the sole discretion of the company's board of directors. Options may be issued for a term of up to five years, with vesting provisions and the exercise price to be determined by the company's board of directors, provided that the exercise price is no less than either the average high and low price of the company's common stock traded on the TSX Venture Exchange for 10 days prior to the grant or the closing price of the company's common shares on the day the options are granted.

# Anglo Swiss Resources Inc.

(an exploration stage company)

Notes to the Consolidated Financial Statements (unaudited)

For the nine months ended September 30, 2008

(expressed in Canadian dollars)

## 4 Capital Stock continued.

### Options

Options Outstanding	Number of Shares	Weighted Average Exercise Price
Options outstanding - January 1, 2008	14,375,000	\$0.11
Granted	5,655,000	\$0.25
Exercised	(1,175,000)	\$0.10
Expired	-	-
Options outstanding – September 30, 2008	18,855,000	\$0.11
Options exercisable – September 30, 2008	13,502,500	\$0.12

The fair value of stock options was estimated at the grant date based on the Black-Scholes option pricing model, using the following assumptions:

	2008	2007
Expected dividend yield	Nil	nil
Average risk-free interest rate	3.40%	3.75%
Expected life	5 years	5 years
Expected volatility	108%	108%

Option pricing models require the input of highly subjective assumptions including the expected price volatility. Changes in the subjective input assumptions can materially affect the fair value estimate, and therefore, the existing models do not necessarily provide a reliable measure of the fair value of the company's stock options.

### Warrants

	Expiry Date	Exercise Price	Amount
Warrants outstanding - January 1, 2008	Dec. 29, 2009	\$0.37	13,831,512
Granted during year		-	-
Exercised during year		\$0.19	(865,000)
Warrants outstanding – September 30, 2008		\$0.43	12,966,512

# Anglo Swiss Resources Inc.

(an exploration stage company)

Notes to the Consolidated Financial Statements (unaudited)

For the nine months ended September 30, 2008

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(expressed in Canadian dollars)

## 5 Related party transactions

- a) Included in accounts payable and accrued liabilities is \$52,015 (2007 - \$130,197) due to directors and organizations controlled by directors, and \$15,795 (2007 - \$139,854) due to a law firm in which an officer of the company is a partner.
- b) The company incurred consulting fees of \$162,400 (2007 - \$45,000) for management services provided by directors or officers or organizations controlled by such parties.
- c) The Company incurred fees of \$108,000 (2007 - \$nil) for investor relations consulting services provided by a director and officers or organizations controlled by such parties

These transactions were in the normal course of operations and were measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties

## 6 Outstanding matters

The Company received an additional claim with respect to the previously discussed law suit to the OJVA on the Kenville property on November 6, 2007, filed by Gold Standard Resource Corp (“GSR”) that duplicates the relief sought in the original claim dated December 27, 2006. The Company has filed its Statement of Defense and denies each and every allegation of fact contained in the claim with respect to the OJVA.

The Company believes that this suit is not properly brought forth as it is contrary to Rule 5(3) of the Rules of Court of British Columbia and that GSR is attempting to avoid ongoing attempts by Anglo Swiss to proceed with an application for the Plaintiffs to provide security for costs dated January 25, 2007. There is also an outstanding application by GSR to be added to the original claim dated March 8, 2007.

Anglo Swiss believes both claims to be without merit and are meant to cause the Company extra costs and to allow GSR to circumvent outstanding matters in the original claim and try to create a multiplicity of proceedings, contrary to the provision of the Law and Equity Act R.S.B.C.1996.c.253. Pursuant to the OJVA, in the first quarter of 2007 Anglo Swiss appointed an Auditor to audit the exploration expenditures alleged by the Optionees during the term of the OJVA. The Optionees failed to comply with the Auditor after repeated requests for the Audit materials and the Audit was completed with no basis to support the Optionees’ alleged expenditures.

The Company will continue to defend its 100% ownership of the Kenville property. Anglo Swiss has retained Ferris, Vaughan, Wills & Murphy LLP as council in this matter.

# **Anglo Swiss Resources Inc.**

(an exploration stage company)

Notes to the Consolidated Financial Statements (unaudited)

**For the nine months ended September 30, 2008**

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(expressed in Canadian dollars)

## **7 Subsequent event**

Anglo Swiss Resources Inc. has further extended the expiration date related to 2.5 million warrants issued in a private placement completed on April 30, 2007 originally extended to October 31, 2008. The new warrant expiration date will be amended to April 30, 2009. The exercise price remains unchanged.