

Anglo Swiss Resources Inc.

(an exploration stage company)

Consolidated Financial Statements
December 31, 2008, 2007 and 2006
(expressed in Canadian dollars)

April 24, 2009

Management's Responsibility for Financial Reporting

The accompanying financial statements of the company have been prepared by management in accordance with Canadian generally accepted accounting principles and reconciled to United States generally accepted accounting principles and contain estimates based on management's judgement. Management considers that they maintain an appropriate system of internal controls to provide reasonable assurance that transactions are authorized, assets safeguarded, and proper records maintained.

The Audit Committee of the Board of Directors has met with the company's independent auditors to review the scope and results of the annual audit and to review the financial statements and related financial reporting matters prior to submitting the financial statements to the Board for approval.

The company's independent auditors, De Visser Gray LLP, Chartered Accountants, are appointed by the shareholders to conduct an audit in accordance with auditing standards generally accepted in Canada and the standards of the Public Company Accounting Oversight Board (United States) and their report follows.

"Len Danard"

Len Danard
President and Chief Executive Officer

"Chris Robbins"

Chris Robbins
Vice-President

DE VISSER GRAY LLP

CHARTERED ACCOUNTANTS

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AUDITORS' REPORT

To the Shareholders of Anglo Swiss Resources Inc.

We have audited the consolidated balance sheets of Anglo Swiss Resources Inc. as at December 31, 2008 and 2007 and the consolidated statements of operations, comprehensive loss and deficit and cash flows for each of the years in the three year period ended December 31, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in Canada and the standards of the Public Company Accounting Oversight Board ("PCAOB") (United States). Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Company as at December 31, 2008 and 2007 and the results of its operations and its cash flows for each of the years in the two year period ended December 31, 2008 in accordance with Canadian generally accepted accounting principles.

The financial statements at December 31, 2006 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report to shareholders dated April 25, 2007.

"De Visser Gray LLP"

CHARTERED ACCOUNTANTS

Vancouver, British Columbia
April 24, 2009

COMMENTS BY AUDITORS FOR U.S. READERS ON CANADA – U.S. REPORTING CONFLICT

In the United States, reporting standards for auditors require the addition of an explanatory paragraph (following the opinion paragraph) when the financial statements are affected by significant uncertainties and contingencies such as those referred to in note 1 to these financial statements. Although we conducted our audits in accordance with both Canadian GAAS and the standards of PCAOB, our report to the shareholders dated April 24, 2009 is expressed in accordance with Canadian reporting standards which do not require a reference to such matters when the uncertainties are adequately disclosed in the financial statements.

"De Visser Gray LLP"

CHARTERED ACCOUNTANTS

Vancouver, British Columbia
April 24, 2009

Anglo Swiss Resources Inc.

(an exploration stage company)

Balance Sheets

As at December 31,

(expressed in Canadian dollars)

	2008 \$	2007 \$
Assets		
Current assets		
Cash and cash equivalents	400,410	4,117,434
Term deposits	242,290	34,500
Subscriptions receivable	-	112,370
GST and other amounts receivable	186,993	95,613
Prepaid expenses	12,222	4,240
	<u>841,915</u>	<u>4,364,157</u>
Reclamation bonds (note 3)	25,876	20,800
Property, plant and equipment (note 4)	889,976	746,219
Mineral property costs (note 5)	<u>7,797,264</u>	<u>4,586,447</u>
	<u>9,555,031</u>	<u>9,717,623</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	<u>805,064</u>	<u>535,179</u>
Shareholders' Equity		
Capital stock (note 6)		
Authorized		
500,000,000 common shares without par value		
400,000,000 preferred shares without par value		
Issued		
107,932,837 (2007 - 100,422,837) common shares	18,451,320	18,866,832
Obligation to issue shares	130,000	-
Options (note 7)	1,745,590	1,124,470
Warrants (note 7)	941,549	768,541
Contributed surplus (note 7)	438,407	401,007
Deficit	<u>(12,956,899)</u>	<u>(11,978,406)</u>
	<u>8,749,967</u>	<u>9,182,444</u>
	<u>9,555,031</u>	<u>9,717,623</u>
Continuance of operations (note 1)		
Outstanding matters (note 12)		

See accompanying notes to the financial statements.

Anglo Swiss Resources Inc.

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Statements of operations, comprehensive loss and deficit

As at December 31,

(expressed in Canadian dollars)

	2008 \$	2007 \$	2006 \$
Interest and other income	<u>78,639</u>	<u>13,503</u>	<u>4,172</u>
Expenses			
Capital tax and interest recovery	-	(75,300)	-
Administrative	82,589	100,157	47,169
Consulting fees (note 10(b))	241,400	216,000	60,000
Depreciation	238,405	253,670	4,083
Filing fees	20,568	27,188	27,224
Foreign exchange loss	(22,793)	4,902	-
General exploration	19,020	11,761	8,743
Sand and gravel operations	53,907	-	-
Interest	38,743	15,058	55,832
Part XII.6 Tax	59,412	-	-
Professional fees	96,746	136,351	38,121
Shareholders' and investor relations (note 10(c))	528,448	283,032	48,506
Stock-based compensation (note 7)	671,990	338,941	481,234
Transfer agent fees	17,232	17,241	15,627
Travel and promotion	59,439	56,193	9,072
Write-down of mineral properties	-	986,101	-
Loss before income taxes	2,026,467	2,357,792	791,439
Income tax recovery – future income taxes	<u>(1,047,974)</u>	<u>(29,002)</u>	<u>(103,978)</u>
Net loss and comprehensive loss for the year	978,493	2,328,790	687,461
Deficit - Beginning of year	<u>11,978,406</u>	<u>9,649,616</u>	<u>8,962,155</u>
Deficit - End of year	<u>12,956,899</u>	<u>11,978,406</u>	<u>9,649,616</u>
Weighted average number of shares outstanding	<u>101,837,179</u>	<u>78,855,193</u>	<u>68,413,510</u>
Basic and diluted loss per share	<u>\$ 0.01</u>	<u>\$ 0.03</u>	<u>\$ 0.01</u>

See accompanying notes to the financial statements.

Anglo Swiss Resources Inc.

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For the years ended December 31, 2008, 2007 and 2006

	2008	2007	2006
	\$	\$	\$
Cash flows used in operating activities			
Net loss for the year	(978,493)	(2,328,790)	(687,461)
Items not affecting cash			
Depreciation	238,405	253,670	4,083
Write-down of mineral properties	-	986,101	-
Stock-based compensation	671,990	338,941	481,234
Income tax recovery	(1,047,974)	(29,002)	(103,978)
Accrued interest income	(7,866)		
Capital tax and interest recovery	-	(75,300)	-
Management services rendered for shares	92,000		
Changes in non-cash working capital			
Amounts receivable	(91,380)	(183,596)	(7,630)
Prepaid expenses	(7,982)	2,732	(5,725)
Accounts payable and accrued liabilities	(300,067)	59,180	12,588
	<u>(1,431,367)</u>	<u>(976,064)</u>	<u>(306,889)</u>
Cash flows from financing activities			
Proceeds from issuance of private placements, options and warrants	740,000	6,619,579	85,000
Obligation to issue shares	130,000	-	-
Subscription received	112,370		
Share issue costs	(40,000)	(303,378)	-
	<u>942,370</u>	<u>6,316,201</u>	<u>85,000</u>
Cash flows used in investing activities			
Purchase of equipment	(382,162)	(1,920)	(1,922)
Purchase of term deposit	(200,000)	(34,500)	-
Reclamation bonds	(5,000)	(2,000)	-
Mineral property costs	(2,640,865)	(1,249,154)	(314,957)
	<u>(3,228,027)</u>	<u>(1,287,574)</u>	<u>(316,879)</u>
Increase (decrease) in cash and cash equivalents	(3,717,024)	4,052,563	(538,768)
Cash and cash equivalents - Beginning of year	4,117,434	64,871	603,639
Cash and cash equivalents - End of year	<u>400,410</u>	<u>4,117,434</u>	<u>64,871</u>
Supplemental disclosure of non cash Investing and financing activities			
Shares issued for mineral properties	-	-	125,000
Shares issued for agent issue costs	-	97,851	-
Excluded accounts payable relating to mineral properties	-	-	70,434

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For the years ended December 31, 2008, 2007 and 2006

1. NATURE AND CONTINUANCE OF OPERATIONS

The Company is incorporated in British Columbia, Canada and is involved in the acquisition and exploration of mineral property interests in Canada. At the date of these financial statements, the Company has not been able to identify a known body of commercial grade ore on any of its properties and the ability of the Company to recover the costs it has incurred to date on these properties is dependent 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 property. The Company is in the development stage with no major source of operating revenue and is dependent upon equity financing to maintain its current operations.

These financial statements have been prepared on the basis of the Company being a going concern and able to realize its assets and discharge its liabilities in the normal course of business.

The financial statements do not reflect adjustments in the carrying values of the Company's assets and liabilities, expenses, and the balance sheet classifications used, that would be necessary if the going concern assumption were not appropriate. Such adjustments could be material.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Consolidation

These financial statements have been prepared in accordance with Canadian generally accepted accounting principles (Canadian GAAP). The significant measurement differences between these principles and those that would be applied under United States generally accepted accounting principles (U.S. GAAP), as they affect the company, are disclosed in note 11.

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.

Use of Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of any contingent assets and liabilities as at the date of the financial statements, as well as the reported amounts of revenues earned and expenses incurred during the period. Actual results could differ from those estimates.

Cash and cash equivalents

Cash and cash equivalents include cash on hand, balances held with banks and highly liquid deposits with an initial maturity of less than 90 days.

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2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment

Property, plant and equipment are recorded at cost and are depreciated over their estimated useful lives using the declining balance method. These assets will be written down to the fair value if the carrying value exceeds the estimated net recoverable amount. Property, plant and equipment is being amortized at the following rates: mine plant and equipment – 25% and 30%, office equipment – 20% and motor vehicles – 30%.

Mineral properties

Acquisition costs of resource properties together with direct exploration expenditures thereon are deferred until the property to which they relate is placed into production, sold or abandoned or becomes impaired. Option or other payments received in respect of property interests are applied to reduce the carrying value of the properties. The carrying values of mineral properties are, where necessary, written down to the estimated fair value based on discounted estimated future net cash flows. Mineral properties will be depreciated on a unit of production basis when the property is placed into production.

The company reviews the carrying values of its resource properties whenever events or circumstances indicate that there may be a potential impairment. Where estimates of future cash flows are not available and where exploration results or other information suggest impairment has occurred, management assesses whether the carrying value can be recovered, and if not, an appropriate write-down is recorded.

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 defects in title registration.

Loss per share

Loss per share is calculated based on the weighted average number of common shares issued and outstanding during the year. The effect of potential issuances of shares under options and warrants would be anti-dilutive and therefore basic and diluted loss per share are the same.

Financial Instruments and Financial Risk

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.

Anglo Swiss Resources Inc.

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2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Asset Retirement Obligations

The fair value of a liability for an asset retirement obligation is recognized on an undiscounted cash flow basis when a reasonable estimate of the fair value of the obligation can be made. The asset retirement obligation is recorded as a liability with a corresponding increase to the carrying amount of the related long-lived asset. Subsequently, the asset retirement cost is allocated to expense using a systematic and rational method and is adjusted to reflect period-to-period changes in the liability resulting from the passage of time and from revisions to either expected payment dates or the amounts comprising the original estimate of the obligation. As at December 31, 2008, the Company does not have any asset retirement obligations.

Future Income Taxes

The Company accounts for potential future net tax assets which are attributable to differences between the consolidated financial statement carrying amounts of existing assets and liabilities and their respective tax bases and which are measured using tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be settled. When the future realization of income tax assets does not meet the test of being more likely than not to occur, a valuation allowance in the amount of the potential future benefit is taken and no net asset is recognized. Such an allowance has been applied to all potential income tax assets of the Company.

Share Capital

Common shares issued for non-monetary consideration are recorded at the fair market value based upon the trading price of the Company's shares on the Toronto Stock Exchange.

Stock-based Compensation

The Company follows the Recommendations of the Canadian Institute of Chartered Accountants ("CICA") in connection with accounting for stock option-based compensation. The standard now requires that all stock option-based awards made to consultants and employees be recognized in these consolidated financial statements and measured using a fair value-based method.

Consideration received on the exercise of stock options and compensation options and warrants is recorded as share capital. The related contributed surplus originally recognized when the options were granted, is transferred to share capital.

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2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Flow-through Shares

Canadian tax legislation permits a company to issue securities referred to as flow-through shares whereby the investor may claim the tax deductions arising from the related resource expenditures. When resource expenditures are renounced to the investors and the Company has reasonable assurance that the expenditures will be completed, a future income tax liability is recognized and shareholders' equity is reduced in the year that the renouncement documents are filed with the tax authorities.

If the Company has sufficient unused tax loss carry-forwards to offset all or part of this future income tax liability and no future income tax assets have been previously recognized for these carry-forwards, a portion, of such unrecognized losses, is recorded as income up to the amount of the future income tax liability that was previously recognized on the renounced expenditures

Fair Value of Financial Instruments

Effective January 1, 2007, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA") relating to financial instruments. These new standards have been adopted on a prospective basis with no restatement to prior period financial statements.

(a) Section 3855 – Financial Instruments – Recognition and Measurement.

This standard sets out criteria for the recognition and measurement of financial instruments for fiscal years beginning on or after October 1, 2006. This standard requires all financial instruments within its scope, including derivatives, to be included on a Company's balance sheet and measured either at fair value or, in certain circumstances when fair value may not be considered most relevant, at cost or amortized cost. Changes in fair value are to be recognized in the statements of operations and comprehensive income (loss).

All financial instruments are classified into one of the following five categories: held for trading, held to maturity, loans and receivables, available for sale financial assets, or other financial liabilities. Initial and subsequent measurement and recognition of changes in the value of financial instruments depends on their initial classification.

Anglo Swiss Resources Inc.

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2008, 2007 and 2006

(expressed in Canadian dollars)

2. SIGNIFICANT ACCOUNTING POLICIES *(continued)*

In accordance with this new standard, the Company has classified its financial instruments as available for sale investments. Such investments are measured at fair market value in the financial statements with unrealized gains or losses recorded in comprehensive income (loss). At the time securities are sold or otherwise disposed of, gains or losses are included in net earnings (loss).

(b) Section 1530 – Comprehensive Income (Loss).

Comprehensive income (loss) is the change in the Company's net assets that results from transactions, events, and circumstances from other than the Company's shareholders. This standard requires certain gains and losses that would otherwise be recorded as part of net earnings to be presented in other "comprehensive income (loss)" until it is considered appropriate to recognize into net earnings (loss). This standard requires the presentation of comprehensive income (loss), and its components in a separate financial statement that is displayed with the same prominence as the other financial statements.

Effective January 1, 2008, the Company adopted certain new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA"). Those standards and the required disclosures in connection with their adoption are listed below.

(a) CICA Handbook Section 1535 - Capital Disclosures

This standard requires 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.

(b) Financial Instruments - Disclosure (Section 3862) and Presentation (Section 3863)

These standards replace CICA 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, and term deposits are designated as held for trading and therefore carried at fair value, with the unrealized gain or loss recorded in comprehensive income. Amounts receivable, reclamation bonds, accounts payable and accrued liabilities are classified as other financial liabilities and are measured at amortized cost.

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2008, 2007 and 2006

(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:

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 December 31, 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.

Market risk: interest rate risk

The Company's exposure to interest rate risk on its cash, cash equivalents and short-term investments, is minimized as all instruments are for short terms.

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.

Accounting standards to be adopted:

International Financial Reporting Standards ("IFRS")

In February 2008, the Canadian Accounting Standards Board announced 2011 as the changeover date for publicly-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.

3. RECLAMATION BONDS

The Company has reclamation bonds outstanding totalling a principal amount of \$25,800 to satisfy certain performance obligations associated with the exploration of the Kenville and Blu Starr properties. These investments are recorded at market value and earn interest at market rates.

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2008, 2007 and 2006

(expressed in Canadian dollars)

4. Property, plant and equipment

	2008		
	Cost	Accumulated depreciation	Net
	\$	\$	\$
Mine plant and equipment	1,469,992	591,055	878,937
Office equipment	34,517	27,916	6,601
Motor vehicles	19,564	15,126	4,438
	1,524,073	634,097	889,976
	2007		
	Cost	Accumulated depreciation	Net
	\$	\$	\$
Mine plant and equipment	1,090,003	355,931	734,072
Office equipment	32,846	27,039	5,807
Motor vehicles	19,564	13,224	6,340
	1,142,413	396,194	746,219

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2008, 2007 and 2006

(expressed in Canadian dollars)

5. Mineral properties

	Acquisition costs \$	Exploration expenditures \$	Total \$
Kenville (a)			
Balance - December 31, 2006	1,377,476	60,366	1,437,842
Expenditures	-	420,796	420,796
Balance - December 31, 2007	1,377,476	481,162	1,858,638
Expenditures	-	2,911,376	2,911,376
Balance - December 31, 2008	1,377,476	3,392,538	4,770,014
Blu Starr (b)			
Balance - December 31, 2006	812,306	555,466	1,367,772
Expenditures	-	15,157	15,157
Balance - December 31, 2007	812,306	570,623	1,382,929
Expenditures	-	174,703	174,703
Balance - December 31, 2008	812,306	745,326	1,557,632
McAllister (c)			
Balance - December 31, 2006 and 2007	-	7,967	7,967
Expenditures	-	600	600
Balance - December 31, 2008	-	8,567	8,567
Till Claims (d)			
Balance - December 31, 2006	114,500	-	114,500
Write - down	(114,500)	-	(114,500)
Balance - December 31, 2007 and 2008	-	-	-
New Shoshoni Claims (e)			
Balance - December 31, 2006	99,000	287,212	386,212
Acquisition costs	35,000	-	35,000
Expenditures	-	778,201	778,201
Balance - December 31, 2007	134,000	1,065,413	1,199,413
Expenditures	-	113,834	113,834
Balance - December 31, 2008	134,000	1,179,247	1,313,247
PQ Claims (f)			
Balance - December 31, 2006	525,000	76,601	601,601
Write-down and reclassification	(525,000)	(76,601)	(601,601)
Balance - December 31, 2007 and 2008	-	-	-

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(expressed in Canadian dollars)

Lac de Gras Claims (Falcon Bay) (g)

Balance - December 31, 2006

270,000	-	270,000
(270,000)	-	(270,000)

Write-down

Balance - December 31, 2007 and 2008

-	-	-
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Group of Four Claims (h)

Balance - December 31, 2006 and 2007

137,500	-	137,500
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Expenditures

-	10,304	10,304
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Balance - December 31, 2008

137,500	10,304	147,804
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Total mineral property costs - December 31, 2007

2,461,282	2,125,165	4,586,447
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Total mineral property costs - December 31, 2008

2,461,282	5,335,982	7,797,264
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a) Kenville, Canada

The Company has a 100% interest in the Kenville mineral property which, together with certain plant and equipment (note 4), is located near Nelson, British Columbia and was operated as a gold mine from June to December 1992 whereupon operations were terminated and the mine was operated on a care and maintenance basis. During 1997, the Company wrote down the plant and equipment to its present carrying value.

The Kenville property was subject to an Option Joint Venture Agreement ("OJVA") that lapsed on September 5, 2006, as the Optionees to the OJVA did not meet the required exploration expenditures of \$700,000 by that date. In August of 2006, the Company was advised by the Optionees that they alleged they had completed the required expenditures of \$700,000 as required under the option agreement. The Company has disputed the alleged expenditures in their entirety.

a) Kenville, Canada (continued)

The Company has filed a statement of defense in response to a lawsuit commenced in the Supreme Court of British Columbia (file no. S068401 dated December 28, 2006) by Tracer Enterprises Ltd., Babylon Enterprises Ltd., Foaming Holdings Ltd., Glacial Holdings Inc. and Gold Standard Resources Corp., (collectively the "Optionees") with respect to the OJVA. Pursuant to the OJVA, Anglo Swiss appointed an Auditor to audit the exploration expenditures alleged by the Optionees.

The Optionees failed to comply with the Auditor's repeated requests for the documentation and therefore there is no basis to support the Optionees' alleged expenditures. It is the Company's position that the OJVA has been breached and is no longer in effect.

On a related matter, Terasen Gas commenced a lawsuit against the Optionees alleging certain of the work they performed on the Kenville Property adversely impacted its pipeline that runs through an easement on this Property. The Company has also been named a defendant in this lawsuit as the owner of the Property.

The Company has retained Farris, Vaughan, Wills & Murphy LLP as counsel in these matters. Refer also to note 12.

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5. Mineral properties (*continued*)

b) Blu Starr, Canada

The Company owns a number of gemstone mineral and placer claims collectively known as the Blu Starr property, located near Nelson and Slocan, British Columbia. In relation to 174 claims, the prior vendors retained a 1.5% net smelter return on any future non-gemstone production. In relation to another 14 claims, the vendors retained a 3.5% net royalty on gemstone production and a 2% net smelter return on any future metal production.

c) McAllister Group, Canada

The Company staked a number of mineral tenures totalling 31,000 hectares nearby Nelson, B.C. for diamond exploration during 2004 and 2005. In February 2005, the company entered into an option agreement to acquire a portion of mineral tenures within the 31,000 hectares. The Company paid an initial amount of \$5,000 and issued 50,000 common shares valued at \$7,250 for the first year term of the option purchase agreement. The company did not renew the second year option term for this agreement. In January 2006, the company reduced its number of mineral tenures within the McAllister Group down to 1,959 hectares from the 31,000 hectares initially held. This reduction resulted in a write-down of \$38,159 to the carrying cost of this property.

d) Till Claims, Canada

The Company acquired a 100% interest in a number of mineral tenures totalling 3,427 hectares for diamond exploration during 2005 known as the Till Claims located in the Fishing Lake area in the Northwest Territories. The company paid \$20,000 and issued 900,000 common shares valued at \$94,500. The Company dropped these claims early in 2008, which resulted in a December 31, 2007 write-down of \$114,500 to the carrying cost of this property.

e) New Shoshoni Claims, Canada (Part of the Fry Inlet Property)

During 2005, the Company entered into an option and joint venture agreement with New Shoshoni Ventures Ltd. to acquire an undivided interest of 50%, plus a further option to earn an additional 10% interest in a number of mineral tenures totalling 23,587 hectares for diamond exploration. The claims are collectively known as the New Shoshoni Claims and are located near the Fry Inlet Lake in the Northwest Territories. The company paid a cash instalment of \$25,000 and issued 400,000 common shares valued at \$44,000. The agreement requires that the company pay an additional purchase price of \$105,000 (\$65,000 paid: \$35,000 – 2007, \$30,000 – 2006) through annual payments over a three year period commencing May 25, 2006. The company must also incur \$3,000,000 in exploration expenditures by July 2009. The vendors retained a 3% GORR based on the average appraised value of all gem and industrial diamonds recovered and graded from the property. The Company may purchase 1% of the GORR by paying \$2,500,000. The vendors are eligible to receive kimberlite bonus payments of 250,000 shares upon the discovery of the first new kimberlite and 100,000 shares on the discovery of each successive kimberlite body to a cumulative total of 1,000,000 shares.

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For the years ended December 31, 2008, 2007 and 2006

(expressed in Canadian dollars)

5. Mineral properties *(continued)*

f) PQ Claims, Canada (Part of the Fry Inlet Property)

The Company acquired a 100% interest a number of mineral tenures totalling 13,586 hectares for diamond exploration during 2005. The claims are collectively known as the PQ Claims and are located on the Fry Inlet area in the Northwest Territories. The company paid a total of \$50,000 and issued 5,000,000 common shares valued at \$475,000. The vendors retained a 2% GORR based on the average appraised value of all gem and industrial diamonds recovered and graded from the property in that calendar quarter. The company may purchase 1% of the GORR by paying 1,000,000. The vendors are eligible to receive kimberlite bonus payments of 250,000 shares to a cumulative total of 1,000,000 shares for each kimberlite body discovered by the Company on the property. The Company dropped this claim group during 2007 and this reduction resulted in a comparative year write-down of \$601,601 to the carrying cost of this property.

g) Lac de Gras Claims, Canada (Falcon Bay Property)

The Company acquired a 100% interest in a number of mineral tenures totalling 21,229 hectares for diamond exploration during 2005 known as the Lac de Gras Claims and are located on the Falcon Bay Diamond Property in the Northwest Territories. The company paid a total of \$50,000 and issued 2,000,000 common shares valued at \$220,000 subject to a 2% gross royalty. The Company dropped this claim group during 2007 as it is focusing its diamond exploration in 2008 on the LI 201 diamondiferous pipe located on the New Shoshoni claim group. This reduction resulted in a comparative year write-down of \$270,000 to the carrying cost of this property.

h) Group of Four Claims, Canada

On January 19, 2006 the Company acquired a 100% interest in four strategically located mineral claims covering approximately 4,180 hectares within the Lac de Gras area in the Northwest Territories. The company paid a total of \$12,500 and issued 1,000,000 common shares valued at \$125,000. The vendors retained a 2% GORR based on the average appraised value of all gem and industrial diamonds recovered and graded from the property in that calendar quarter. The company may purchase 1% of the GORR by paying \$1,000,000. The vendors are eligible to receive kimberlite bonus payments of 200,000 shares to a cumulative total of 2,000,000 shares for each successive kimberlite body discovered by the Company on the property.

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(expressed in Canadian dollars)

6. Capital stock

Issued:

	Common shares	Amount \$
Balance - December 31, 2006	69,252,688	13,314,402
Shares - issued for cash, flow through	15,543,025	3,368,563
- issued for cash, non-flow through	12,220,000	2,699,500
Warrants exercised	2,260,857	436,889
Options exercised	328,125	32,813
Agent warrants exercised	818,142	81,814
Share issue costs	-	(401,229)
Fair value - warrants granted	-	(769,170)
- warrants exercised	-	62,665
- options exercised	-	69,587
- flow-through renunciation	-	(29,002)
Balance - December 31, 2007	100,422,837	18,866,832
Shares - issued for cash, flow through	5,470,000	547,000
Warrants exercised	865,000	166,000
Options exercised	1,175,000	119,000
Share issue costs	-	(77,400)
Fair value - warrants granted	-	(191,026)
- warrants exercised	-	18,018
- options exercised	-	50,870
- flow-through renunciation	-	(1,047,974)
Balance - December 31, 2008	107,932,837	18,451,320

During 2006, 1,000,000 common shares were issued for a total of \$125,000 to purchase mineral claims for diamond exploration in the Northwest Territories.

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For the years ended December 31, 2008, 2007 and 2006

(expressed in Canadian dollars)

7. Contributed Surplus, Options and Warrants

During the years ended December 31, 2008 and 2007, the change in options, warrants and contributed surplus was as follows:

	Options \$	Warrants \$	Contributed Surplus \$
Balance - December 31, 2006	855,116	62,036	303,156
Stock based compensation	338,941	-	-
Fair value of options exercised	(69,587)	-	-
Fair value of broker options granted as finders' fees	-	-	97,851
Fair value of warrants issued on private placement	-	769,170	-
Warrants exercised	-	(62,665)	-
Balance - December 31, 2007	1,124,470	768,541	401,007
Stock based compensation	671,990	-	-
Fair value of broker options granted as finders' fees	-	-	37,400
Fair value of warrants issued on private placement	-	191,027	-
Fair value of warrants exercised	(50,870)	-	-
Fair value of options exercised	-	(18,019)	-
Balance - December 31, 2008	1,745,590	941,549	438,407

Options

The Company has a fixed stock option plan. Under the terms of the plan, the Company may grant options to eligible directors, officers and service providers of the company and its subsidiaries, up to a maximum of 20,250,000 common shares (14,850,000 common shares – 2007). Options may be issued under the stock option plan at the sole discretion of the company's board of directors. The number of shares issuable to any one Optionee under the plan, together with all of the Company's previously established or proposed share compensation arrangements, shall not exceed 5% of the total number of issued and outstanding shares on a non-diluted basis. 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 not less than the price issued in a press release or, if no press release is issued, the last closing price of the listed shares before the date of the stock option grant less the applicable discount. Stock options will not be granted at less than \$0.10 per share.

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For the years ended December 31, 2008, 2007 and 2006

(expressed in Canadian dollars)

7. Contributed Surplus, Options and Warrants (*continued*)

During the years ended December 31, 2008 and 2007, the change in stock options outstanding is as follows:

	2008		2007	
	Number of shares	Weighted average exercise price \$	Number of shares	Weighted average exercise price \$
Beginning of year	14,375,000	0.11	10,000,000	0.11
Granted	6,155,000	0.25	5,100,000	0.10
Exercised	(1,175,000)	0.10	(328,125)	0.10
Cancelled	(2,500,000)	0.11	(196,875)	0.10
Expired	-	-	(200,000)	0.10
End of year	16,855,000	0.16	14,375,000	0.11
Exercisable, End of year	12,835,000	0.12	11,475,000	0.11

Weighted average fair value of options granted during 2007 - \$0.08

Weighted average fair value of options granted during 2008 - \$0.25

Weighted average remaining life of options outstanding at December 31, 2008 - 2.89 years

At December 31, 2008, the following stock options are outstanding and exercisable:

Exercise Price	Options outstanding	Options exercisable	Expiry date	Remaining contractual life, outstanding options (years)
\$				\$
0.10	1,900,000	1,900,000	February 12, 2009	0.12
0.44	65,000	32,500	January 7, 2010	1.02
0.25	500,000	250,000	August 7, 2010	1.60
0.11	4,750,000	4,750,000	November 17, 2010	1.88
0.27	90,000	90,000	January 31, 2011	2.08
0.10	700,000	700,000	March 13, 2012	3.20
0.10	200,000	175,000	June 15, 2012	3.46
0.10	2,250,000	1,937,500	July 18, 2012	3.55
0.10	350,000	350,000	August 1, 2012	3.59
0.10	200,000	175,000	August 16, 2012	3.63
0.12	350,000	350,000	August 31, 2012	3.67
0.27	500,000	250,000	March 11, 2013	4.19
0.25	5,000,000	1,875,000	June 18, 2013	4.47
	16,855,000	12,835,000		

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For the years ended December 31, 2008, 2007 and 2006

(expressed in Canadian dollars)

7. Contributed Surplus, Options and Warrants *(continued)*

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	2006
Expected dividend yield	Nil	Nil	Nil
Average risk-free interest rate	3.40%	3.75%	4.00%
Expected life	5 years	5 years	5 years
Expected volatility	108%	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.

Broker options

As at December 31, 2008, 1,072,407 broker options were outstanding entitling the holders to acquire shares of the Company for \$0.10 per share exercisable up to December 17, 2010 as to 500,000 brokers options, and \$0.40 per share exercisable up to December 7, 2009 as to 535,525 broker options and until December 18, 2009 as to 36,822 broker options.

During the years ended December 31, 2008 and 2007, the change in broker options outstanding was as follows:

	2008		2007	
	Number of Broker options	Weighted Average Exercise price \$	Number of Broker options	Weighted Average Exercise price \$
Beginning of year	572,407	0.40	-	-
Granted	500,000	0.10	572,407	0.40
Exercised	-	-	-	-
Cancelled	-	-	-	-
End of year	1,072,407	0.37	572,407	0.40

During the year ended December 31, 2008, the company issued 500,000 units in connection with a December 2008 private placement.

Anglo Swiss Resources Inc.

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2008, 2007 and 2006

(expressed in Canadian dollars)

7. Contributed Surplus, Options and Warrants *(continued)*

Warrants

During the years ended December 31, 2008 and 2007, the change in warrants outstanding was as follows:

	2008		2007	
	Number of warrants	Exercise price \$	Number of warrants	Exercise price \$
Beginning of year	13,831,512	0.37	2,074,500	0.19
Granted	5,470,000	0.15	14,028,452	0.37
Exercised	(865,000)	0.21	(2,260,857)	0.19
Cancelled	-	-	(10,583)	-
End of year	18,436,512	0.35	13,831,512	0.37

During the year ended December 31, 2008, the company issued 5,470,000 units in connection with a December 2008 private placement.

8. Income Taxes

- a) The income taxes shown on the consolidated statements of loss and deficit differ from the amounts obtained by applying statutory rates due to the following:

	2008	2007	2006
Statutory tax rate	31.0%	34.12%	34.12%
	\$	\$	\$
Loss before income taxes	(2,026,467)	(2,357,792)	(791,439)
Provision for income taxes based on statutory rates	(628,205)	(804,479)	(270,039)
Net adjustments for deductible and non deductible amounts	271,644	481,665	131,661
Future tax asset recognized on flow-through renunciation	(1,047,974)	(29,002)	(103,978)
Tax benefits not recognized	356,561	322,814	138,378
	(1,047,974)	(29,002)	(103,978)

Anglo Swiss Resources Inc.

(an exploration stage company)

Notes to the Consolidated Financial Statements

For the years ended December 31, 2008, 2007 and 2006

(expressed in Canadian dollars)

8. Income Taxes (continued)

Future income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the company's future tax assets as of December 31 are as follows:

	2008	2007
	\$	\$
Capital and non-capital loss carry-forwards	868,400	666,900
Property, plant and equipment, mineral properties and other	(360,765)	422,777
Total future tax assets	507,635	1,089,677
Valuation allowance	(507,635)	(1,089,677)
Net future tax assets	-	-

- c) The Company estimates that it has approximately \$3.34 million in non-capital losses, expiring between 2009 and 2028, to reduce future taxable income in Canada. The realization of income tax benefits related to these losses is uncertain and cannot be viewed as more likely than not. Accordingly, no future income tax asset has been recognized for accounting purposes.

9. Commitment

At December 31, 2008, the Company is to incur approximately \$547,000 in eligible exploration expenditures prior to December 31, 2009 in order to complete obligations entered into under flow-through share purchase agreements.

10. Related party transactions

- a) Included in accounts payable and accrued liabilities is \$32,654 (2007 - \$311,282) due to directors and organizations controlled by directors, and \$nil (2007 - \$77,998) due to a law firm in which an officer of the Company is a partner.
- b) The Company incurred consulting fees of \$216,000 (2007 - \$216,000; 2006 - \$60,000) for management services provided by directors and officers or organizations controlled by such parties.
- c) The Company incurred fees of \$144,000 (2007 - \$126,575; 2006 - \$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

Anglo Swiss Resources Inc.

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Notes to the Consolidated Financial Statements

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(expressed in Canadian dollars)

11. Material differences between Canadian and United States generally accepted accounting principles

The company prepares its consolidated financial statements in accordance with accounting principles generally accepted in Canada (Canadian GAAP), which differ in certain respects from those principles that the company would have followed had its consolidated financial statements been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP).

The significant measurement differences between Canadian and U.S. GAAP are described below, and their effect on the consolidated financial statements is summarized as follows:

	2008 \$	2007 \$	2006 \$
Consolidated statements of loss			
Loss for the year under Canadian GAAP	978,493	2,328,790	687,461
Mineral property expenditures for the year (a)	3,210,817	1,249,154	510,391
Exploration costs written off during the year (a)	-	(986,101)	-
	<hr/>	<hr/>	<hr/>
Loss for the year under U.S. GAAP	4,189,310	2,591,843	1,197,852
	<hr/>	<hr/>	<hr/>
Loss per share under U.S. GAAP	0.04	0.03	0.02
	<hr/>	<hr/>	<hr/>
Mineral properties			
Balance per Canadian GAAP	7,797,264	4,586,447	4,323,394
Cumulative mineral property expenditures (a)	(7,797,264)	(4,586,447)	(4,323,394)
	<hr/>	<hr/>	<hr/>
Balance under U.S. GAAP	-	-	-
	<hr/>	<hr/>	<hr/>
Stock options and warrants			
Under Canadian GAAP	2,687,139	1,893,011	917,152
Stock-based compensation (c)	(80,594)	(80,594)	(80,594)
	<hr/>	<hr/>	<hr/>
Balance under U.S. GAAP	2,606,545	1,812,417	836,558
	<hr/>	<hr/>	<hr/>
Deficit			
Under Canadian GAAP	(12,956,899)	(11,978,406)	(9,649,616)
Stock-based compensation (c)	80,594	80,594	80,594
Cumulative mineral property expenditures (a)	(7,797,264)	(4,586,447)	(4,323,394)
	<hr/>	<hr/>	<hr/>
Deficit under U.S. GAAP	(20,673,569)	(16,484,259)	(13,892,416)
	<hr/>	<hr/>	<hr/>

Anglo Swiss Resources Inc.

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Notes to the Consolidated Financial Statements

For the years ended December 31, 2008, 2007 and 2006

(expressed in Canadian dollars)

	2008 \$	2007 \$	2006 \$
Cash flows			
Cash flows from operating activities			
Per Canadian GAAP	(1,431,367)	(976,064)	(306,889)
Exploration expenditures (a)	(2,640,865)	(1,249,154)	(385,391)
	<hr/>	<hr/>	<hr/>
Per U.S. GAAP	(4,072,232)	(2,225,218)	(692,280)
	<hr/>	<hr/>	<hr/>
Cash flows from investing activities			
Per Canadian GAAP	(3,228,027)	(1,287,574)	(316,879)
Exploration expenditures (a)	2,640,865	1,249,154	314,957
	<hr/>	<hr/>	<hr/>
Per U.S. GAAP	(587,162)	(38,420)	(1,922)
	<hr/>	<hr/>	<hr/>

11. Material differences between Canadian and United States generally accepted accounting principles (continued)

a) Mineral property and exploration costs

For U.S. GAAP purposes, the company expenses exploration and acquisition costs incurred relating to unproven mineral properties. When proven and probable reserves are determined for a property, subsequent exploration and development costs of the property are capitalized. The capitalized costs of such properties are assessed periodically to assess whether the carrying value can be recovered on an undiscounted cash flow basis. If the carrying value cannot be recovered on this basis, the mineral properties are written down to fair value on a discounted cash flow basis.

b) Mine plant and equipment

The equipment referred to in note 4 is plant and equipment relating to the Company's Kenville mine, which has been in a care and maintenance mode since 1997. Our stated policy is to depreciate this equipment based on its use in productive process over time. Since these assets were not used in the productive process in 2006, no depreciation charge was recorded in those years on the Company's financial statements. These assets were used during 2007 and 2008 and were depreciated according to company policy. It is management's view that the assets are still in suitable condition to be employed in the re-start of the Kenville mine which is in keeping with the company's objectives. In accordance with CICA 3061 and FAS 144, management performs annual impairment assessments of the mining assets and as a result of these assessments, no impairment was found to exist.

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11 Material differences between Canadian and United States generally accepted accounting principles *(continued)*

c) Accounting for stock-based compensation

Effective January 1, 2004 for Canadian GAAP, the company adopted CICA 3870, "Stock-based Compensation and Other Stock-based Payments" which requires an expense to be recognized in the financial statements for all forms of employee stock-based compensation. Adoption of CICA 3870 was applied retroactively, without restatement, as permitted by the standard. For U.S. GAAP purposes, the company adopted Statement of Financial Accounting Standards (SFAS) 148, "Accounting for Stock-based Compensation Transition and Disclosure". For U.S. GAAP, effective January 1, 2004, the company applied the modified prospective method of adoption included in SFAS 148 which recognizes stock-based employee compensation for 2004 as if the fair value based accounting method in this statement had been used to account for all employee awards granted, modified or settled in fiscal years beginning after December 14, 1994. Since all stock options granted from that date to January 1, 2004 vested immediately, application of the modified prospective method for U.S. GAAP purposes in 2004 did not have any additional impact on the stock-based compensation charge for 2004 under U.S. GAAP.

d) Flow through shares

During the year, the Company issued by way of private placements 5,470,000 units at \$0.10 per unit which resulted in gross proceeds of \$547,000. Each unit consists of one flow through common share and one share purchase warrant. According to SFAS 109, "Accounting for Income Taxes", the proceeds should be allocated between the offering of the shares and the sale of tax benefits when the shares are offered. The allocation is made based on the difference between the quoted price of the shares and the amount the investor pays for the flow through share. A future income tax liability is recognized for the premium paid by the investors. The company did not receive any premiums to market on this issue.

e) Accounting Changes and Error Corrections

FASB issued SFAS 154 – Accounting Changes and Error Corrections to replace APB Opinion No. 20 and FASB Statement No. 3. SFAS 154 requires retrospective application of voluntary changes in accounting principles, unless deemed impracticable. Under existing US GAAP, a new principle is not applied to prior periods but instead the cumulative effect of the change is recognized in earnings in the period of the change. SFAS 154 also carries forward without change the guidance for APB No. 20 for reporting the correction of an error in previously issued financial statement and the accounting for changes in estimates. This statement is effective for accounting changes and corrections of errors made in fiscal periods beginning after December 15, 2005.

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12. 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 this claim to be without merit and is 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.

13. Subsequent events

- (a) On February 2, 2009, the Company completed the first tranche of a private placement of 1.3 millions units of Anglo Swiss shares at a price of \$0.10 per unit for gross proceeds of \$130,000 of a proposed \$700,000 offering. Each unit consists of one common share and one common share purchase warrant of Anglo Swiss, each whole warrant entitling the holder thereof to acquire on common share of Anglo Swiss on or before February 2, 2011, at a price of \$0.15 per share.
- (b) On March 12, 2009, the Company issued 1 Million shares at a deemed price of \$0.475 to settle an outstanding debt with a vendor for \$474,940.43.
- (c) On March 20, 2009, the Company completed the final tranche of private placement of 2,030,000 units of Anglo Swiss shares at a price of \$0.10 per unit for gross proceeds of \$203,000.