

ANGLO SWISS RESOURCES INC  
Form 20-F  
June 30, 2010

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 20-F**

£

REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

**OR.**

S

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended **December 31, 2009**

**OR**

£

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

**OR**

£

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT 1934

(Date of event requiring this shell company report)

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

**Commission File Number 0-8797**

ANGLO SWISS RESOURCES INC.

(Exact name of Registrant as specified in its charter)

Province of British Columbia, Canada

(Jurisdiction of incorporation or organization)

837 West Hastings Street, Suite 309, Vancouver, British Columbia, Canada V6C 3N6

(Address of principal executive offices)

Chris Robbins, Tel: 604-683-0484, Fax: 604-683-7497, Email: corporate@anglo-swiss.com

(Name, Telephone, E-mail and/or Facsimile number and Address of Company Contact Person)

Securities registered or to be registered pursuant to Section 12(b) of the Act:

Title of each class

Name of each exchange on which registered

None

Not Applicable

Securities registered or to be registered pursuant to Section 12(g) of the Act:

Common Shares Without Par Value

(Title of Class)

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act:

None

(Title of Class)

Indicate the number of outstanding shares of each of the issuer's classes of capital or common stock as of the close of the period covered by the annual report.

Title of Class

Issued and Outstanding as of December 31, 2009

Common Shares Without Par Value

132,982,840

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check One)

Large accelerated filer

Accelerated filer

Non-accelerated filer

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP  IFRS as issued by the IASB  Other

If "Other" has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

**Item 17  Item 18**

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

**(APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PAST FIVE YEARS)**

Indicate by check mark whether the Company has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court.

Yes \_\_\_\_ No \_\_\_\_ Not Applicable

### **CURRENCY TRANSLATIONS**

In this Form 20-F Annual Report, unless otherwise specified, all monetary amounts are expressed in Canadian dollars. See Item 3.A Key Information - Selected Financial Data for a summary of key exchange rates.

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## **PART I**

The information set forth in this Form 20-F Annual Report is as at December 31, 2009 unless an earlier or later date is indicated.

References to Anglo Swiss Resources Inc. , the Company and the registrant in this Form 20-F Annual Report include any of its subsidiaries except to the extent the context requires otherwise.

Unless otherwise specified, financial information is presented in accordance with accounting principles generally accepted in Canada. The major measurement differences between accounting principles generally accepted in Canada and in the United States, as applicable to the Company, are set forth in Item 5 of this Annual Report and in Note 11 to the accompanying financial statements of the Company.

### **FORWARD-LOOKING STATEMENTS**

**This Annual Report includes certain statements that may be deemed forward-looking statements . All statements in this Annual Report, other than statements of historical facts, are forward-looking statements and can be identified by words such as "anticipates", "believes", "estimates", "expects", "intends", "plans" and similar expressions or their negatives. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the Company's actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements. The Company believes that such forward-looking statements are based on reasonable assumptions made by management. Investors are cautioned however, that forward-looking statements are not guarantees of future performance and actual results or developments may differ materially from those that may be projected in such forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include, among other factors, continued availability of financing under favourable terms, market prices, results of exploration activities, significant changes to laws and regulations governing mineral exploration and exploitation activities, and general economic, market or business conditions. See Item 3. Key Information - D. Risk Factors for other factors that may affect the Company s future performance.**

**Except as required by applicable law, the Company assumes no obligation to update its forward-looking statements to reflect actual results, changes in assumptions or changes in other factors affecting such statements. Investors should carefully review the cautionary statements and risk factors contained in this and other documents that the Company files from time to time with the SEC.**

### **CAUTIONARY NOTE TO U.S. INVESTORS**

**The terms mineral resource , measured mineral resource , indicated mineral resource and inferred mineral resource used in this Form 20-F annual report are Canadian mining terms defined in and required to be disclosed by National Instrument 43-101: Standards of Disclosure for Mineral Projects under the guidelines as set out in the Canadian Institute of Mining, Metallurgy and Petroleum s Standards on Mineral Resources and Mineral Reserves. However, these terms are not defined under SEC Industry Guide 7 and are normally not permitted to be used in filings with the SEC. Investors are cautioned not to assume that any part or all of mineral deposits in these categories will ever be converted into reserves. Inferred mineral resources have a great amount of uncertainty as to their existence, and great uncertainty as to their economic and legal feasibility. It cannot be assumed that all or any part of an inferred mineral resource will ever be upgraded to a**



**higher category. Under Canadian rules, estimates of inferred mineral resources may not normally form the basis of feasibility or pre-feasibility studies. Investors are cautioned not to assume that all or any part of an inferred mineral resource exists or is economically or legally mineable.**

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**Accordingly, information contained in this annual report and the documents incorporated by reference herein contain descriptions of our mineral deposits that may not be comparable to similar information made public by U.S. companies subject to the reporting and disclosure requirements under the United States federal securities laws and the rules and regulations thereunder.**

## **GLOSSARY OF TERMS**

The following glossary, which is not exhaustive, should be used only as an adjunct to a thorough reading of the entire document of which it forms a part.

**alluvial:** A term used to identify particular types of, or minerals found associated with, deposits made by flowing water, such as alluvial gold.

alluvial diamonds: diamonds found in river sediments.

**Arrangement:** The arrangement under the Company Act, among the Company and the ASII shareholders and ASII and more particularly described under **Item 4.A Information of the Company History and Development of the Company**.

**ASIHI:** Anglo Swiss International Holdings Inc., a wholly-owned subsidiary of the Company, incorporated under the laws of the Cayman Islands.

**ASII:** Anglo Swiss Industries Inc., a company incorporated under the Company Act under the name 68063 B.C. Ltd. .

**ASII Common Shares:** The common shares without par value in the capital of ASII.

**bedrock:** the solid rock under deposits of gravels, sands, soil and silt.

**beryl:** A beryllium-aluminium silicate. Used as a gem when clear and well coloured. The grass green variety is known as emerald; light green, beryl; blue-green, aquamarine.

**Blu Starr Joint Participation Agreement:** The Agreement dated May 1, 2000 between the Company and Hampton Court Resources Inc., respecting the Blu Starr Property, including amendments thereto. Agreement expired on April 30, 2003.

**Board of Directors:** The board of directors of the Company as elected or appointed from time to time. Also sometimes referred to as the Board .

**breccia:** A fragmental rock; any rock formation essentially composed of uncemented, or loosely consolidated, small angular-shaped fragments.

**Canadamin S.A.:** Compania Minera Canadamin S.A., a company incorporated under the laws of Ecuador, all of whose issued and outstanding shares are held by ASIHI.

**Canadian GAAP:** Canadian generally accepted accounting principles.

**carat:** A unit employed in weighing diamonds and gemstones. The international metric carat (M.C.) of 200 milligrams is the standard.

**carbonatite:** A sulfide of copper and iron.

**Catamayo Joint Participation Agreement:** The Agreement dated May 1, 2000 between the Company and Hampton Court Resources Inc. respecting the Catamayo River Property.

**chalcopyrite:** A sulfide of copper and iron.

**Company:** Anglo Swiss Resources Inc., a company continued under the Company Act.

**Company Act:** The *Company Act* (British Columbia) R.S.B.C. 1996, c.62, as amended from time to time.

**Company Class A Preferred:** The Class A preferred shares without par value in the capital of the Company.

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**Company Class B Preferred:** The Class B preferred shares without par value in the capital of the Company.

**Company Class C Preferred:** The Class C preferred shares without par value in the capital of the Company.

**Company Common Shares:** The common shares without par value in the capital of the Company.

**concession:** A form of entitlement under Ecuadorian law to either explore and develop a given area for minerals or to exploit or mine such area.

**corundum:** An aluminium oxide,  $Al_2O_3$  occurring commonly as an accessory mineral in the metamorphic rocks, such as crystal-line limestone mica-schist, gneiss. The coloured and clear varieties form the gems sapphire, ruby, oriental emerald and oriental topaz.

**deposit:** A coherent geological body such as a mineralized body.

**diamondiferous:** Containing diamonds.

**Director:** A director of the Company as elected or appointed from time to time.

**Dissenting Shareholders:** ASII shareholders who validly exercised the rights of dissent provided to them in respect of the 409556 Sale or the Arrangement and receive fair value for their ASII common shares of ASII in accordance with Section 207 of the Company Act in respect of the 409556 Sale or with the Section 207 of the Company Act in respect of the Arrangement.

**dome:** A mountain having a smoothly rounded summit of rock that resembles the cupola or dome on a building.

**doré bars:** An unrefined gold and silver bar consisting of approximately 90% precious metals that would be further refined to almost pure precious metals.

**electromagnetic survey (or EM survey):** A survey of the conductive properties of rocks. Grade: (to contain a particular) quantity of ore or mineral relative to other constituents, in a specified quantity of rock.

**epithermal:** Applied to hydrothermal deposits formed at low temperature and pressure.

**Exchange Act:** The United States *Securities Exchange Act of 1934*, as amended from time to time.

**fault:** A fracture or a fracture zone along which there has been displacement of the two sides relative to one another parallel to the fracture. The displacement may be a few inches or many miles.

**fluorite:** A natural calcium fluoride, occurring in veins either alone or with metallic ores.

**fracture:** The general term to include any kind of discontinuity in a body of rock if produced by mechanical process such as shear stress or tensile stress, but not attended by movement on one side or the other.

**garnet:** A group of silicate minerals including several species with related chemical structure. Several principal garnets include almandine (iron aluminum) abrasive and gem, precious garnet and pyrope (manganese aluminum).

**gemstone:** A term that includes pearl, amber, coral, jet, or any stone of any variety of a gem mineral which is of sufficient beauty and durability for use as a personal ornament.

**graphite:** A allotropic form of carbon found in nature, molecular weight, 12.01; black, dark grey or steel grey; specific gravity 1.9 to 2.3; Mohs hardness 1 to 2.

**hectare:** A metric unit of land measure equal to 10,000 square metres or 2.471 acres.

**iolite:** A gem variety of the mineral cordierite; a silicate of magnesium and aluminum, found as an accessory mineral in granite, gneiss, schists and in contact metamorphic zones. Color is different shades of blue, Mohs hardness 7 to 7.5, transparent to translucent.

**kimberlite:** An igneous rock of mantle origin occurring in intrusive breccia pipes, which is sometimes diamond bearing.

**kyanite:** A natural silicate of aluminum, found in metamorphic rocks.

**mantle:** The ultramafic layer of the earth beneath the crust.

**mineral:** An inorganic substance having usually a definite chemical composition and, if formed under favourable conditions, having a certain characteristic atomic structure which is expressed in its crystalline form and other physical properties.

**mineral claim:** The portion of mining ground held under law by a claimant.

**mineral resource:** In-situ mineral occurrence from which valuable or useful minerals may be recovered.

**mineralization:** Implication that the rocks contain sulphide minerals and that these could be related to ore.

**Option Joint Venture Agreement:** That agreement dated February 10, 1995 between 409556 and Teck Corp. respecting the Kenville Mine Property.

**ore:** That part of a mineral deposit which could be economically and legally extracted.

**overburden:** Material that overlies bedrock.

**pipe:** A roughly funnel-shaped, approximately vertical extrusion of volcanic breccia and kimberlite that may or may not contain diamonds.

**placer:** A place where gold is obtained by washing; an alluvial or glacial deposit, as of sand or gravel, containing particles of gold or other valuable minerals including gemstones.

**Post-Arrangement Transactions:** Post-Arrangement Transactions means those transactions that were undertaken immediately after the Arrangement and more particularly described under **Item 4.A Information of the Company History and Development of the Company.**

**Pre-Arrangement Transactions:** Pre-Arrangement Transactions means those transactions that were undertaken immediately before the Arrangement and more particularly described under **Item 4.A Information of the Company History and Development of the Company.**

**prospect:** Mineral occurrence with the potential for an economic deposit.

**quality:** the degree of excellence of a diamond, measured by its weight, colour, purity or clarity and its perfection of proportions and finish.

**Reorganization:** The Pre-Arrangement Transactions, the Arrangement and the Post-Arrangement Transactions.

**reserve:** That part of a mineral deposit which could be economically and legally extracted or produced at the time of the reserve determination.

**ruby:** Red transparent corundum ( $Al_2O_3$ ) colour being due to traces of sufficient chromium. Mohs hardness 8-9, specific gravity of 4.

**sapphire:** Most commonly blue transparent corundum ( $Al_2O_3$ ) colour being due to traces of cobalt, chromium, titanium: Mohs hardness 8-9, specific gravity of 4.

**sediment:** unconsolidated material, both mineral and organic, that has come to rest on, or is being transported over, the earth's surface by water, wind or ice.

**short ton:** A weight of 2,000 pounds. Also sometimes referred to as a ton .

**strike:** The direction, that is, the course or bearing of a vein or rock formation measured on a horizontal surface.

**Teck Corp.:** Teck Corporation, a Canadian-based, international mining company.

**terrace:** An alluvial deposit on a flat area of a river or former riverbank. Also known as a bench placer.

**ton:** See the definition of short ton .

**tonne:** A weight of 2,200 pounds. Also sometimes referred to as a metric tonne .

**tourmaline:** A complex aluminum silicate of hexagonal crystallization containing boron and other elements.

**ultramafic:** Igneous rocks of mantle origin with low silica contents.

**U.S. GAAP:** United States generally accepted accounting principles.

**vein:** A zone or belt of mineralized rock lying within boundaries clearly separating it from neighbouring rock. A mineralized zone has, more or less, a regular development in length, width and depth to give it a tabular form and is commonly inclined at a considerable angle to the horizontal. The term lode is commonly used synonymously for vein.

**volcanic:** Descriptive of rocks originating from volcanic activity.

**409556:** 409556 B.C. Ltd., previously a wholly-owned subsidiary of the Company which has been now wound-up.

**409556 Sale:** The sale of all of the issued and outstanding shares of 409556 by ASII to the Company, and forming part of the Pre-Arrangement Transactions.



**ITEM 1.****IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISORS**

Not Applicable

**ITEM 2.****OFFER STATISTICS AND EXPECTED TIMETABLE**

Not Applicable

**ITEM 3.****KEY INFORMATION****A.****Selected Financial Data**

The following table summarizes selected financial data for the Company (stated in Canadian dollars) prepared in accordance with Canadian GAAP. The Reorganization, effective November 28, 1997, resulted in the Company, a former subsidiary of ASII, becoming the parent company and ASII and its other subsidiaries become the subsidiaries of the Company. This transaction was a reorganization of existing companies and had no impact on the financial statements except for authorized capital of the Company which is now 900,000,000 shares. The information in the tables was extracted from the more detailed consolidated financial statements and related notes and should be read in conjunction with the consolidated financial statements included in this Annual Report and with the information provided under **ITEM 5. Operating and Financial Review and Prospects**. Results for the period ended December 31, 2009 are not necessarily indicative of the results for future periods.

**Selected Financial Data Prepared in accordance with Canadian GAAP**

<b>Item</b>	<b>Dec. 31/2009</b>	<b>Dec. 31/2008</b>	<b>Dec. 31/2007</b>	<b>Dec. 31/2006</b>	<b>Dec. 31/2005</b>
(a)	NIL	NIL	NIL	NIL	NIL

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Revenues					
(b)	\$(1,961,720)	\$(2,026,467)	\$(2,357,792)	\$(687,461)	\$(482,478)
Net					
loss					
(c)	(0.02)	\$(0.01)	\$(0.03)	\$(0.01)	\$(0.01)
Basic and diluted					
loss per					
share					
(d)	\$13,184,824	\$9,555,031	\$9,717,623	\$5,436,393	\$5,453,577
Total					
assets					
(e)	NIL	NIL	NIL	NIL	NIL
Total					
long-term					
debt					
(f)	\$12,607,503	\$8,749,967	\$9,182,444	\$4,885,094	\$4,985,299
Net assets					
(g)	\$22,972,431	\$18,451,320	\$18,866,832	\$13,314,402	\$13,216,707
Capital stock					
(h)	132,982,840	107,932,837	100,422,837	69,252,688	67,402,688
No. of common					
shares					
outstanding					

**Selected Financial Data Prepared in accordance with U.S. GAAP**

<b>Item</b>	<b>Dec. 31/2009</b>	<b>Dec. 31/2008</b>	<b>Dec. 31/2007</b>	<b>Dec. 31/2006</b>	<b>Dec. 31/2005</b>
	NIL	NIL	NIL	NIL	NIL
(a)					
Revenues					
	\$(3,420,841)	\$(4,640,001)	\$(3,458,845)	\$(1,137,590)	\$(578,411)
(b)					
Net loss					
(c)Basic and diluted loss per share	(0.03)	\$(0.05)	\$(0.04)	\$(0.02)	\$(0.01)
	\$6,429,721	\$4,259,049	\$7,592,458	\$4,448,781	\$4,812,116
(d)					
Total assets					
	NIL	NIL	NIL	NIL	NIL
(e)					
Total long-term debt					
	\$5,852,400	\$3,453,985	\$7,057,279	\$3,897,482	\$4,343,838
(f)					
Net assets					
	\$23,764,202	\$19,038,491	\$18,963,312	\$13,418,380	\$13,216,707
(g)					
Capital stock					
	132,942,840	107,932,837	100,422,837	69,252,688	67,402,688
(h)					
No. of common shares outstanding					

**Refer to Note 11 of the Company's consolidated financial statements included in this Annual Report for details of the material differences between Canadian and U.S. GAAP.**

The Company has not declared or paid any dividends in any of its last five financial years.

In this Form 20F Annual Report unless otherwise specified, all monetary amounts are expressed in Canadian Dollars. On June 25, 2010 the exchange rate, based on the noon buying rate published by the Bank of Canada, for the conversion of United States dollars into Canadian dollars (the Noon Rate of Exchange ) was \$0.9674 (US \$1.00 =

CDN \$1.0337).

The following table sets out the high and low exchange rates exchange rates for each of the last six months.

	<b>May 2010</b>	<b>April 2010</b>	<b>March 2010</b>	<b>February 2010</b>	<b>January 2010</b>	<b>December 2009</b>
High for Period	1.0778	1.0201	1.0326	1.0725	1.0657	1.0713
Low for Period	1.0116	0.9961	1.0113	1.0420	1.0251	1.0405

The following table sets out the average exchange rates for the five most recent financial years calculated by using the average of the Noon Rate of Exchange on the last day of each month during the period.

	<b>2009</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>	<b>2005</b>
Average for the period	1.1420	1.0670	1.0748	1.1319	1.2135

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**B.**

**Capitalization and Indebtedness**

Not applicable

**C.**

**Reasons For The Offer and Use of Proceeds**

Not applicable

**D.**

**Risk Factors**

Due to the nature of the Company's business, an investment in the Company is highly speculative and subject to numerous and substantial risks. The following is a brief discussion of those distinctive or special characteristics of the Company's operations and industry, which may have a material impact on, or constitute risk factors in respect of, the Company's future financial performance.

*Exploration and Development Risks*

The Company is engaged in the business of acquiring and exploring mineral properties in the expectation of locating mineral reserves. The Company's property interests are in the exploration stage only and are without a known body of commercial ore. Accordingly, there is little likelihood that the Company will realize any profits in the short to medium term. Any profitability in the future from the Company's business will be dependent upon locating mineral reserves, which itself is subject to numerous risk factors.

The business of exploring for minerals and mining involves a high degree of risk. Few properties that are explored are ultimately developed into producing, profitable mines. In developing its mineral deposits, the Company will be subjected to an array of complex economic factors and accordingly there is no assurance that a positive feasibility study or any projected results contained in a feasibility study of a mineral deposit will be attained.

Technical considerations, delays in obtaining governmental approvals, inability to obtain financing or other factors could cause delays in developing properties. Such delays could materially adversely affect the financial performance of the Company.

The business of mining is subject to a variety of risks such as cave-ins and other accidents, flooding, environmental hazards, the discharge of toxic chemicals and other hazards. Such occurrences may delay production, increase production costs or result in liability. The Company may have insurance in amounts that it considers to be adequate to protect itself against certain risks of mining and processing. However, the Company may become subject to liability for hazards against which it cannot insure itself or which it may elect not to insure against because of premium costs or other reasons. In particular, the Company is not insured for environmental liability or earthquake damage.

*Title Matters*

While the Company believes title to all of its properties is in good standing, this should not be construed as a guarantee of title. Other parties (including indigenous landowners) may dispute title to the mining properties in which the Company has an interest or the right to acquire an interest. The properties may be subject to prior unregistered agreements or transfer or land claims and title may be affected by undetected defects.

Only a small number of the mining claims in which the Company has an interest are held under governmental lease or patent. Accordingly, other parties may dispute the Company's title to its mining and other interests. Such claims may be subject to prior unregistered agreements or transfers or native land claims and title may be affected by undetected defects. There may also be liens or other encumbrances registered against the Company's mining claims from time to time. The Company has entered into, or may enter into, contractual arrangements to acquire interests in resource properties with governments or governmental agencies. Such contractual arrangements may be difficult to enforce.

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### *Insurance*

The Company currently has little or no insurance coverage for its plant and related equipment at any of its properties. In the event of one or more uninsured losses, any one of the Company's current projects would be rendered uneconomic.

### *Environmental and other Regulatory Requirements*

The Company's potential mining and processing operations and exploration activities in Canada are subject to various federal, territorial and provincial laws governing land use, the protection of the environment, prospecting, development, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, mine safety and other matters. Such operations and exploration activities are also subject to substantial regulation under these laws by governmental agencies and may require that the Company obtain permits from various governmental agencies.

The Company believes it is in substantial compliance with all material laws and regulations which currently apply to its various activities. There can be no assurance, however, that all permits which the Company may require for construction of mining facilities and conduct of mining operations will be obtainable on reasonable terms or that such laws and regulations would not have an adverse effect on any mining project which the Company might undertake.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions there-under, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or require abandonment or delays in development of new mining properties.

### *Competition*

Significant and increasing competition exists for the limited number of diamond/gemstone/precious and base metals acquisition opportunities available in Canada, the United States and beyond. As a result of this competition, some of which is with large established mining companies with substantial capabilities and greater financial and technical resources than the Company, the Company may be unable to acquire additional attractive opportunities on terms it considers acceptable.

### *Currency Fluctuations*

The Company maintains its accounts in Canadian Dollars. The Company's operations are all situated within Canada and therefore, are not subject to foreign currency fluctuations. The Company does not at the present, nor in the future plan to engage in foreign currency transactions to hedge exchange rate risks.

*Mineral Prices*

The mining industry in general is intensely competitive and there is no assurance that, even if commercial quantities of mineral resources are discovered, a profitable market will exist for the sale of same. Factors beyond the control of the Company may affect the marketability of any substances discovered. The price of gold and gemstones has experienced volatile and significant price movements over short periods of time, and is affected by numerous factors beyond the control of the Company, including international economic and political trends, expectations of inflation, currency exchange fluctuations (specifically, the U.S. dollar relative to other currencies), speculative activities and increased production due to improved mining and production methods. The supply of and demand for diamond/gemstones/precious and base metals is affected by various factors, including political events, economic conditions and production costs in major commodities producing regions and governmental policies.

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### *Sales and Refining*

If production is achieved on any of the Company's properties, the diamonds, gemstones, or precious/base metals can be readily sold on numerous markets throughout the world and it is not difficult to ascertain its market price at any particular time. Doré bars that may be produced by the Company's future mining operations would be refined by a commercial refinery; and any precious/base metals produced would subsequently be purchased on a competitive basis.

The Company believes that because of the availability of refiners, each able to supply all services that would be required by the Company, no material adverse affect is likely to result if the Company lost the services of any refiner. Because of the large number of available precious/base metals purchasers, the Company believes that it is not dependent upon the sale of its production to any customer, the loss of which would have material adverse affect on the business of the Company.

Sapphires are far less common than diamonds, with large gem quality rubies being anything from 30-50 times rarer than diamonds. Rubies and sapphires dominate the world gemstone market and account for over 50% of total sales. The world market for diamonds and precious/semi-precious gemstones is maintained mostly through well established markets throughout the world.

### *Dependence upon Qualified Personnel*

The Company is dependent upon its ability to attract and retain qualified personnel. No assurances can be given that the Company will be able to attract or retain any such persons.

### *Conflicts of Interest*

Certain of the directors of the Company are directors of other reporting companies and to the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the directors of the Company, a director who has such a conflict will abstain from voting for or against the approval of such participation or such terms. In appropriate cases the Company will establish a special committee of independent directors to review a matter in which several directors, or management, may have a conflict. From time to time, several companies may participate in the acquisition, exploration and development of natural resource properties thereby allowing for their participating in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. In accordance with the laws of the Province of British Columbia, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the potential benefits to the Company, the degree of risk to which the Company may be exposed and its financial position at that time. Other than as indicated, the Company has no other procedures or mechanisms to deal with conflicts of interest.



### *Additional Funding Requirements*

The Company has not received cash flow from operations in the past and positive cash flow is not expected in the next few years to satisfy the Company's operational requirements and cash commitments. In the past, the Company has relied on sales of equity securities to meet most of its cash requirements, together with management fees, property payments and sales or joint ventures of properties. There can be no assurance that funding from these sources will be sufficient in the future to satisfy operational requirements and cash commitments.

The Company currently has sufficient financial resources on hand to undertake all of its planned exploration programs and meet its general and administrative expenses budgeted through the current fiscal year ending 2010. The Company completed a private placement of \$1,500,000 in the first quarter of 2010 resulting in the issuance of common shares. **SEE ITEM 17. Financial Statements Subsequent Events.** The continued exploration of the Company's properties in the future will continue to depend upon the Company's ability to obtain financing through any or all of the joint venturing of projects, debt financing, equity financing or other means. There is no assurance that the Company will be successful in obtaining the required financing. Failure to obtain additional financing on a timely basis could cause the Company to forfeit its interest in its properties and reduce or terminate its operations on such properties.

### *History of Net Losses; Accumulated Deficit; Lack of Revenue From Operations*

The Company has incurred significant net losses to date. Its deficit as of December 31, 2009, was \$14,714,019. The Company has not yet had any revenue from the exploration activities on its properties, nor has the Company yet found that development activity is warranted on any of its properties. Even if the Company does undertake development activity on any of its properties, the Company may continue to incur losses beyond the period of commencement of such activity. There is no certainty that the Company will produce revenue, operate profitably or provide a return on investment in the future.

### *Limited Experience with Development-Stage Mining Operations*

The Company has limited experience in placing resource properties into production, and its ability to do so will be dependent upon using the services of appropriately experienced personnel or entering into agreements with other major resource companies that can provide such expertise. There can be no assurance that the Company will have available to it the necessary expertise when and if the Company places its resource properties into production.

### *Stock Subject to Penny Stock Rules*

The capital stock of the Company would be classified as penny stock as defined in Reg. § 2403a51-1 promulgated under the Exchange Act. In response to perceived abuse in the penny stock market generally, the Exchange Act was amended in 1990 to add new requirements in connection with penny stocks. In connection with effecting any transaction in a penny stock, a broker or dealer must give the customer a written risk disclosure document that (a) describes the nature and level of risk in the market for penny stocks in both public offerings and secondary trading, (b) describes the broker's or dealer's duties to the customer and the rights and remedies available to such customer with respect to violations of such duties, (c) describes the dealer market, including bid and ask prices for penny stock and the significance of the spread between the bid and ask prices, (d) contains a toll-free telephone number for inquiries on disciplinary histories of brokers and dealers, and (e) defines significant terms used in the disclosure document or the

conduct of trading in penny stocks. In addition, the broker-dealer must provide to a penny stock customer a written monthly account statement that discloses the identity and number of shares of each penny stock held in the customer's account, and the estimated market value of such shares. The extensive disclosure and other broker-dealer compliance related to penny stocks may result in reducing the level of trading activity in the secondary market for such stocks, thus limiting the ability of the holder to sell such stock.

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*Environmental and Other Regulatory Requirements*

The current or future operations of the Company, including development activities and commencement of production on its properties, require permits from various governmental authorities and such operations are and will be subject to laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Companies engaged in the development and operation of mines and related facilities generally experience increased costs, and delays in production and other schedules as a result of the need to comply with applicable laws, regulations and permits. There can be no assurance that approvals and permits required to commence production on its various properties will be obtained. Additional permits and studies, which may include environmental impact studies conducted before permits can be obtained, may be necessary prior to operation of the properties in which the Company has interests and there can be no assurance that the Company will be able to obtain or maintain all necessary permits that may be required to commence construction, development or operation of mining facilities at these properties on terms which enable operations to be conducted at economically justifiable costs.

The Company's potential mining and processing operations and exploration activities in Canada are subject to various federal and provincial and state laws governing land use, the protection of the environment, prospecting, development, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, mine safety and other matters. Such operations and exploration activities are also subject to substantial regulation under these laws by governmental agencies and may require that the Company obtain permits from various governmental agencies. The Company believes it is in substantial compliance with all material laws and regulations, which currently apply to its activities. There can be no assurance, however, that all permits the Company may require for construction of mining facilities and conduct of mining operations will be obtainable on reasonable terms or such laws and regulations would not have a material adverse effect on any mining project the Company might undertake.

Failure to comply with applicable laws, regulations, and permitting requirements may result in enforcement actions there under, including orders issued by regulatory or judicial authorities causing operations to cease or be curtailed, and may include corrective measures requiring capital expenditures, installation of additional equipment, or remedial actions. Parties engaged in mining operations may be required to compensate those suffering loss or damage by reason of the mining activities and may have civil or criminal fines or penalties imposed for violations of applicable laws or regulations.

Amendments to current laws, regulations and permits governing operations and activities of mining companies, or more stringent implementation thereof, could have a material adverse impact on the Company and cause increases in capital expenditures or production costs or reduction in levels of production at producing properties or abandonment or delays in development of new mining properties.

To the best of the Company's knowledge, it is currently operating in compliance with all applicable environmental regulations.

*Dividends*

All of the Company's available funds will be invested to finance the growth of the Company's business and therefore investors cannot expect and should not anticipate receiving a dividend on the Company's common shares in the foreseeable future.

*Company's Officers and Directors Resident Outside U.S.; Potential Unenforceability of Civil Liabilities and Judgments*

The Company and its officers are residents of countries other than the United States, and all of the Company's assets are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon such persons or enforce in the United States against such persons judgments obtained in the United States courts, including judgments predicated upon the civil liability provisions of United States federal securities laws or state securities laws.

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The Company believes that a judgment of a United States court predicated solely upon civil liability under the United States securities laws would probably be enforceable in Canada if the United States court in which the judgment was obtained has a basis for jurisdiction in the matter that was recognized by a Canadian court for such purposes. However, there is doubt whether an action could be brought in Canada in the first instance on the basis of liability predicated solely upon such laws.

*If the Company is Unable to Successfully Develop and Subsequently Generate Sufficient Cash Flow from its Properties, the Company Could be treated as a Passive Foreign Investment Company for U.S. Tax Purposes, Possibly Resulting in Additional Taxes to Its U.S. Stockholders and Less Liquidity for the Stock.*

The Company, as a foreign corporation with U.S. stockholders, could potentially be treated as a passive foreign investment company ( PFIC ) for U.S. tax purposes. U.S. stockholders owning shares of a PFIC can be subject to adverse tax consequences. In general, the Company would be considered a PFIC if: 75% or more of its gross income in a taxable year is passive income such as dividends and interest; or, the average percentage of the Company's assets (by value) during the taxable year which produce passive income or which are held for production of same is at least 50%. A U.S. stockholder owning shares of a PFIC, who does not make certain elections for tax purposes, is subject to an additional tax and to an interest charge based on the value of deferral of tax for the period during which the common shares of the PFIC are owned. Also, gain realized on the disposition of common shares of the PFIC would be treated as ordinary income rather than capital gains. If U.S. stockholders are subject to adverse tax consequences related to their ownership of the Company's stock, they might be less willing to acquire the stock, which could result in reduced market activity and liquidity for the stock.

#### **ITEM 4.**

#### **INFORMATION ON THE COMPANY**

##### **A.**

#### **History and Development of the Company**

ASII, the parent of the Company prior to the Reorganization, was organized in 1966 under the laws of the Province of British Columbia, Canada. Prior to February 1, 1990, ASII was known as Carolin Mines Ltd. . Prior to May 1, 1992 ASII was known as Anglo Swiss Mining Corporation and contemporaneous with the change of ASII's name to Anglo Swiss Industries Inc. , a consolidation of ASII's shares on a 1 for 15 basis, was also completed.

The Company was incorporated under the laws of Canada on June 27, 1995 under the name 3160157 Canada Ltd. as a wholly owned subsidiary of Anglo Swiss Industries Inc. ( ASII ). On July 12, 1995, it changed its name to Canadian Sapphire Corporation . On October 8, 1997 it was continued as Anglo Swiss Resources Inc. under the Company Act. The continuance was implemented to repatriate the Company as a British Columbia company as the majority of its direct business operations are located in that province. As a result of the Reorganization, holders of ASII Common Shares automatically became holders of Company Common Shares and the Company automatically became the holder of all the outstanding ASII Common Shares. This resulted in the Company becoming the new parent company of the Anglo Swiss group of companies. The financial statements of the Company are, in effect, the same as the

financial statements of ASII would appear, if the Reorganization had not taken place.

On October 8, 1997, the Board of Directors of the Company and ASII approved the Reorganization. The completion of the Reorganization, effective November 28, 1997 (the Effective Date ) resulted in holders of ASII Common Shares automatically becoming holders of the same number of common shares of the Company, formerly a wholly-owned subsidiary of ASII, and the Company automatically became the holder of all of the ASII Common Shares. The Reorganization resulted in a simplified corporate structure for the Anglo Swiss group of companies and the Company becoming the new parent company of the Anglo Swiss group of companies.

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An annual and special general meeting of shareholders of ASII was held on November 24, 1997 to vote upon the Reorganization. All necessary approvals, including court and shareholder approvals, were received, and the Reorganization took effect on the Effective Date.

After the Reorganization, Company Common Shares provided their holders with, in all material respects, the same interests in the same assets as those shareholders had through their ASII Common Shares held immediately before the Reorganization. The financial statements of the Company are, in effect, the same as the financial statements of ASII would appear, if the Reorganization were not carried out.

Although ASII had expanded into gemstone exploration (through its then wholly-owned subsidiary, the Company) and into exploration of precious metals in Ecuador (through its then wholly-owned subsidiary, Canadamin S.A.), ASII was identified for the most part with precious metals exploration in British Columbia. Management of ASII was of the view that the Reorganization would maximize shareholder value as a new and simplified corporate structure and the name Anglo Swiss Resources Inc. would facilitate and reflect continued expansion into other segments of the natural resources industry and create administrative and other efficiencies. Management also believed that, as a result of the Reorganization, the Company would be more appropriately viewed in the marketplace as a more broadly-based resources company and its ability to pursue future financing would be enhanced.

The Reorganization occurred in 3 major steps, all of which occurred on the Effective Date:

*Pre-Arrangement Transactions.* ASII sold all of the issued and outstanding common shares of Canadamin S.A. to Anglo Swiss International Holdings Ltd. ( ASIHI ) in consideration for one Company Class A Preferred Share. ASII also sold all of the issued and outstanding common shares of 409556 to the Company in consideration of one Company Class C Preferred Share (the Pre-Arrangement Transactions ).

*Arrangement.* ASII exchanged the single issued and outstanding Company Common Share it held for one Company Class B Preferred Share. All holders of ASII Common Shares, except for Dissenting Shareholders, then exchanged their ASII Common Shares for Company Common Shares on the basis of one Company Common Share for each ASII Common Share (the Arrangement ).

*Post-Arrangement Transactions.* The Company redeemed for a promissory note the Company Class A Preferred Share, the Company Class B Preferred Share and the Company Class C Preferred Share acquired by ASII in the Pre-Arrangement and Arrangement Transactions. The Company adopted a stock option plan substantially the same as the 1997 Stock Option Plan and granted an option to purchase Company Common Shares to each person who held an option to purchase ASII Common Shares on the same terms and conditions as contained in the original grant pursuant to ASII's 1997 Stock Option Plan. The Company wound-up 409556 and changed its fiscal year end to December 31. Finally, the name of ASII was changed to 68063 B.C. Ltd. to avoid any potential for confusion with the Company (the Post-Arrangement Transactions ).

The foregoing transactions closed in the order set forth above with the closing of each prior transaction being a condition precedent to the closing of the subsequent transactions; however, all of the transactions closed in escrow so that none of the transactions would close unless they all closed. The Board of Directors had previously approved of the Reorganization. Although shareholder approval from the ASII shareholders was required for the 409556 Sale and the Arrangement, the Board would not have proceeded with the Reorganization unless it was satisfied that all parts of the Reorganization would be completed as set forth in the Plan of Arrangement or with such variations as, in the opinion of the Board of Directors, would not be unduly detrimental to the interests of ASII, its shareholders or the Company.

On December 9, 1997, the Company Common Shares were listed for trading on the Montreal Exchange in substitution for the ASII Common Shares. On October 1, 2001 the Company's shares began trading on the Canadian Venture Exchange ( CDNX ), subsequent to an agreement negotiated between the CDNX and the Montreal Exchange whereby, as approved by the regulatory authorities, the Montreal Exchange ceased operations as an equity exchange. On May 1, 2002 the CDNX changed its name to the TSX Venture Exchange. As at June 1, 2010, there were 139,171,055 common shares of the Company issued and outstanding.

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The Company's head office and principal office address is located at 837 West Hastings Street, Suite 309, Vancouver, British Columbia, Canada, V6C 3N6. The registered office of the Company is located at 700 West Georgia Street, Suite 2600, Vancouver, British Columbia, Canada, V7Y 1B3.

The Company is a Canadian mining company engaged in the acquisition and exploration of mineral properties. Its primary assets are the Nelson Mining Camp which includes the Kenville Mine Property and the Blu Starr Gemstone Property, all located in south eastern British Columbia, between Nelson and Castlegar. **See ITEM 4.D Information on the Company Property, Plants and Equipment** for a more complete description of these properties.

The Kenville Mine Property is 100% owned by the Company and is located near Nelson, British Columbia. It was previously owned by 409556, a former wholly-owned subsidiary of the Company, which has subsequently been wound up. **SEE ITEM 4.A Information on the Company - History and Development of the Company.** On February 10, 1995, 409556 entered into an option joint venture agreement with Teck Corp. (the OJV Agreement). The OJV Agreement provided Teck Corp. with an option to earn a 70% undivided interest in the Kenville Mine Property within a four year period. Teck Corp. was able to exercise its option by making cash payments of \$100,000 to 409556 and by expending \$700,000 on exploration of the Kenville Mine Property.

On January 22, 1997, Teck Corp. informed 409556 of its intention not to continue with its option.

The Company entered into a confidentiality agreement with a major mining company on April 16, 1999. The agreement allowed this company to perform its due diligence and a geological assessment of the Kenville Mine Property. This Agreement was terminated on March 2, 2000.

The Company acquired on May 21, 2010 by way of exempt take-over bid, four British Columbia companies (collectively, the 4 Companies) who were involved in an Option Joint Venture Agreement (OJVA) dated September 5, 2002 respecting the Issuer's Kenville Mine Property (the Property). The OJVA required, among other things, exploration expenditures of \$700,000 to earn a 70% interest in the Property. The 4 Companies advised the Company that they had earned their joint venture interest in the Property. The Company disputed this claim and the 4 Companies sued the Company in the British Columbia Supreme Court in 2006. Even though the Company still believes there was no merit in this suit by the 4 Companies, in order to remove any uncertainty over the ownership of the Property, the Company entered into a binding purchase and sale agreement (Agreement) with the shareholder of each of the 4 Companies to purchase 100% of the ownership of each of the Companies.

The commitment to purchase the 4 Companies has resulted in the lawsuit by the 4 Companies being dismissed against the Company.

### **Nelson Mining Camp Recent Acquisitions**

**The White Claim**

**100%**

The Company has acquired the surface and under-surface rights to a property known as the White Claim on August 10, 2009. This property is approximately 21 hectares in size and is contiguous to the eastern boundary of the Company's Kenville Gold Mine property. The White Claim has an established history of vein systems that may extend the potential of the Kenville Gold Mine property's known vein structure.

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**The Ron Gold Group**  
**Option for 60%**

The Company entered into an Option/Joint Venture Agreement (the Agreement) on September 24, 2009 with Klondike Gold Corp. (Klondike) wherein Anglo will earn up to a 60% interest in the Klondike's Ron Gold property.

The Ron Gold Property consists of 37 contiguous staked mineral claims and one crown granted mineral claim covering 1,492 hectares. Consideration from Anglo consists of paying \$200,000, issuing 100,000 Anglo shares and incurring up to \$650,000 in exploration expenditures by the 4<sup>th</sup> anniversary of this Agreement. This Agreement is subject to an underlying agreement with an arm's length party that comes with a 2% net smelter return royalty (the Original Royalty Interest). Anglo may at any time purchase three-quarters (1.5%) of the Original Royalty Interest from the holder of the Original Royalty Interest for \$500,000. Klondike also holds an additional royalty equal to 1% of net smelter returns (the Second Royalty Interest). Anglo may at any time purchase 100% of the Second Royalty Interest from Klondike for \$500,000.

Anglo Swiss has until August 10, 2013 to exercise this option. Upon completion of the 60% earn-in, a joint venture will be formed between the Anglo and Klondike.

**The Referendum Gold Property**

**Option for 100%**

The Company entered into an Option to Purchase Agreement on November 3, 2009 with Thomas Cherry of Nelson, British Columbia wherein Anglo Swiss may acquire a 100% interest in the Referendum Gold property.

The Referendum Gold Property consists of 19 contiguous staked mineral claims covering 1,381 hectares. Consideration from Anglo Swiss consists of payments totalling \$250,000 plus 300,000 Anglo Swiss common shares by the 5<sup>th</sup> anniversary of the Agreement. The Agreement is subject to a Royalty Interest of a 2.5% net smelter return. Anglo Swiss may at any time purchase the Royalty Interest for \$2,000,000.

The Referendum Gold Property is situated on the southern borders of Anglo Swiss 100% owned Kenville Gold Mine Property including the recently optioned (60%) Ron Gold property located 10 kilometres from Nelson, BC. This acquisition greatly enhances Anglo's land position to the south, extending the potential strike length of the regional geological trend along the Silver King Shear Zone. The Silver King Shear is the host to numerous historical gold, copper and silver mines in south-eastern British Columbia including Anglo's Kenville Gold Mine.

Anglo Swiss has until November 3, 2014 to exercise this option.

**Doyle Silver Lynx Claim Group  
Option for 100%**

Anglo Swiss Resources Inc. on December 7 of 2009 entered into an option to purchase agreement with Bruce Doyle of Nelson, B.C., wherein Anglo Swiss may acquire a 100-per-cent interest in the Silver Lynx claim group.

The Silver Lynx claim group consists of 15 contiguous staked mineral claims covering 1,200 hectares. Consideration from Anglo Swiss consists of payments totalling \$100,000 plus 200,000 Anglo Swiss common shares by the third anniversary of the agreement. The agreement is subject to a royalty interest of a 1.5-per-cent net smelter return. Anglo Swiss may, at any time, purchase the royalty interest for \$1-million.

The Silver Lynx claim group is situated on the southern borders of Anglo Swiss's 100-per-cent-owned Kenville gold mine property, including the recently optioned (60 per cent) Ron gold property and Referendum Gold property (100 per cent), located 10 kilometres from Nelson, B.C. This acquisition greatly enhances Anglo's land position to the south, extending the potential strike length of the regional geological trend along the Silver King shear zone. The Silver King shear is the host to numerous historical gold, copper and silver mines in south-eastern British Columbia, including Anglo's Kenville gold mine.

Anglo Swiss has until December 7, 2012 to exercise this option.

**Doyle Claim Mount Nelson property**  
**Option for 100%**

Anglo Swiss Resources Inc. on December 7 of 2009 entered into an option to purchase agreement with Bruce Doyle of Nelson, B.C., wherein Anglo Swiss may acquire a 100-per-cent interest in the Mount Nelson property.

The Mount Nelson property consists of two contiguous staked mineral claims covering 524 hectares. Consideration from Anglo Swiss consists of payments totalling \$100,000 plus 100,000 Anglo Swiss common shares by the third anniversary of the agreement. The agreement is subject to a royalty interest of a 1.5-per-cent net smelter return. Anglo Swiss may, at any time, purchase the royalty interest for \$1-million.

The Mount Nelson property is situated to the north of Anglo Swiss's 100-per-cent-owned Kenville gold mine property, including the recently optioned (60 per cent) Ron gold property and (100 per cent) Referendum Gold property, located 10 kilometres from Nelson, B.C. This acquisition greatly enhances Anglo's land position to the south, extending the potential strike length of the regional geological trend along the Silver King shear zone. The Silver King shear is the host to numerous historical gold, copper and silver mines in south-eastern British Columbia, including Anglo's Kenville gold mine.

Anglo Swiss has until December 7, 2012 to exercise this option.

**49er Creek Gold property**  
**Option for 100%**

Anglo Swiss Resources Inc. On December 12 of 2009 entered into an option to purchase agreement with 49er Creek Gold Corp. of Kelowna, B.C., wherein Anglo Swiss may acquire a 100-per-cent interest in the 49er Creek Gold Corp. property.

The 49er Creek Gold Corp. property consists of 157 contiguous staked mineral claims covering approximately 5,000 hectares. Consideration from Anglo Swiss consists of payments totalling \$750,000 plus a minimum of 1,600,000 Anglo Swiss common shares by the fourth anniversary of the agreement. The agreement is subject to a royalty interest of a 2.5-per-cent net smelter return. Anglo Swiss may, at any time, purchase the royalty interest for \$2-million and a further issuance of 500,000 Anglo Swiss common shares.

The 49er Creek Gold property is situated on the southern borders of Anglo Swiss's 100-per-cent-owned Kenville gold mine property, including the recently optioned (60 per cent) Ron gold property, the Referendum Gold property (100 per cent) and the Silver Lynx property (100%) located 10 kilometres from Nelson, B.C. This acquisition greatly enhances Anglo's land position to the south, extending the potential strike length of the regional geological trend along the Silver King shear zone. The Silver King shear is the host to numerous historical gold, copper and silver mines in south-eastern British Columbia, including Anglo's Kenville gold mine.

Anglo Swiss Resources has until December 12, 2013 to exercise this option.





**Gold Hill Property  
Option for 100%**

Anglo Swiss Resources Inc. on January 21 of 2010 entered into an option to purchase agreement with Thomas Cherry of Nelson, B.C., wherein Anglo Swiss may acquire a 100-per-cent interest in the Gold Hill property.

The Gold Hill property consists of one staked mineral claim covering 25 hectares. Consideration from Anglo Swiss consists of payments totalling \$50,000 plus one issuance of 15,000 Anglo Swiss common shares for the 100% purchase of a royalty interest of a 2.0-per-cent net smelter return.

The Gold Hill property is strategically situated within the southern area of Anglo Swiss's optioned (60 per cent) Ron Gold property, the (100 per cent) Referendum Gold property and the Doyle acquisition (100%) located 10 kilometres from Nelson, B.C. This acquisition greatly enhances Anglo's land position extending the potential strike length of the regional geological trend along the Silver King shear zone. The Silver King shear is the host to numerous historical gold, copper and silver mines in south-eastern British Columbia, including Anglo's Kenville gold mine.

Anglo Swiss has until January 21, 2014 to exercise this option.

**Carter Claims  
100%**

Anglo Swiss Resources Inc. on January 25 of 2010 entered into a purchase agreement with Ruth Carter of Nelson, B.C., wherein Anglo Swiss may acquire a 100-per-cent interest in the Carter Claim group of fractures.

The Gold Hill property consists of three staked mineral claim covering approximately 189.1 hectares, but as these are fractures the true amount of hectares would be less. Consideration from Anglo Swiss consists of payments totalling \$6,000 in lawful money of Canada.

The Carter Claim fractures are strategically located within the southern area of Anglo Swiss's optioned (60 per cent) Ron Gold property, the (100 per cent) Referendum Gold property, the Doyle acquisitions (100%) and the 49er Creek Gold Corp. (100%) properties located 10 kilometres from Nelson, B.C. This acquisition greatly enhances Anglo's land position extending the potential strike length of the regional geological trend along the Silver King shear zone. The Silver King shear is the host to numerous historical gold, copper and silver mines in south-eastern British Columbia, including Anglo's Kenville gold mine.

**Mammoth Copper-Gold Property**

**(Option for 100%)**

Anglo Swiss Resource Inc. entered into an Option to Purchase Agreement on May 13, 2010 with 4 individuals wherein Anglo Swiss may acquire a 100% interest in the Mammoth Copper-Gold property.

The Mammoth Copper-Gold Property consists of four contiguous staked mineral claims covering 210 hectares. Consideration from Anglo Swiss consists of payments totaling \$34,000 plus 180,000 Anglo Swiss common shares by the 3rd anniversary of the Agreement. The Agreement is subject to a Royalty Interest of a 3% net smelter return, Anglo Swiss may at any time purchase the Royalty Interest for \$500,000.

Anglo Swiss has until May 13, 2013 to exercise this option.

The Company has also staked 1136.43 hectares of contiguous mineral claims to the Mammoth Copper-Gold property increasing the Nelson Mining Camp to over 16,000 hectares or 160 square kilometers. The Mammoth Copper-Gold Property is situated on the southeastern borders of Anglo Swiss Nelson Mining Camp.

**Blu Starr Property****100%**

The Blu Starr Gemstone Property is owned by the Company. On May 16 and May 19, 1995, ASII entered into two option to purchase agreements to acquire 188 mineral claims in the Slocan Mining District of British Columbia representing over 11,000 acres of land. The Company's preliminary geological evaluation was conducted by Dr. Marylou Coyle, P.Geo., and confirmed a sapphire showing now referred to as the Blu Starr showing. Due to the confirmation of this showing, ASII exercised the two option agreements on July 7, 1995 and transferred such claims to the Company (all such claims along with nearby claims and other Property interests the Company has subsequently acquired are commonly referred to in the aggregate as the Blu Starr Property).

The Company has worked with the British Columbia Government's Geological Survey Office to explore the Blu Starr Property and has conducted processing and heat treatment evaluation in the United States and Sri Lanka. Exploration was commenced on July 3, 1996 consisting of mapping the outcropping hosting these occurrences and further prospecting of this Property to ensure optimum locations to commence sapphire/gemstone extraction. During this initial phase of exploration, a beryl occurrence was also identified on the Blu Starr Property. The Company subsequently acquired additional mineral claims aggregately representing over 4,300 acres of land and 13 contiguous placer claims totalling over 1,600 acres.

The Company entered into a Joint Participation Agreement with Hampton Court Resources Inc. ( Hampton ) on May 1, 2000 with respect to the Blu Starr Property, subsequently amended it on May 25, 2000 (collectively, the Blu Starr Joint Participation Agreement ) and has since expired on April 30, 2003. Hampton has completed its participation in Phase I of the evaluation and earned a 10% interest in the Blu Starr Property. In Phase II of the Blu Starr Joint Participation Agreement, Hampton Court was to earn another 10% working interest in the Property. The Company has not received any documentation or communication from Hampton Court since 2003 in regards to their overall interest in the Blu Starr Property. Hampton Court is currently undergoing corporate restructuring and is believed to be bankrupt.

The Company filed a Notice of Work in 2004 and received a permit to perform drilling and trenching of the alluvial terraces held within the placer claims overlain on the Blu Starr mineral staked claims. The Company owns 100% of these placer claims. The permit was for 10 drill locations, sites were located by GPS, flagged and all approvals obtained by any private property owners during the fall of 2004. The drill program has been postponed while the Company focused all its efforts on the acquisition and exploration of the NWT diamond properties.

The Blu Starr hosts numerous occurrences of sapphire (15), iolite (11), gemstone quality garnet (2), as well as a flake graphite deposit; other minerals include aquamarine (beryl), tourmaline, titanite, moonstone and several varieties of quartz crystals. Previous exploration has confirmed that the geological setting and potential gem grades (carats per tonne) of the numerous showings are extremely promising.

Less than 10% of the Blu Starr property has been explored and mapped to date. The mineral claims are in good standing for a number of years, ranging from 2007 to 2011 due to the expenditures incurred by Hampton Court during May 1, 2000 through April 30, 2003 and the recently completed Aerotech airborne study.

A large flake graphite discovery outcropping over 2,000 meters has also been discovered on the Blu Starr Property and has been optioned to a nearby producer of graphite concentrate. The option allowed the graphite producer to perform testing and sampling of the graphite discovery by December 31, 2002, and has expired, un-exercised.

Management will not conduct any further exploration of this resource but will monitor the market and success of the

local graphite producer. The graphite discovery is contained within the Blu Starr claim group and is also in good standing for a number of years.

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**McAllister Property****100%**

The Company staked a number of mineral tenures known as the McAllister Pipe Property in south-eastern British Columbia for a total of 31,000 hectares in 2004 and 2005 for diamond exploration and optioned the Iva Fern claim group as they were situated within the McAllister group. In lieu of the Company's decision to focus on the Lac de Gras region of the Northwest Territories for diamond exploration in summer of 2005, the Company had retained only 1,959 hectares with 10 mineral cells of the McAllister property in January of 2006. This resulted in a write down of \$38,159 to this property during the year ended December 31, 2005. The Company did not re-new the option on the Iva Fern claim group in February 2006. The main focus of the McAllister property is the McAllister Diatreme, identified as the host of a potential diamondiferous lamproite. As a result of the Company's decision to focus on the Nelson Mining Camp and the Kenville Mine property, the Company is currently re-evaluating its continued participation in the McAllister property.

**NORTHWEST TERRITORIES (DIAMONDS)**

The Company in 2005 made the decision to acquire diamond exploration opportunities in the Northwest Territories of Canada as it had identified key land positions within the Slave Craton and the Lac de Gras regions that could be acquired. The properties acquired at December 31, 2006 are:

**Fry Inlet Diamond Property****Option To 60%**

The Company acquired the property consisting of 42 contiguous mineral claims, located immediately to the west of Fry Inlet Lake and directly 25 km east of the Ranch lake kimberlite and 25 km north of the BHP Billiton Diamonds Inc. Ekati Mine property. The claims were acquired in two separate transactions in June of 2005; the New Shoshoni option/joint venture for up to 60% (23,587 hectares) and the PQ claims for a 100% (13,586 hectares interest totalling over 37,173 hectares). The PQ claim group was dropped in 2007 resulting in a write-down of \$601,601 to the carrying cost of this property. As a result of the Company's decision to focus on the Nelson Mining Camp and the Kenville Mine property, the Company is currently re-evaluating its continued participation in the Fry Inlet property and URL claim groups in the Lac de Gras region of Canada's Northwest Territories.

**Falcon Bay Diamond Property****100%**

The Company acquired a 100% interest to 25 semi-contiguous mineral claims (MS 1-25), covering approximately 21,229 hectares in the diamond producing area of Lac de Gras, NWT. This property is located approximately 35 kilometers southeast of the Diavik Diamond Mine and is proximal to the DO-27 Kimberlite, currently the focus of detailed exploration by Peregrine Diamonds, Southernera and others. This claim group was dropped in 2007 resulting in a write-down of \$270,000 to the carrying cost of this property.

**Fishing Lake Diamond Property****100%**

The Company acquired a 100% interest to 6,730 hectares now known as the Fishing Lake Diamond property, located approximately 110 kilometers northwest of Yellowknife, NWT. The Fishing Lake Diamond Property claims cover dispersion trains of kimberlite indicator minerals identified in till sampling programs. These claims lie within a region of active diamond exploration by other diamond explorers and are midway between the Crosslake area kimberlites (Ashton, DeBeers, Diamonds North, et al) and the Big Hole target (GGL Diamond). This claim group was dropped in 2007 resulting in a write-down of \$114,500 to the carrying cost of this property.

#### **The Lac de Gras Group of Claims**

**100%**

The Company acquired a 100% interest in and to 4 mineral claims consisting of approximately 10,330 acres located in the Lac de Gras area of the Northwest Territories, known as the UL 1&2 and the AFR 6&7 mineral claims. The AFR 6 & 7 claims subsequently lapsed and were replaced at no charge to the Company with three new claims, the UL 3, 4, and 5 claims. These three claims totalled 7,746 acres and are contiguous to the UL 1&2. As a result of the Company's decision to focus on the Nelson Mining Camp and the Kenville Mine property, the Company is currently re-evaluating its continued participation in the Lac de Gras claim groups in Canada's Northwest Territories.

The Company Common Shares continue to trade on the TSX Venture Exchange ( ASW ), formerly known as the CDNX ; and in the United States on the Over The Counter Bulletin Board ( OTC BB ) (ASWRF ). In February of 2004 the shares were also listed on the Frankfurt Exchange ( AMO.F ). **SEE ITEM. 9 THE OFFERING AND LISTING Offering and Listing Details**

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**B.****Business Overview**

The Company is in the business of the acquisition, exploration, exploration management and purchase of mineral properties, with the primary aim of developing them to a stage where the Company can exploit them profitably. The Company also has advanced its properties through partnerships, whereby proven companies manage the property with expertise in developing, designing and operating the extraction of mineral resources. At that stage, the Company's operations would, to some degree, be dependent on the prevailing market prices for any of the minerals produced by such operations. The Company currently does not have any producing properties and its current operations on its various properties are in the exploration stages, working towards establishing economic concentrations of minerals.

Before, during and after the fiscal year ended December 31, 2009, the Company was engaged in continued exploration of its precious/base metals, diamond and gemstone properties in Canada.

The Company's future mineral exploration and mining activities may be affected in varying degrees by prevailing market prices, political stability and government regulations, the success of existing joint venture partners, all of which are beyond the control of the Company. The recent resurgence of the mining sector and commodities throughout the world with demand and the subsequent increase in the value of precious and base metals appears to be the beginning of a sustained improvement in the outlook for the mining industry.

The Company's mineral exploration activities have been funded through the sales of common shares, and although the Company has been successful in attracting joint venture partners to continue exploration of its properties, there is no assurance that this trend will continue indefinitely. The ongoing general and administrative obligations are dependent on this source as well and the Company expects to continue to utilize this source of financing until it generates cash flow from its operations. There can be no assurance, however, that the Company will be able to obtain required financing in the future on acceptable terms, or at all. At December 31, 2009 the Company had working capital of \$1,955,269. Based on its existing working capital, the Company has sufficient funds to meet its general and administrative expenses and continue the exploration of its two key properties through 2010. The Company increased its working capital in March of 2010 by raising \$1,500,000 in a private placement. The Company expects to require additional financing in the future. Accordingly, there is some doubt about the ability of the Company to continue as a going concern. **SEE ITEM 5B. OPERATING AND FINANCIAL REVIEW AND PROSPECTS Liquidity and Capital Resources.**

**C.**

## **Organizational Structure**

The following chart sets out the Company's corporate structure and the mineral resource properties owned by each of the Company's subsidiaries:

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1. The Company entered into a Joint Participation Agreement with Hampton Court Resources Inc. ( Hampton ) on May 1, 2000 with respect to the Blu Starr Property, subsequently amended it on May 25, 2000 (collectively, the Blu Starr Joint Participation Agreement ) and has since lapsed on April 30, 2003. Hampton completed its participation in Phase I of the evaluation and earned a 10% interest in the staked mineral claims only on the Blu Starr Gemstone Property. Hampton is believed to be in bankruptcy and has had no communication with Anglo Swiss with respect to their 10% interest in over 5 years.

2. The Fry Inlet claims were acquired in two separate transactions in June of 2005; the New Shoshoni option/joint venture for up to 60% (23,587 hectares), currently in the final year of a five year option. The PQ (13,586 hectares), Falcon Bay (21,229 hectares) and Fishing Lake (3,427 hectares) claims were for a 100% interest totalling over 26,014 hectares which have subsequently been dropped in 2007.

**D.**

**Property, Plants and Equipment**

All properties of the Company are in the exploration stage only and are without a known body of commercial ore. The Company has no producing properties and has not had any revenue from any property in the last three fiscal years. Reference should be made to the **Glossary of Terms** appearing commencing on page 6 of this Form 20-F Annual Report.

In British Columbia the Company owns the Kenville Mine Property forming the major asset within the Nelson Mining Camp, the Blu Starr Gemstone Property and in the Northwest Territories the Diamond Property known as the Lac de Gras Group of 5 Claims and the Fry Inlet Project within an Option Joint Venture Agreement. As a result of the Company's decision to focus on the Nelson Mining Camp and the Kenville Mine property, the Company is currently re-evaluating its continued participation in the Fry Inlet property and URL claim groups in the Lac de Gras region of Canada's Northwest Territories..

### **Nelson Mining Camp**

The Company has completed the addition of almost 16,000 hectares of mineral tenures on the eastern, western and southern boundaries of the Kenville Mine property now known as the Nelson Mining Camp ( NMC ) near Nelson, British Columbia. Through a series of purchase agreements and mineral staking, briefly described below, the Company has significantly increased its impressive footprint within the southeastern region of British Columbia.

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The NMC consists of over 16,000 hectares providing a large footprint of prospective land as the Company works towards meeting its goal of defining a gold enriched poly-metallic discovery. This land position acquired over the past few months has been a major undertaking for Anglo Swiss Resources Inc. This is the first time in the history of this area that the Company is aware of, that a land package of this scope has been accomplished. There are multiple historic mines and workings assembled that will assist in the Company's goal of identifying and bringing a new major discovery to this historically mineral rich area of British Columbia.

The 2010/2011 exploration programs over the 160 square kilometres are designed to locate any source(s) of the known gold, silver and poly-metallic minerals at depth and to expand upon the current gold resources at the Kenville Gold Mine. An airborne Aeroquest MAG/EM geophysical survey is scheduled for late March which will cover the entire property and assist in the targeting of deeper potential mineralized bodies and assist in delineating the extent of the known mineralized systems. An extensive surface diamond drill program will begin in June of 2010.

The NMC is host to the Company's 100-per-cent-owned Kenville gold mine plus over twenty known past producing underground mines, numerous surface adits and old workings.

The Silver King Shear zone is the host to numerous historical gold, copper and silver mines in south-eastern British Columbia with Anglo's Kenville Gold Mine located nearby. The hypothesis is that the possible conduits or source(s) for precious and base metals within the Nelson Mining Camp at depth have never been systematically tested by modern geophysics, surface drilling and computer modeling.

**The following option and purchase agreements have been completed as at the date of this report:**

\*

Anglo Swiss Resources Inc. on December 7 of 2009 entered into an option to purchase agreement with Bruce Doyle of Nelson, B.C., wherein Anglo Swiss may acquire a 100-per-cent interest in the Silver Lynx claim group.

The Silver Lynx claim group consists of 15 contiguous staked mineral claims covering 1,200 hectares. Consideration from Anglo Swiss consists of payments totaling \$100,000 plus 200,000 Anglo Swiss common shares by the third anniversary of the agreement. The agreement is subject to a royalty interest of a 1.5-per-cent net smelter return. Anglo Swiss may, at any time, purchase the royalty interest for \$1-million.

\*

Anglo Swiss Resources Inc. on December 7 of 2009 entered into an option to purchase agreement with Bruce Doyle of Nelson, B.C., wherein Anglo Swiss may acquire a 100-per-cent interest in the Mount Nelson property.

The Mount Nelson property consists of two contiguous staked mineral claims covering 524 hectares. Consideration from Anglo Swiss consists of payments totaling \$100,000 plus 100,000 Anglo Swiss common shares by the third anniversary of the agreement. The agreement is subject to a royalty interest of a 1.5-per-cent net smelter return. Anglo

Swiss may, at any time, purchase the royalty interest for \$1-million.

\*

Anglo Swiss Resources Inc. On December 12 of 2009 entered into an option to purchase agreement with 49er Creek Gold Corp. of Kelowna, B.C., wherein Anglo Swiss may acquire a 100-per-cent interest in the 49er Creek Gold Corp. property.

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The 49er Creek Gold Corp. property consists of 158 contiguous staked mineral claims covering approximately 5,000 hectares. Consideration from Anglo Swiss consists of payments totaling \$750,000 plus a minimum of 1,600,000 Anglo Swiss common shares by the fourth anniversary of the agreement. The agreement is subject to a royalty interest of a 2.5-per-cent net smelter return. Anglo Swiss may, at any time, purchase the royalty interest for \$2-million and a further issuance of 500,000 Anglo Swiss common shares.

\*

Anglo Swiss Resources Inc. on January 21 of 2010 entered into an option to purchase agreement with Thomas Cherry of Nelson, B.C., wherein Anglo Swiss may acquire a 100-per-cent interest in the Gold Hill property.

The Gold Hill property consists of one staked mineral claim covering 25 hectares. Consideration from Anglo Swiss consists of payments totaling \$50,000 by the fourth anniversary of the Agreement ; plus one issuance of 15,000 Anglo Swiss common shares for the 100% purchase of a royalty interest of a 2.0-per-cent net smelter return.

\*

Anglo Swiss Resources Inc. has staked 10 mineral claims, named the Silver South Claim group for a total of 4,818 hectares located immediately south of the southern boundary of the Nelson Mining Camp. The Silver South Claim group will be subject to the upcoming airborne survey.

\*

Anglo Swiss Resources Inc. has entered into an Option to Purchase Agreement with 4 individuals wherein Anglo Swiss may acquire a 100% interest in the Mammoth Copper-Gold property, subject to regulatory approvals.

The Mammoth Copper-Gold Property consists of four contiguous staked mineral claims covering 210 hectares. Consideration from Anglo Swiss consists of payments totaling \$34,000 plus 180,000 Anglo Swiss common shares by the 3rd anniversary of the Agreement. The Agreement is subject to a Royalty Interest of a 3% net smelter return, Anglo Swiss may at any time purchase the Royalty Interest for \$500,000.

\*

The Company has staked 1136.43 hectares of contiguous mineral claims to the Mammoth Copper-Gold property increasing the Nelson Mining Camp to over 16,000 hectares or 160 square kilometers. The Mammoth Copper-Gold Property is situated on the south-eastern borders of Anglo Swiss Nelson Mining Camp.

The following map is the location of the Kenville Mine, the most advanced property within the Nelson Mining Camp.









### Location

The map on page 29 shows the location of the Kenville Mine Property.

The Kenville Mine Property is the most advanced property within the Nelson Mining Camp and as is also the largest asset held by the Company. It is located near Nelson, British Columbia at an elevation of between 600 and 1,200 metres and is accessed by way of the Kenville Mine Road that connects with Highway 3A, three kilometres from the Taghum Bridge. It is approximately 35 kilometres east of the Castlegar Airport and 65 kilometres north of Teck Cominco Ltd. s smelter in Trail, British Columbia.

### History

The Kenville Mine Property has a long history as a gold producer, and is notable as British Columbia s first producing hardrock gold mine. It was discovered prior to the 1880s and originally known as the Granite Poorman Mine. In 1946 Kenville Gold Mines Ltd., a company controlled by Quebec Gold Corporation and Noranda Mines Ltd., gained control of the Kenville Mine Property, built a 125 ton per day cyanide mill and commenced significant exploration, development and mining operations. Operations ceased in 1949, save for the continued milling of ore by individual lessors until 1954. Small amounts of high grade ore from the Kenville Mine Property were shipped in 1960 and 1961 directly to Cominco Ltd. s smelter located in Trail, British Columbia. Noranda Mines Ltd. then removed all usable equipment from the Kenville Mine Property in 1962.

In 1969, Algoma Industries & Resources Ltd. ( Algoma ) acquired the Kenville Mine Property, reopened the 257 level and commenced dewatering activities. Mining activities were recommenced for a short time once Algoma rebuilt the primary crushing mill. Such activities ceased in 1986.

In 1987, Coral Industries Ltd. ( Coral ) acted as a trustee for a partnership of three individuals in arriving at an agreement to purchase the Kenville Mine Property from Algoma and exercised its rights to direct control of operations late in 1989. Coral invested approximately \$750,000 in anticipation of recommencing mining operations. Small scale mining production was commenced for the purposes of testing milling operations. The tests indicated that the mill was not properly designed but that the ore was amenable to the recovery of precious metals by a flotation process. The Kenville Mine Property has remained dormant since December 1992. Since acquiring ownership of the Kenville Mine Property, 409556 only engaged in a small amount of test production for evaluating flotation results. The test was conducted at a custom milling operation of Bow Mines Ltd. located near Greenwood, British Columbia. Testing confirmed that ore from the Kenville Mine Property is amenable to flotation, with a recovery rate of greater than 85%.

409556 entered into an Option Joint Venture Agreement with Teck Corp. on February 10, 1995. The agreement provided Teck Corp. with the right to earn a 70% undivided interest to the Kenville Mine Property by the aggregate expenditure of \$800,000 over a maximum of four years (comprised cash payments of \$100,000 to 409556 and \$700,000 on exploration and development of the Kenville Mine Property).

On July 13, 1995, Teck Corp. commenced a diamond drilling program, with a total of five holes drilled with a total depth of 1,110 metres. The 1995 drill program was successful in locating several zones of copper, silver, gold and molybdenum mineralization and a significant new gold quartz vein. Due to these successful results, Teck Corp. initiated a continued program consisting of approximately 3.2 kilometres of surveyed grid, followed by an induced polarization survey in the Spring of 1996. After exercising the second year option on February 10, 1996, Teck Corp. conducted a magnetometer survey which again confirmed the anomalous zone identified by the previous season s exploration. These two programs identified a continuous anomaly approximately 250 metres by 1,000 metres along a

NW/SE trend. Teck Corp. also informed 409556 of a new chalcopyrite outcrop occurrence on the southern part of the Kenville Mine Property. This occurrence lies within the strong coincidental induced polarization chargeability and magnetic high zone. Teck Corp. completed a seven hole, 1317 metre diamond drill program in 1996 to test these anomalies.

Upon confirming its intention on February 10, 1996 to continue under the Option Joint Venture Agreement, Teck Corp. conducted a magnetometer survey on the Kenville Mine Property which again confirmed the anomalous zone identified by the previous season's exploration. These two programs identified a continuous anomaly approximately 250 metres by 1,000 metres along a NW/SE trend. Teck Corp. also informed the Company of a new chalcopyrite outcrop occurrence on the southern part of the Kenville Mine Property. This occurrence lies within the strong coincidental induced polarization chargeability and magnetic high zone. Teck Corp. completed a seven hole, 1317 meter diamond drill hole program in 1996 to test these anomalies.

On January 22, 1997, Teck Corp. informed 409556 of its intention not to continue with its option.

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The Company entered into a confidentiality agreement with a major mining company on April 16, 1999. The agreement allowed the Company to perform its due diligence and a geological assessment of the Kenville Mine Property. This agreement was terminated on March 2, 2000.

The Company acquired on May 21, 2010 by way of exempt take-over bid, four British Columbia companies (collectively, the 4 Companies ) who were involved in an Option Joint Venture Agreement ( OJVA ) dated September 5, 2002 respecting the Company 's Kenville Mine Property (the Property ). The OJVA required, among other things, exploration expenditures of \$700,000 to earn a 70% interest in the Property. The 4 Companies advised the Company that they had earned their joint venture interest in the Property. The Company disputed this claim and the 4 Companies sued the Company in the British Columbia Supreme Court in 2006.

Even though the Company believed there was no merit in this suit by the 4 Companies, in order to remove any uncertainty over the ownership of the Property, the Company entered into a binding purchase and sale agreement ( Agreement ) with the shareholder of each of the 4 Companies to purchase 100% of the ownership of each of the Companies. The commitment to purchase the 4 Companies has already resulted in the lawsuit by the 4 Companies being dismissed against the Company.

### Geology

The Kenville Mine Property is located at the north and west end of a Mesozoic Island Arc represented by a sequence of Lower Jurassic Rossland Group augite porphyry flows, pyroclastics and crystal tuffs of andesitic and shoshonitic composition.

This sequence is intruded by coeval, usually stratabound, bodies of similar composition, including a stock referred to by the Geological Survey of Canada as of pseudodioritic composition, the Silver King Porphyries and by granodiorite of the Nelson Batholith. The Kenville Mine Property is underlain by one such pseudodioritic stock showing at least two intrusive phases.

Regionally, shear zones up to 100 metres in width have often localized hydrothermal alteration and sulphide mineralization. A major zone composed of multiple parallel shears known as the Silver King Shear Zone is projected to pass through the Kenville Mine Property. This zone can be identified in several properties covering the known exposure of the Island Arc, for a distance of more than 100 kilometres. Intrusive rocks of dioritic to granodioritic composition showing varying degrees of hydrothermal alteration, shearing and mineralization underlie the Kenville Mine Property. Gold-quartz veins systems often form in extensional structures related to the regional shear zones.

Mature second growth larch, douglas fir, hemlock and western red and white cedar covers much of the Kenville Mine Property. Typically, snow precipitation is expected from about mid-November through to about mid-February and can accumulate to as much as three metres in the higher elevations. Heavy rain storms during spring time makes for a quick snow run-off. Except for the short lived storms, surface work is not stopped due to weather and underground work can progress year round.

### Mineralization

The principal mineralized veins found on the Kenville Mine Property include, from east to west, the Beelzebub, Granite, Greenhorn, Poorman and Hardscrabble, across a 500+ metre width. This zone is extended further west by the Venango, Dundee and Paradise system of veins. The mineralized veins found in the Kenville Mine itself are similar in character and trend at an azimuth of 330 to 350 degrees. The dip of the vein structures averages 45E to the north east but varies from 20E to 75E and ranges in width from a few centimetres to about two metres. Although no dip is more favoured than another by the average grade ores or widths of quartz, rich pockets with visible gold are reported to occur where the dip of the structures change. Predominant associated minerals are pyrite, chalcopyrite, marcasite and minor amounts of galena, scheelite, sphalerite and visible gold. Commonly, the higher grade gold is diagnosed by the presence of galena and/or sphalerite and/or white pyrite.

The tungsten content of quartz veins at the Venango and Shenango workings is higher than that present at the Kenville Mine Property. Scheelite has been observed in the 217 Flat vein, the Upper 217 (also referred to as the Jewellery Box area), the Yule vein and, to a lesser extent, in the Hardscrabble vein.

Scheelite is generally coarse and occurs as distinct veins within the quartz, usually independent of the sulphides. It appears that the scheelite content increases towards the south. Quartz is the main gangue mineral but pink feldspar, calcite and tourmaline are often present.

The veins vary in width, attitude and in the character of the quartz. The main veins are, for the most part, freewalled accompanied by a gouge selvage, while the flatter ore shoots are frozen to the walls. The veins are in narrow extensional fault zones with the hanging walls of each vein moving relatively upward and southward an unknown distance. From available data, there also appears to be present on the Kenville Mine Property, quartz stockwork zones of significant widths (15 metres) with economically significant values of copper and gold. A bulk sample of 180 short tons was shipped in the Summer of 1991 by rail to Asarco Incorporated in East Helena, Montana. The bulk sample graded 0.46 oz/ton of gold.

British Columbia Government records indicate that the production from the Kenville Mine Property totalled 199,232 short tons averaging 0.327 oz/ton gold and 0.14 oz/ton silver. Although copper, lead, zinc and tungsten were known to be present, no record of significant production of these metals is found. The historical silver to gold ratio for the mine was 0.43.

#### Permitting

The Company is currently obtaining all permits required for new operations and explorations programs and underground bulk samplings programs for the 2010 season which commenced in May of 2010. The Company holds the bonding required to enable it to carry on exploration activity at the Kenville Mine Property. The Company intends to continue advancing the Kenville mine into its new status as a producer of gold and other mineralization.

#### Plant and Equipment

Facilities at the Kenville Mine Property include a shop and core storage; an engineering office; an office and assay lab; compressor facilities; a Mine Manager's residence and the plant itself. The plant consists of a coarse ore bin, jaw crusher, cone crusher, ball mills, flotation cells and fine ore bin, with a crushing capacity of 200tonnes/day.

The underground workings at the Kenville Mine Property are extensive. The 257 level has been completely rehabilitated in 2008 with track-age and air supply piping throughout this level. Underground mine facilities are complete with all necessary mining and safety equipment on site. Electric power is supplied by the City of Nelson. Fresh water is supplied from nearby Eagle Creek.

The Kenville Property continues to be the most developed asset of the Company, with 385.82 hectares of staked mineral claims and 201.88 hectares of Crown granted mineral claims plus four- fee simple district lots. Due to the recent and continued increase in the global metals commodities market, the Company is of the opinion that the value of the property, plant and equipment has most likely increased.

This property is very advanced; from the underground infrastructure to the surface facilities, a new crushing facility, assay laboratory, maintenance and repair shop, geological office and the mine manager's residence. The equipment on site is extensive with most of the required ancillary equipment necessary to operate underground mining and milling equipment such as ore cars, ball mills, classifiers, coarse ore bins, jaw and cone crushers and the crushing circuit.

#### Mineral Resource Estimates

The Company provides the following complete statement for its gold resource estimates for the 257 Level of the seven level Kenville Gold Mine. The Company releases its mineral resource statement as of July 22, 2009, which has been estimated by Munroe Geological Services Ltd. is documented in the Munroe Report which has been accepted by the British Columbia Securities Commission.

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## Deposit 257 Level Mineral Resource

Category	Tonnage (Tonnes)	Ounces per Ton	Ounces Gold	Grams per Tonne	Grams Gold
Measured	3,312	0.92	3,377	31.71	105,044
Indicated	21,312	0.55	12,912	18.84	401,598
<b>Total</b>	<b>24,624</b>	<b>0.66*</b>	<b>16,289</b>	<b>20.58*</b>	<b>506,642</b>

\*Average

The measured and indicated values on the above table were derived from the current assay data developed in the 2008/2009 assay program for the 257 Level. All values were from the double lab process and no historical data was used to obtain these values.

Category	Tonnage (Tonnes)	Ounces per Ton	Ounces Gold	Grams per Tonne	Grams Gold
Inferred	522,321	0.68	356,949	23.01	12,016,536

**All inferred blocks require re-estimation using proximate sampling and assay data before any economic analysis, and it is likely that significant variations in inferred block grades will occur on re-examination. PLEASE REFER TO CAUTIONARY NOTE TO U.S. INVESTORS ON PAGE 5.**

The Kenville gold mine's historic workings consisting of the main haulage level (257) and the upper workings (275 Level), which contain substantial volumes of mill feed. In both levels the stopes and working veins are full of previously blasted gold-bearing material and muck. The company completed a full rehabilitation of the 257 Level and the rail system in 2009 and is contemplating completing the 275 Level in 2010. The Property also has extensive waste rock material in the surface waste dumps from previous production years which are located at surface.

#### Aggregate Resource

The Company filed a 43-101 compliant Technical Report by Munroe Geological Services Ltd in 2009 stating that in excess of 16.5 million tonnes of surface sand and gravel has been identified on a portion of the Company's 100% owned Kenville Gold Mine property located near Nelson in south-eastern British Columbia.

The measured resource of the sand and gravel, which can be processed into aggregate product for industrial and commercial uses, sells between \$15 and \$18 per tonne in the Nelson area. The measured aggregate potential overlays a small portion of the gold exploration area on one of the crown granted mineral claims situated on the Kenville property.

#### Nelson Mining Camp 2009/2010 Exploration

In the third and fourth quarters of 2009 and continuing through the first quarter of 2010, the Company aggressively expanded its property footprint to the south of the Kenville Mine property. These acquisitions are mostly contiguous to the south of the Kenville property and are now known as the Nelson Mining Camp (the NMC). The NMC now consists of over 16,000 hectares trending approximately 10 kilometres to the south. There were a total of nine property acquisitions, which are described herein.

The Nelson Mining Camp is host to the Company's 100% owned Kenville Gold Mine plus numerous historic producing underground mines, numerous surface adits and old workings. The Company has initiated the most aggressive exploration program on the largest contiguous property group in the history of the Nelson Mining Camp.

The exploration programs over the 160 square kilometres are designed to locate any source(s) of the known gold, silver and poly-metallic minerals and to expand upon the current gold resources of the Kenville Gold Mine.

The Company in Q1 of 2010 retained Equity Exploration Consultants Ltd. ( Equity ) who completed a geological and geochemical compilation of the Nelson Mining Camp.

Equity has reviewed over 180 publically available or internal company reports resulting in the extraction of approximately 6000 geochemical data points, information on 87 diamond drill holes and property scale mapping. These data cover a significant portion of the NMC and have delineated numerous prospective targets and provided a head start in the exploration of this large land package.

The Company also completed the analysis of a small VTEM airborne survey completed in February of 2010. The results successfully identified two significant anomalous conductive features. One consists of a NNE trending conductor with a strike extent in excess of 3km, and the other is a cluster of conductors in the immediate vicinity of the Silver Lynx zinc, lead, copper and silver showings.

A second airborne survey was completed by Aeroquest Aerotem III survey in April 2010 with a total of 1749 line km was flown and preliminary interpretation has three areas of high conductivity now referred to as the Silver Lynx, Gold Hill and Mammoth zones.

The Silver Lynx zone is a northwest trending system of isolated conductive bodies that extends for approximately 6km, and contains three groupings of conductors. At its southeast end 5 isolated conductors have been defined approximately 600m from the Silver Lynx showing. This VMS-style showing consists of pyrrhotite, sphalerite, galena and chalcopyrite mineralization associated with a felsic volcanic unit. The other two groups of conductors on the Silver Lynx zone are new targets with five conductive bodies near the center and four conductive bodies near the northwest end.



The Gold Hill zone consists of a northwest trending conductor with a strike length of approximately 4.2 km. The Gold Hill zone is in close proximity with several gold-silver prospects occurring along the length of the anomaly including the past producing Gold Hill mine near the center and the May & Jennie prospect at the northern end.

The Mammoth zone consists of a 1.4 km long by 1 km wide area that contains four separate north-northeast trending conductive bodies that are unbounded to the north. The Mammoth prospect located approximately 850 meters to the north, has previously been the focus of limited gold-copper porphyry exploration.

Anglo Swiss is planning an aggressive summer exploration program to investigate these anomalies consisting of a major drilling program of approximately 7500 meters. Drilling is expected to start immediately upon the Company receiving its initial drill permits. Further prospecting, mapping, soil sampling and ground geophysics in areas of interest outside of the known conductive zones will commence on June 1, 2010.

## **Other Mineral Projects**

### **Blu Starr Property**

The Company acquired the Blu Starr Property in 1995 in two separate transactions. On June 27, 1995, the Company acquired 174 claims from Andrew W. Molnar of Vancouver, British Columbia, in return for \$40,000, 1,600,000 Company Common Shares and a 1.5% net smelter royalty on any future non-gemstone product. On July 6, 1995, the Company acquired an additional 14 claims from Marc R. Goldenberg, Rodney L. Luchansky, Inyo R. Youngreen, Jean W. Demers and Brian G. Meszaros, collectively of the Slocan Valley, British Columbia, in consideration for the issuance of 600,000 Company Common Shares, a 3.5% net royalty interest from any gemstone production and a 2% net smelter return on any metal production from such claims. The Company subsequently acquired additional mineral claims aggregately representing over 4,300 acres and 13 contiguous placer claims totalling 1,606 acres.

Recent changes to the British Columbia Ministry of Energy and Mines in January of 2005 has implemented a change to on-line staking of all mineral tenures, which are now expressed in hectares; mineral claims on the Blu Starr total 7,312.77 hectares and the placer claims total 712.87 hectares.

The Company entered into a Joint Participation Agreement with Hampton Court Resources Inc. ( Hampton ) on May 1, 2000 with respect to the Blu Starr Property and subsequently amended it May 25, 2000 (collectively, the Blu Starr Joint Participation Agreement ) which has since lapsed on April 30, 2003. The Blu Starr Joint Participation Agreement provided for Hampton to earn up to a 60% interest in the Blu Starr Property. Up to a 40% interest may be earned by Hampton expending \$1,000,000 in 3 work phases to be completed within 3 years from the date of the Blu Starr Joint Participation Agreement. This agreement lapsed on April 30, 2003 with Hampton retaining a 10% interest in the mineral claims and Hampton is believed to be in bankruptcy.

With respect to the 3 Phases, the Blu Starr Joint Participation Agreement (expired April 30, 2003) contemplated as follows:

**Phase 1.** Hampton will expend a minimum of \$250,000 on an exploration program on the Blu Starr Property. This program must be completed within one year. During this period, Hampton will be responsible to maintain the Blu Starr Property in good standing. Hampton has successfully completed this program, earning a 10% interest in the Blu Starr Property.

**Phase 2.** Prior to the expiry of the time permitted to complete Phase 1, Hampton has elected to proceed with a Phase 2 work commitment. Hampton will expend a minimum of \$250,000 within one year on a work program agreed to between the parties. Hampton will again be responsible to maintain the Blu Starr Property in good standing during Phase 2. Upon successful completion of the program, Hampton will have earned an aggregate 20% interest in the Blu Starr Property.

**Phase 3.** Prior to the expiry of the time permitted to complete Phase 2, Hampton must elect whether to proceed with a Phase 3 work commitment or terminate its participation in any further earning. If it elects to proceed, Hampton will expend a minimum of \$500,000 on a work program agreed to between the parties within one year. Hampton will again be responsible to maintain the Blu Starr Property in good standing during Phase 3. Upon successful completion of this program, Hampton would have earned an aggregate 40% interest in the Blu Starr Property.

Hampton has only completed its participation in Phase I of the evaluation of the Blu Starr Property. In Phase II and Phase III of the Blu Starr Joint Participation Agreement, Hampton Court was to earn an additional 30% working interest in the Property. The Company has not received any documentation or communication from Hampton Court since 2003 in regards to their overall interest in the Blu Starr Property. Hampton Court is currently undergoing corporate restructuring. This agreement lapsed on April 30, 2003. Hampton had previously elected not to participate in the placer mineral claims, accordingly the Company owns 100% of the placer claims and 90% of the staked mineral cells.

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### Location

The Blu Starr Property is located in the Slocan Valley of British Columbia, and forms a portion of the Valhalla Metamorphic Core Complex. The main parts of the Valhalla Complex are located in the Valkyr range in the southern Selkirk Mountains of British Columbia. These ranges lie between Lower Arrow and Slocan Lakes in the West Kootenay district, northwest of the town of Nelson. The main showing of the Blu Starr Property is located at the confluence of the Slocan River and the Little Slocan River, approximately one kilometre north of the town of Passmore via Highway 6. The exact coordinates of the centre of the mineralized outcrop are 49 degrees 32.5 minutes latitude, and 117 degrees 39 minutes longitude. The showing area is easily accessed, and virtually all modern amenities are readily available in the area. The nearest major centre is the town of Castlegar, which is located in the Kootenay Mountains just north of the Washington/British Columbia border. Castlegar is 425 metres above sea level, with a district population of 15,000. Castlegar is a popular vacation area, due to both its mountain activities and river wilderness, and the town has its own airport, which is serviced by all the major Canadian airlines. The outcrops themselves are exposed directly on Highway 6, along an abandoned Canadian Pacific Railway line which runs parallel to both Highway 6 and the Slocan River.

The following map shows the location of the Blu Starr Property.





## History

The earliest exploratory work in this area was carried out by G.M. Dawson in 1889, who visited the Arrow Lakes and travelled up the Kootenay River to Kootenay Lake. Reconnaissance work was carried out in 1898 and 1899 by R.W. Brock; his results were published by McConnel and Brock (1904) and in Reports of the Geological Survey for 1899 and 1900. Further studies were carried out initially by Little in 1948-50 and part of 1952, and some of his observations were made in the areas of the Valhalla and Valkyr ranges (Little, 1960). This work was followed by the fundamental studies of the Valhalla gneiss complex in detail, carried out by J.E. Reesor between 1958 and 1960. His works were published in 1965 and a number of specific topical studies have been carried out since.

In 1991, prospector Rod Luchansky discovered sapphires along the old Canadian Pacific rail line near Passmore, British Columbia and subsequently named it the Blu Starr showing. Along with prospecting partners John Demers and Marc Goldenberg, the initial find was staked and exploration begun. In 1993, John Demers discovered the nearby Blu Moon sapphire showing, which was subsequently staked by the partners. From 1991 to 1995, the prospectors hand mined approximately 10 tonnes of high-grade ore, containing an estimated 55,000 rough carats of sapphire.

## Geology

The following discussion of the geology of the Blu Starr Property is based upon a 1995 Report by Dr. Marylou Coyle, P.Geol., a 1996 Report by Kathleen Dixon, P.Geol. and Guylaine Gauthier. The Report was prior to the Canadian Securities Administrators NI 43-101 Standards of Disclosure for Mineral Projects and does not meet the new disclosure requirements in that regard.

The Blu Starr Property is part of the Valhalla Metamorphic Core Complex, located within the Omineca belt of the Canadian Cordillera. The Valhalla complex belongs to a belt of domal metamorphic complexes trending north-south and extending from central British Columbia to New Mexico. In Canada, these complexes include, from north to south, The Pinnacles, the Frenchman Cap Dome, the Thor Odin Complex, the Malton Complex and the Valhalla Complex. They all share similar characteristics: high grade metamorphic rocks bordered by major ductile/brittle shears or faults, with low grade metamorphic rocks exposed in the hanging walls of these outward dipping faults.

The overall pattern of regular foliation throughout the Valhalla complex defines two roughly domal masses: the Valhalla and Passmore domes. The complex consists in its northern part of rugged east-west trending ridges reaching 2500 - 2800 metres elevation. The southern part of the complex, in the Passmore area, is not as rugged.

The Property area is separated from the major part of the complex by the northeast trending Perry Ridge, which is drained on its north side by the Little Slovan river, and by the Slovan river on its southern side.

The Valhalla Complex is approximately 100 kilometres long by 30 kilometres wide and trends roughly north-south. It is composed of sheets of granitic orthogneiss ranging in age from 100 to 59 Ma and paragneiss of uncertain age. The complex is roofed by the ductile Valkyr Shear zone on its west, north and south margins, and, by the ductile/brittle Slovan Lake fault zone on its east side. The hanging walls of the Valkyr Shear zone and the Slovan Lake fault include low grade metamorphic rocks mostly of the Nelson batholith and its satellites. The northern end of the complex is overlain by metasedimentary rocks of the Paleozoic and Triassic Nemo Lakes belt and Upper Triassic Slovan Group. The southern portion of the complex is overlain structurally by lower grade greenschist volcanoclastic and volcanic rocks of the Early Jurassic Rossland Group, as well as metasedimentary rocks thought to be correlative with the Pennsylvanian Mount Roberts Formation. The lower plate of the complex includes the Castlegar gneiss complex and the Trail gneiss.



The complex includes three paragneiss sheets of uncertain age and three granitic sheets dated by the U-Pb zircon method: the late Cretaceous Mulvey granodioritic gneiss (100 ± 5 Ma), the Paleocene Airy quartz-monzonite (62 ± 1 Ma), and the Paleocene - Eocene Ladybird granite (59 ± 1 Ma). Displacement on the Valkyr Shear zone closely followed, or was synchronous, with emplacement of Ladybird granitic rocks.

The ages and correlations of the three paragneiss sheets are uncertain. The uppermost paragneiss sheet, exposed around the periphery of the Valhalla dome and in the core of Passmore dome, comprises quartzofeldspathic gneisses with minor amphibolite, calc-silicates, and quartzite, and is intruded by leucogranite, pegmatites, and migmatites. The two lower paragneiss sheets are exposed north of the study area, in the lower reaches of Gwillim Creek in the Mulvey gneiss core of the Valhalla dome. In both cases, their upper boundaries are in sheared contact with the Mulvey gneiss in the Gwillim Creek shear zones.

The paragneiss and Mulvey gneiss are overlain by early Tertiary granitic rocks which occur around the periphery of the Valhalla dome and throughout Passmore dome. The Airy quartz-monzonite borders the hybrid gneiss on all but the eastern side of the complex, along the Slokan river. The Airy quartz monzonite is two kilometres thick in the Passmore dome area. It pinches out to the north and south. This unit is in turn mantled by the Ladybird granite, which is structurally the highest and most extensive granitoid sheet of the complex. It lies in the immediate footwalls of both the Valkyr Shear and Slokan Lake fault zones. It is a 0.5 to three kilometres thick variably foliated sheet of biotite leucocratic granite. Displacement on the Valkyr Shear zone closely followed, or was synchronous with, emplacement of Ladybird granitic rocks. Slightly younger late kinematic to post kinematic granite and pegmatite of the Ladybird intrusion suite intruded deformed rocks of the Valkyr Shear zone and have a U-Pb zircon lower intercept age of 56.5 ± 1.5 Ma.

The last phase of plutonism to occur in the Valhalla complex is represented by the post-kinematic syenitic Coryell intrusions (51.7 ± 0.5 Ma). They outcrop in the upper and lower plate of the Valkyr Shear zone. The Valhalla Complex is composed of high-grade metamorphic rocks of the garnet-amphibolite sub-facies. The paragneiss sheets are at sillimanite-potassium-feldspar grade and are polydeformed.

### Mineralization

The following discussion of the mineralization of the Blu Starr Property is based upon a 1995 Report by Dr. Marylou Coyle, a 1996 Report by Kathleen Dixon, P.Geol. and Guylaine Gauthier, and reports generated by management of the Company following the 1997 and 1998 exploration seasons.

Sapphire mineralization on the Blu Starr Property is shown at 15 separate outcrops, with three main areas: the Blu Starr, the Blu Moon and the Sapphire Hill showings. On the Blu Starr showing, sapphire-bearing layers are exposed along the old Canadian Pacific railway grade, the Slokan River and the main highway. An estimate of the surface area within which gemstones are known to occur would be 250 metres in length, 50 metres in elevation and 50 metres in width, and is open to expansion.

It is difficult to assess the total contained carats of rough sapphire crystal due to erratic occurrence in small layers and high grade pockets hosted in felsic gneiss. However, selective mining to date has averaged 5,000 rough carats per tonne. The sapphires have a wide range in size, occasionally exceeding 250 carats, and colour, with black and bronze predominating but good quality blue, grey, yellow, green and mixed colour stones being occasionally found. Some other notable specimen or gem-grade crystals occurring on the Blu Starr showing include red garnet, dark green epidote, black tourmaline and quartz.



At the Blu Moon showing, the sapphires are exposed in the face of a low bluff. The host rock is a foliated leucocratic biotite syenite gneiss, intruded by feldspar-amphibole pegmatite sills and dikes. Quartz is notably deficient. At the Blu Moon showing, the syenite gneiss unit has been tightly folded into a series of recumbent isoclinal folds with an amplitude of five to 10 metres. Small low-angle thrust faults were developed during the folding episode and host a series of narrow pegmatite sills. The best blue sapphires occur on the hinge of a recumbent fold, directly above a pegmatite sill and within the sill's metasomatic halo. This hinge zone has been traced down a shallow westerly plunge for more than 50 metres where it becomes covered with talus. The sapphires occur sporadically in the syenite gneiss over at least 50 metres in length, 10 metres in height and 10 metres in width, giving about 15,000 tonnes of potential mineralized host rock. Within the eastern part of this block, a well developed zone showing a consistent amount of visible sapphires measures about 20 metres long by three metres in height and width, giving about 500 tonnes of probable gem bearing ore as estimated by the Company.

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The sapphires occur as hexagonal barrel-shaped crystals and plates, singly or in groups. Near the edges of the mineralized zones, the stones are often violet-bronze to blue-grey in colour, and commonly from one to 10 carats in size. In the core of the fold hinge, much larger sapphire crystals have formed, including a recently discovered blue crystal exceeding 150 carats in weight. The colour of the larger stones, often zoned, varies from sky-blue to cornflower and indigo blue, violet and purple. Inclusions of rutile silk which can form stars is common. Associated minerals include pink margarite mica and large golden brown zircon crystals. Veinlets and disseminations of translucent blue sodalite and yellow-green apatite crystals have also recently been discovered in the syenite gneiss.

In 1997, a 150 tonne composite bulk sample was permitted and mined from the Blu Moon showing on the Blu Starr Property. This sample was composed of talus rock accumulated below the main sapphire outcrop and approximately 20 tonnes of outcrop. The sample was sent to the Company's nearby Kenville Mine Property for sorting and manual extraction of sapphires. Extraction from approximately five tonnes of hand sorted high-grade material is estimated to contain 20,000 carats of rough sapphire.

During 1998, the Company discovered a third showing of sapphires, which was named Sapphire Hill, and although this showing is located in the vicinity of the Company's Blu Moon showing, it has a geological occurrence which more closely resembles the Blu Starr showing, located 2,000 metres across the valley floor. The sapphire-bearing zone, exposed in rock outcroppings and talus, stretches for more than 400 metres in length and 50 metres in elevation, and is open to expansion in all directions.

The Sapphire Hill showing has a surface area approximately twice the size of the Blu Starr showing, thereby more than tripling the Company's total potential sapphire resource. The new showing, a forested area of moderate topography with good road access, is ideally situated for exploration.

Initial heat treatment experiments have been successful in optimizing the colour range of the sapphire gemstones. Early results are very encouraging, with virtually all sapphires turning various shades of blue, including the preferred cornflower blue. The final heat treatments will be to drive the iron content out of the sapphires, producing blue, transparent gem roughs for faceting.

While no gemological valuation of the sapphire occurrences have been completed yet, the world price for comparable unheated, black star sapphire starts at approximately US\$10 per carat, and top quality coloured sapphires often rival diamonds and emeralds in price. The average wholesale price for top quality, blue sapphire is in the hundreds of dollars.

The almandine-pyrope garnet discovery of 1999 has provided to date over 250,000 carats of rough material from about two tonnes of mineralized pegmatite. The host quartz-feldspar-biotite-garnet pegmatite is transitional from a sill to a dike, and occurs within garnet amphibolite gneiss. The mineralized outcrop measures about 5 metres in length, varying from 30 to 130 centimetres in width, and more than three metres in depth. The garnet occurs as irregularly distributed single crystals up to 10 centimetres across and in vein-like masses up to 30 centimetres in width.

Initial cutting of the garnets has been completed in Sri Lanka with a very early rough estimate of about 30% of the sorted eye-clean, coarse garnet rough will cut gemstones from 0.25 ct. to 3 ct. in size. The colour of the finished stones is a brilliant, translucent cranberry red, with a hint of hot pink. Exploration and sampling of this showing continued through the 2000 season. Several other similar occurrences of large garnet crystals have been located on

the property.

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The initial iolite discovery of 1999 known as the Rainbow North zone; outcrops at the base of a small bluff. The mineralized zone has been hand-trenched and is presently exposed for 20 metres along strike, 5 metres in thickness, and five metres in profile depth. The zone has a shallow dip to the east and is open along strike and to depth. The surrounding wallrock is composed of well-layered feldspar-quartz-biotite-hornblende gneiss with scattered garnet porphyroblasts. The iolite hostrock is a distinctive, dark-green fibrous metamorphic rock composed of biotite and fuchsite mica, tremolite-actinolite, iolite, quartz, feldspar, megacrystic almandine-pyrope garnets, and amphibole. Iolite content varies, averaging about 5% of the observed rock surface, which is highly altered due to weathering.

Additional minerals noted include amethyst, clear, rose and star quartz; schorl and dravite tourmaline crystals up to 10 cm in diameter, rutile, beryl, spinel, ilmenite, muscovite, chlorite and others. The amethyst and clear quartz crystals commonly display positive and negative scepters and complex twinning patterns.

The iolite occurs as large crystals in quartz vein stockworks and pegmatites, and as scattered masses throughout the hostrock in 11 different showings. The iolite crystals weather to irregular masses of translucent violet gem material on the outcrop surface. Beneath the weathered outcrop, the tabular iolite crystals display a greenish-brown retrograde alteration known as pinite, which is a fine-grained mixture of sericite mica and chlorite. The largest single crystals exceed 1,000 carats in weight, but much larger crystalline masses have resulted from complex twinning and intergrowths. A representative 2 metre by 2 metre panel sample averaging about 10 centimetres in depth was taken by hammer and moil from the south end of the mineralized zone. The total sample weight was approximately one tonne, from which 25 kilograms of very high-grade iolite crystal ore was extracted.

The second iolite zone discovered in 2000, known as Rainbow South Zone, is also found outcropping at the base of a low bluff, and is presently exposed for 10 metres along strike, two metres in thickness, and two metres in profile depth. This zone also has a shallow dip and is open to strike and to depth. General deposit morphology, mineralogy and alteration are similar to the Rainbow North Zone. Large, euhedral iolite crystals form in quartz veins and as scattered masses and crystals throughout the hostrock. A representative 2 metre by 2 metre panel sample averaging about 10 centimetres in depth was taken by hammer and moil was taken from the centre of the zone. The sample weight was approximately one tonne, which yielded about 25 kilograms of high-grade iolite crystal ore.

The two samples taken together contained more than 100,000 rough carats of iolite crystal, a small percentage of which may be of gem quality. The samples are currently stored at the Company's Kenville property in Nelson, British Columbia.

The first iolite gems were cut by master gem cutters and designers Bruce MacLellan of Mountain Gems Ltd. and Ken Dale of Rusty's Gems Ltd., who stated that the iolite is among the finest they have ever cut. The cutters both remarked on the superb blue-violet colour, excellent clarity, and intense brilliance of the gems. An additional small package of rough iolite has been successfully cut in Sri Lanka with the finished stones averaging 0.5 carat. A larger package of gem rough garnet and iolite is currently being cut in Sri Lanka consisting of approximately 2,000 carat of rough stones. The work programs completed by April 30, 2002 resulted in several new discoveries of potential economic importance including 13 new sapphire occurrences, 10 new iolite/anthophyllite occurrences, a potentially large and economic gem garnet occurrence, a new flake graphite occurrence and occurrences of amethyst quartz, rose quartz and titanite.

The 1606 acres of placer claims have been evaluated for their mineralogical and gem potential. Recommendations include a drill program of 12 holes, 500 meters of trenching to sample geophysical anomalies and 23 bulk samples to evaluate fluvial zones targeted on two separate terraces. A geological survey using ground penetrating radar technology was performed to profile shallow sediment conditions, infer depth and distribution of fluvial deposits and

sub-alluvial or intra alluvial sediment/bedrock formations.

Permitting

Upon further analysis of the Aerotech airborne survey recently completed in 2010 the Company will apply for the necessary exploration and drill permits for an anomalous area identified by the airborne survey.

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### Plant and Equipment

Currently, no plant and equipment is situated on the Blu Starr Property, owing to its grassroots status. However, due to the proximity of the Blu Starr Property to the Kenville Mine Property (45 kilometres away), the facilities of the Kenville Mine Property will be utilized on an as needed basis.

### Encumbrances

The Company is not aware of any material encumbrances against its ownership of the Blu Starr Property.

### Exploration 2009/2010 Results

The Blu Starr property has never been subjected to large-scale systematic exploration using modern techniques, and the first phase of this approach consisted of flying a state of the art airborne magnetic and electromagnetic survey consisting of Aeroquest's AeroTEM III system. This survey was completed in March of 2010 and collected approximately 1,040 line kilometers of high-resolution data and provided complete coverage of the property. It will enable the direct detection of conductive features, often caused by metallic mineralization, and aid in the structural interpretation of the geology as it relates to known deposits.

St.Pierre Geoconsultants will oversee the execution of the airborne survey, and interpret the results in order to define anomalies and design follow-up exploration programs consisting of ground surveys and drilling.

### Graphite

A graphite zone located on the north-western area of the Blu Starr Property was discovered in 1999. Prospecting and geophysical field data have further extended the zone to the north and west. The discovery outcrops over 2,000 meters. Management will not conduct any further exploration of this resource but will monitor the market and success of a local producer of graphite. The graphite discovery is contained within the Blu Starr claim group and is also in good standing for a number of years.

### McAllister Pipe Property Diamond Exploration

The Company staked a number of mineral tenures in south-eastern British Columbia for a total of 31,000 hectares in 2004 and 2005 for diamond exploration and optioned the Iva Fern claim group as they were situated within the McAllister group. In lieu of the Company's decision to focus on the Lac de Gras region for diamond exploration the Company has retained only 1,959 hectares with 10 mineral cells of the McAllister property. The Company did not re-new the option on the Iva Fern claim group in February 2006. The main focus of the McAllister property is the McAllister Diatreme, identified as the host of a potential diamondiferous lamproite. The Company will re-assess the merits of this property within the current exploration year. This reduction resulted in a write-down of \$38,159 to the value of this property. As a result of the Company's decision to focus on the Nelson Mining Camp and the Kenville

Mine property, the Company is currently re-evaluating its continued participation in the McAllister property.

Northwest Territories Diamond Properties

As a result of the Company's decision to focus on the Nelson Mining Camp and the Kenville Mine property, the Company is currently re-evaluating its continued participation in the Fry Inlet property and URL claim groups in the Lac de Gras region of Canada's Northwest Territories.

The Company in 2005 made the decision to acquire diamond exploration opportunities as it had identified key land positions within the Slave Craton/Lac de Gras region that could be acquired. Collectively within this annual report there have been five transactions and are referred to as four distinct properties of merit.

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The Lac de Gras Group of 5 Claims, the Fishing Lake and the Falcon Bay Diamond properties are at grassroots, early exploration status and therefore the Company does not have extensive exploration data available at this time. These properties are the probable source areas for numerous unresolved KIM trains and include a known diamondiferous kimberlite which warrants additional exploration.

In light of the close proximity to producing diamond mines, the presence of numerous diamondiferous kimberlites and KIM's, management is of the opinion that these properties are highly prospective for the further discovery of diamonds.

The properties acquired at December 31, 2006 were:

#### Lac de Gras Group of 5 Claims

The Company originally acquired a 100% interest in and to 4 mineral claims consisting of approximately 10,330 acres located in the Lac de Gras area of the Northwest Territories, known as the UL 1&2 and the AFR 6&7 mineral claims in January of 2006. 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 on the discovery of any kimberlite body to a cumulative total of 2,000,000 shares.

The vendor neglected to transfer the AFR 6 & 7 claims to the Company and subsequently the claims lapsed. A transfer agreement dated April 20, 2007 replaced the two lost claims at the vendors expense to the Company with three new claims, the UL 3, 4, and 5 claims. These claims totalled 7,746 acres and are contiguous to the UL 1&2. As a result of the Company's decision to focus on the Nelson Mining Camp and the Kenville Mine property, the Company is currently re-evaluating its continued participation in the URL claim groups in the Lac de Gras region of Canada's Northwest Territories.

#### Falcon Bay Diamond Property

The Company acquired a 100% interest to 25 semi-contiguous mineral claims (MS 1-25), covering approximately 21,229 hectares in the diamond producing area of Lac de Gras, NWT. This property is located approximately 35 kilometers southeast of the Diavik Diamond Mine and is proximal to the DO-27 Kimberlite, currently the focus of detailed exploration by Peregrine Diamonds, Southernera and others.

The claims are collectively known as the Falcon Bay Diamond Property. The company paid a total of \$50,000 and issued 2,000,000 common shares valued at \$220,000. 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 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.

The Company's claims cover KIM (kimberlite indicator minerals) anomalies and airborne geophysical anomalies which require further work to prioritize drill targets. The 2007 exploration program is being designed and budgeted to further define existing known anomalies located on these claims as they are surrounded by numerous diamondiferous



kimberlites in all directions.

This property was dropped during 2007 as the Company has reduced its focus on the NWT exploration programs to the Fry Inlet and URL group of claims.

Location

See Map on page 45 for the location of the Falcon Bay Diamond property.

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### Fishing Lake Diamond Property

The Company acquired a 100% interest to 6,730 hectares now known as the Fishing Lake Diamond property, located approximately 110 kilometers northwest of Yellowknife, NWT. The mineral tenures are collectively known as the Till Claims (1-7) and are located on the Fishing Lake area in the Northwest Territories. The company paid \$20,000 and issued 900,000 common shares valued at \$94,500. The vendors retained a 2% gross overriding royalty ( 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 \$1,000,000. The vendors are eligible to receive kimberlite bonus payments of 150,000 shares for each individual kimberlite discovered by the company on the property.

The Fishing Lake Diamond Property claims cover dispersion trains of kimberlite indicator minerals identified in till sampling programs. These claims lie within a region of active diamond exploration by other diamond explorers and are midway between the Crosslake area kimberlites (Ashton, DeBeers, Diamonds North, et al) and the Big Hole target (GGL Diamond). Till samples previously collected during the 2004 and 2005 season confirmed earlier sampling program results and include G9 and G10 garnets.

This property was dropped during 2007 as the Company has focused its NWT exploration programs to the Fry Inlet and URL group of claims.

### Location

See Map on page 44 for the location of the Fishing Lake Diamond property.









### Fry Inlet Diamond Property

The Company acquired the property consisting of 29 contiguous mineral claims, located immediately to the west of Fry Inlet Lake and directly 25 km east of the Ranch lake kimberlite and 25 km north of the BHP Billiton Diamonds Inc. Ekati Mine property. The claims were acquired in two separate transactions in June of 2005; (i) the New Shoshoni option/joint venture for up to 60% (23,587 hectares) and (ii) the PQ claims for a 100% (13,586 hectares) interest totalling 37,173 hectares.

This PQ claim group was dropped during 2007 as the Company has focused its NWT exploration programs to the Fry Inlet's diamondiferous LI 201 Kimberlite and URL group of claims. As a result of the Company's decision to focus on the Nelson Mining Camp and the Kenville Mine property, the Company is currently re-evaluating its continued participation in the Fry Inlet property and URL claim groups in the Lac de Gras region of Canada's Northwest Territories.

(i) 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 through annual payments over a three year period commencing May 25, 2006. The company must also incur \$3,000,000 in exploration expenditures by February 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.

(ii) 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's most advanced diamond property is the Fry Inlet Diamond Property as previous exploration programs by Kennecott Canada Exploration in 1997 identified a kimberlite body on the property (LI-201). Kennecott drilled four holes, two of which intersected LI-201, and retrieved 14 macro-diamonds and 46 micro-diamonds from 281.1 kg of kimberlite.

Geophysical surveys suggest that the body may be larger with only two preliminary drill holes encountering kimberlite. Encouraging macro and micro diamond counts indicate that LI-201 kimberlite has tapped the diamond stability field.

The Company received a report on the interpretation of the 2006 Fugro Airborne Survey ( Fugro ) data titled Report on

the Geophysical Data on the Fry Inlet Project, Lac de Gras, NWT, Canada by Jeremy S. Brett, M.Sc., P.Geo., MPH Consulting Limited ( MPH ).

The MPH findings have far exceeded management's expectations as over 220 anomalies have been identified on the eastern portion of the Fry Inlet Property with 73 of the anomalies generated categorized as High-Priority by MPH. A total of 1,695 line-kilometers were flown in 2006 by Fugro with ~E-W 100 meter line-spacing. Single-sensor Magnetic and five-sensor Electromagnetic data were collected. The report states the airborne geophysical data is of excellent quality.

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MPH Consulting Ltd. ( MPH ) interpreted the 2006 Fugro airborne survey data earlier this year and their report far exceeded management's expectations as MPH identified 39 magnetic anomalies conforming to an idealized Lac de Gras-style intrusive diatreme (16 ranked as A and 23 as B plus). There were another 34 electromagnetic anomalies (10 ranked as A and 24 as B plus) again conforming to an idealized diatreme model -- prime contexts for the possibility of diamond-bearing kimberlites.

The LI 201 kimberlite produced 14 macrodiamonds and 46 microdiamonds from a previous drill program in the 1990 s and is contained within a cluster of seven anomalies. As a result of the Company s decision to focus on the Nelson Mining Camp and the Kenville Mine property, the Company is currently re-evaluating its continued participation in the Fry Inlet property and URL claim groups in the Lac de Gras region of Canada s Northwest Territories.

### Location

See map on page 45 for the location of the Fry Inlet Diamond property.

The Fry Inlet Diamond Property is located approximately 360 km north-northeast of Yellowknife centred at approximately 65° 15' N latitude and 110° 57' W longitude. The claims are immediately to the west of Fry Inlet Lake, directly 25 km east of the Ranch lake kimberlite, consisting of 42 contiguous mineral claims covering 37,173 hectares.

The Fry Inlet Diamond Property, which hosts two documented kimberlites LI-201 and T-31, comprises the TML1 to TML12, TML16 to TML 20, PQ1 to PQ16, and PQ18 to PQ26 mineral claims. The property is located approximately 360 km north-northeast of the city of Yellowknife, Northwest Territories. The LI-201 and T-31 kimberlite are located on the TML 2 mineral claims at approximately 65° 15' N latitude and 110° 57' W longitude within NTS sheet 76E. Access to the area is from Yellowknife is the main staging area for all operations in this region. Access is via fixed wing aircraft equipped with wheels,

The property is located within the Canadian Arctic tundra, or Barren Lands. For the majority of the year, the area is covered with ice and snow. Summer begins in June, when melting commences and by October winter has returned. Temperatures range from highs of around 25°C during the brief summer months, to winter lows of -45°C which are often magnified by strong, constant winds. Daylight varies from nearly 24 hours in the summer to only a few hours per day during the winter.

The percentage of outcrop averages from about 25% to around 35%. Frost-heave and/or shattered subcrop is common. Flat to undulose muskeg, with or without scattered boulder fields are common. Glaciations has also produced scattered glaciofluvial landforms such as eskers, braided esker complexes and deltas, outwash plains, boulder fields and alluvial fans

Approximately 20 to 25% of the property is covered by lakes. River systems are juvenile and not deeply incised. Water levels vary greatly with the season; they are highest during spring runoff and almost dry at the end of summer.

Caribou, wolves, foxes, Arctic hares, ptarmigan, wolverines, ground squirrels and grizzly bears are native to the area. Muskoxen are occasionally seen. Most of the larger lakes contain fish and support bird life.

History

The Fry Inlet property is located approximately 360 km north-northeast of Yellowknife at approximately 65° 15' N latitude and 110° 57' W longitude. The claims are immediately to the west of Fry Inlet Lake and directly 25 km east of the Ranch lake kimberlite and 25 km north of the BHP Billiton Diamonds Inc Ekati Mine property.

There is no record of exploration on the Fry Inlet Diamond property for commodities other than diamonds. The property has been the subject of diamond exploration since the early 1990 s. The LI-201 diamondiferous kimberlite was discovered on the property and numerous others occur on the claims to the south, west and east of the property.

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The Fry Inlet Diamond property is located within the Archean Slave Structural Province and is predominantly underlain by Archean supracrustal metasedimentary schists and gneisses and minor metavolcanic rocks intruded by later granitoid plutons.

The Fry Inlet Diamond property is host to two documented kimberlites LI-201 and T-31. A search of the open file assessment reports indicates that portions of the property were previously explored by Kennecott Canada Exploration, Lytton Minerals, New Dolloy Varden, Benachee Resources and Inukshuk Capital. Past exploration programs included regional and detailed till sampling, airborne and ground geophysics, and drilling. The property lies within a diamondiferous kimberlite field. Less than one kilometre off the property to the south is the Vega kimberlite and seven kilometres east of the property is the DIA-1 kimberlite.

### Till Sampling

Previous operators' till exploration programs focused on the east and west portions of the Fry Inlet Diamond property. Based on the previously released results there are areas of unresolved indicator anomalies, which are found in the north-western part of the property. Furthermore the centre portion of the property has undergone no reported sampling. These factors indicate that the property has the potential to host another diamondiferous kimberlite.

### Geophysical Surveys

Airborne geophysical surveys have been conducted on the property. On the eastern portions, Kennecott flew 8412 Line km of Magnetic/resistivity/ Electromagnetic at 50 m line spacing at 20 meters and Benachee Resources and Inukshuk Capitol flew 18219.3 Line kms of Magnetic and Electromagnetic at 200 m line spacing at 20m height. On the western portion, New Dolly Varden flew 4825 Line kms of Magnetic and Electromagnetic at 200 m line spacing.

More recently the Company completed a 1,695 line kilometers survey flown in 2006 by Fugro Airborne Surveys with ~E-W 100 meter line-spacing. Single-sensor Magnetic and five-sensor Electromagnetic data were collected.

The Report on the Geophysical Data on the Fry Inlet Project, Lac de Gras, NWT, Canada by Jeremy S. Brett, M.Sc., P.Geo., MPH Consulting Limited ( MPH ) has identified 39 Magnetic anomalies conforming to an idealized Lac de Gras style intrusive diatreme (16 ranked as A and 23 as B+). There were another 34 Electromagnetic anomalies (10 ranked as A and 24 as B+ ) again conforming to an idealized diatreme model prime contexts for the possibility of diamond bearing kimberlites.

### 2007 Drill Program

Anglo Swiss Resources drilled a cluster of 7 targets including the significantly diamondiferous LI-201 kimberlite in August of 2007. Drilling on the LI-201 kimberlite was carried out over the period Aug. 22 to Sept. 19, 2007. The drilling program consisted of five core holes, totaling 421.6 metres (1,383.2 feet). Two of the drill holes contained intercepts of LI-201 kimberlite. Drill holes Y07-04 and Y07-05 intersected kimberlite totaling 20.25 metres and 14.75 metres, respectively. The material sampled from these two drill holes had a combined weight of 58.0 kilograms, and was obtained from six separate subsamples of split NQ-size drill core. The samples were sent to C.F. Minerals Research Ltd., of Kelowna, B.C., for processing and indicator mineral and microdiamond recovery, and a total of 30

diamonds were recovered. The "Diamond distribution in CIM square mesh sieve classes" table shows the stone size distribution for the combined sample.

DIAMOND DISTRIBUTION IN CIM SQUARE MESH SIEVE CLASSES (MM)

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Combined	0.106	0.15	0.212	0.3	0.425	0.6	Total
weight(kg)	sieve	sieve	sieve	sieve	sieve	sieve	

58

7	9	1	17
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Note: Thirteen additional microdiamonds passed through a 0.106-millimetre square mesh sieve for a total diamond count of 30 microdiamonds. In total, 17 diamonds greater than 0.106 mm have been recovered, which equates to 293 diamonds (more than 0.106 mm) per tonne of kimberlite.

The drill program tested geophysical targets as well as to confirm the location and nature of the previously discovered LI-201 kimberlite. Due to continuing mechanical problems throughout the drill program, and with the onset of winter conditions, the drilling program was considerably reduced from its originally intended 1,500-metre program.

The results obtained from the latest study confirm the diamondiferous nature of the LI-201 kimberlite. The company has conducted airborne geophysics over the body and believes that potential exists for additional phases of kimberlite beyond the area of the current drill intersections. Additional work on the compositions of the indicator mineral recovered and analyzed by C.F. Minerals from LI-201 is currently being carried out by Mineral Services Canada Inc. of North Vancouver, B.C. Mineral Services Canada Inc. will be retained to carry out interpretive studies pertaining to future diamond exploration programs by Anglo Swiss.

With only four drill holes that have intersected the LI-201 kimberlite (two by Kennecott and two by Anglo Swiss) over a small area (50 m by 75 m), the overall size and nature of the kimberlite zone requires further evaluation and testing. Anglo Swiss is in the third year of a five-year option agreement with New Shoshoni Ventures Ltd. that allows Anglo Swiss to earn a 60-per-cent interest in the Fry Inlet property by incurring \$6.2-million in exploration expenditures.

This pipe also produced 14 macrodiamonds and 46 microdiamonds from a previous drill program in the 1990 s.

Kennecott tested 281 kilograms of rock and found just 60 diamonds, but that could be misleading. Kennecott limits its diamond recoveries to stones larger than a 0.15 millimetre cut-off, a significantly larger limit than most other labs employ. As well, 14 of the stones measured longer than 0.5 millimetre in one dimension, and one was large enough to sit on a one-millimetre sieve. That sparks hope that the body could contain larger stones.

There appears to be a cluster-like assemblage of 5 targets to the north-west of the property with 7 indicator mineral trains ( KIM s ) apparent. The trains appear to be dominated by eclogitic garnet and picroilme Initial field work consisting of a detailed airborne geophysical survey of the eastern portion of the property has been commissioned to Fugro Airborne Surveys Corp in February, 2006. A total of 1,695 line-kilometers were flown during this survey along parallel flight lines spaced 100 meters apart. This program will re-evaluate the known diamondiferous kimberlite and evaluate the remainder of the claim block for potential sources of anomalous KIM s present locally.

The region has undergone several major periods of glaciation; however, only one till sheet can be recognized. At least 3 different ice directions have been recorded in the area, but the last, which was to the northwest, appears to be dominant.

### Regional Geology

The Fry Inlet Diamond claims are within the Slave Structural Province of the Northwest Territories, northern Canada, which is an Archean segment of the North American Craton that covers 213,000 km<sup>2</sup>. It is composed of granites, gneisses and supracrustal rocks. Sialic basement remnants are well documented in the western part of the Slave Province and include the oldest known rocks in the world, the Acasta gneisses, which have been dated at 4.0 Ga (Bowring and Housch, 1995). Metasedimentary and subordinate metavolcanic rocks of the Yellowknife Supergroup, deposited mainly between 2.71 and 2.61 Ga, dominate the supracrustal sequences. Syn- to post-volcanic granitoid plutons cover approximately 65% of the Slave (Padgham and Fyson, 1992). Four swarms of Proterozoic diabase dykes cut the older units: the dominant north-northwest trending (330°) Mackenzie swarm (1.27 Ga); the northerly trending (010°) Lac de Gras swarm (2.02 Ga); the east trending MacKay dykes (2.21 Ga); and the northeast trending Malley dykes (2.23 Ga) (LeCheminant and van Breeman, 1994). The Slave Province is a classical setting for diamondiferous kimberlites: a stable Archean craton with, as suggested by seismic tomography, a cool mantle root (Anderson et. al., 1992).

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The Slave Province can be subdivided isotopically into an eastern and a western domain. Lead isotopic compositions for galena from volcanogenic massive sulphides, syn-volcanic veins and breccias are characterized by high  $^{207}\text{Pb}/^{204}\text{Pb}$  ratios in the western part of the Slave Province and by low  $^{207}\text{Pb}/^{204}\text{Pb}$  ratios in the eastern Slave. The high  $^{207}\text{Pb}/^{204}\text{Pb}$  ratios west of the boundary are interpreted to reflect derivation of a significant component of lead from an ancient upper crustal source, whereas the low  $^{207}\text{Pb}/^{204}\text{Pb}$  ratios east of the boundary suggests derivation from a mantle or juvenile crustal source (Thorpe et. al., 1992). Neodymium isotopic studies of supracrustal and granitoid rocks in the Slave Province support this interpretation.

The isotopic subdivision of the Slave Province is supported by the observation that Mesoarchean granitic and gneissic rocks with zircon U-Pb dates older than the Yellowknife Supergroup sequences have only been identified in the western part of the province (Bleeker and Davis, 1999) and that quartz arenites of circa 2.8 Ga and other supracrustal rocks older than the Yellowknife Supergroup occur only in the western domain. Further support for a distinct difference between the eastern and western Slave Province comes from magnetotelluric studies in the Slave, which indicate, among other things that the lithosphere beneath the western Slave Province is laterally homogeneous, thicker and more resistive than lithosphere to the east (Jones and Ferguson, 1997; Jones et. al., 1997). As well, the western Slave shows no conducting lower crust, which is in contrast to all other Archean cratons, such as the Superior, Kaapvall and Siberian cratons (Jones and Ferguson, 1997).

Kusky (1989) first suggested that the eastern and western parts of the Slave Province represented separate cratons that were accreted during the Archean along an east dipping subduction zone. Kusky (1989) termed the older, western part of the Slave the Anton Terrane and the eastern Slave, the Contwoto Terrane and Hackett River Arc. Current workers (eg. Bleeker and Davis, 1999) support these general subdivisions but use the terms Central and Northwestern Slave Basement Complex for the western Slave instead of Anton Complex, and Eastern Slave Province for the Contwoyto and Hackett terranes.

Recent lithoprobe studies support the accretion concept and suggest that, near surface the main suture is west-dipping with the western Slave (Central Slave Basement Complex) thrust over the Eastern Slave. In the lower crust and upper mantle, east-dipping reflectors delineate a coeval subduction zone and an accretionary wedge with the eastern Slave Province forming and indentor into the western Slave (van der Velden and Cook, 2002).

Kimberlites intrude granites, supracrustal rocks and, in some cases, diabase dykes (Pell, 1995, 1997) in both the eastern and western parts of the Slave Province. To date, all economic and near economic kimberlites, including those at Ekati, Diavik, Gahcho Kué and Jericho are located in the eastern Slave Province. The Snap Lake kimberlite is located near the boundary of the two terranes, but east of Thorpe et. al. s (1992) Pb line.

Subsequent to kimberlite emplacement, the area was covered by Laurentide ice during the Late Wisconsinan glaciation, which climaxed about 20,000 years B.P. and is believed to have retreated about 9000 years ago. Local and regional ice flow patterns show considerable variation and in some areas there appear to have been at least three ice movement directions (Ward et. al., 1996; Dredge et. al. 1994).

Till is the most prominent surficial sediment type in the Slave Geological Province. At a regional scale, till can be divided into thin veneers, blanket deposits up to 10 m thick that include drumlins, and hummocky till up to 30 m thick (Dredge et. al., 1999). Dredge et. al. (1994) recognized only one till sheet formed by several glacial advances. Three dominant directions were identified, which from oldest to youngest are: southwest, west and west to northwest.





Glaciofluvial deposits, eskers and outwash plains, are also present in the Slave Province. In the Lac de Gras area, eskers are mainly west and northwest trending (Dredge et. al., 1994; 1999).

### Property Geology

The Fry Inlet Diamond property is in the Eastern Slave Province (Contwoyto Terrane) and is predominantly underlain by granitic rocks and lesser supracrustal rocks. Syn- to post kinematic 2-mica or k-spar megacrystic granites (<2600 Ma) underlie most of the northern part of the property. Pre- to syn-kinematic biotite and hornblende-rich granitoids (diorites, quartz diorites, tonalities, granodiorites, etc.) occur on the eastern part of the property and as a band across the southwestern part of the claims. Medium grade metaturbidites underlie the southern and southwestern part of the property.

Proterozoic diabase dykes in various orientations intrude the Archean rocks, the most dominant of which is the north-northwest trending (330°) Mackenzie swarm (1.27 Ga).

The claims are covered, to varying degrees, by a veneer of till, the majority of which is basal till and consists of well compacted clays containing angular to subangular clasts and a lesser amount of pebbles and cobbles. Local areas of lodgement till and ablation till are reported on the property. Till thickness is variable. Outcrops comprise between 1 and 25% of the area; in outcrop dominated areas, tills are only preserved in small gullies. In areas of no outcrop, till cover averages from a few centimetres to tens of metres in thickness. In areas where tills are thicker than one metre, mud boils are commonly and ubiquitously developed. Permafrost is generally found at a depth of 50 to 60 centimetres. Ice directions of 270 to 285° were reported in most of the area.

### Mineralization

Diamonds are the high-pressure form of carbon and are produced deep within the earth's mantle, more than 150 kilometers beneath our feet. They have been sought by man for the past two millennia. Diamonds occur in primary (hardrock) and secondary (alluvial and marine placer) deposits. Although diamonds can be found in rocks as varied as high-pressure metamorphic garnet-biotite gneisses and meteorites, the only economically significant primary source rocks known to date are kimberlites and olivine lamproites. Both of these rock types form as magmas deep in the mantle and rapidly rise through it, sampling diamonds along the way. It must be stressed that diamonds do not form in the kimberlite or lamproite, they are simply transported to a level within the earth's crust where we can access them, by these magmas.

Kimberlites are volatile-rich, potassic ultrabasic rocks that commonly exhibit a distinctive inequigranular texture resulting from the presence of macrocrysts (and sometimes megacrysts and xenoliths) set in a fine grained matrix. The megacryst and macrocryst assemblage in kimberlites includes anhedral crystals of olivine, magnesian ilmenite, pyrope garnet, phlogopite, Ti-poor chromite, diopside and enstatite. Some of these phases may be xenocrystic in origin. Matrix minerals include microphenocrysts of olivine and one or more of: monticellite, perovskite, spinel, phlogopite, apatite, and primary carbonate and serpentine (Pell, 1998a).

Lamproites are peralkaline and typically ultrapotassic (6 to 8% K<sub>2</sub>O). They are characterized by the presence of one or more of the following primary phenocryst and/or groundmass constituents: forsteritic olivine; Ti-rich, Al-poor phlogopite and tetraferriphlogopite; Fe-rich leucite; Ti, K-richrichterite; diopside; and Fe-rich sanidine. Minor and

accessory phases include priderite, apatite, wadeite, perovskite, spinel, ilmenite, armalcolite, shcherbakovite and jeppite. Glass and mantle derived xenocrysts of olivine, pyrope garnet and chromite may also be present (Pell, 1998b).

Primary economic diamond deposits are more commonly associated with kimberlites than lamproites. From measurements of kimberlite distribution, Janse (1984) observed that kimberlites occur in clusters of up to 50 intrusions, each cluster no more than 40 km across. The distance between clusters is in the order of a hundred to several hundred kilometres. Kennedy (1964) first pointed out that diamondiferous kimberlites are restricted to cratons. Lamproites more commonly occur off craton, generally in Proterozoic mobile belts.

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The model for a single diamond-bearing volcanic system includes a feeder magmatic dyke intrusion, diatreme breccia, an overlying crater with epiclastic reworked sediments and a surrounding ring of pyroclastic ejecta. The size of the crater and the depth, shape and complexity of the diatreme vary considerably. Diamond-bearing magmas are believed to rise along zones of structural weakness. The model commonly used to depict a typical kimberlite pipe is shown in Figure 5.

#### Permitting

The Company is permitted for a 5 year drill program with respect to the Fry Inlet property through 2010 and a work camp permit for up to 200 man days is also in effect

#### Plant & Equipment

Currently, no plant and equipment is situated on the Northwest Territories Properties, owing to their grassroots, early exploration status.

#### Encumbrances

The Company is not aware of any material encumbrances against its ownership of the Northwest Territories Properties.

#### Exploration Current Results

#### **Fry Inlet 2009 Exploration**

As a result of the Company's decision to focus on the Nelson Mining Camp and the Kenville Mine property, the Company is currently re-evaluating its continued participation in the Fry Inlet property and URL claim groups in the Lac de Gras region of Canada's Northwest Territories.

#### **ITEM 4A.**

#### **UNRESOLVED STAFF COMMENTS**

Not applicable.

#### **ITEM 5.**

#### **OPERATING AND FINANCIAL REVIEW AND PROSPECTS**

The following discussion of the financial condition, changes in financial condition and results of operations of the Company for the years ended December 31, 2009, 2008 and 2007 should be read in conjunction with the consolidated financial statements of the Company and related notes included in this Annual Report. The Company's financial statements are expressed in Canadian dollars and are prepared in accordance with accounting principles generally accepted in Canada. Material differences between Canadian and United States generally accepted accounting principles are described in Note 11 of the consolidated financial statements of the Company.

### **Critical Accounting Estimates**

The Company's financial statements have been prepared in accordance with accounting principles generally accepted in Canada. A summary of all the Company's significant accounting policies is included in Note 2 to the annual consolidated financial statements for the year ended December 31, 2009.

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Management is required to make assumptions and estimates that affect the valuation of its mineral properties. The carrying value of each property in the exploration stage is evaluated as to the project economics, including the timing of the exploration work, the work programs and the exploration results experienced by the Company or others. When the carrying value of a property exceeds its estimated net recoverable amount, provision is made for the decline in value.

Acquisition costs of mineral properties and exploration expenditures thereon are capitalized. Costs incurred for general explorations that do not result in the acquisition of mineral properties with ongoing exploration potential are charged to operations. Costs relating to properties abandoned are written off when such decision is made. Should production be attained, the capitalized costs will be amortized using the unit of production method based upon estimated proven and probable recoverable reserves.

Future income tax assets and liabilities are computed based on differences between the carrying amount of assets and liabilities on the balance sheet and their corresponding tax values, using the enacted or substantively enacted, as applicable, income tax rates at each balance sheet date. Future income tax assets also result from unused loss carry forwards and other deductions. The valuation of future income tax assets is reviewed annually and adjusted, if necessary, by use of a valuation allowance to reflect the estimated realizable amount.

The Company follows the provisions of CIC Handbook Section 3870, which requires the fair value based method to be used for all stock-based awards. As a result, the Company is required to expense stock option benefits issued to employees and directors based on their vesting provisions. Accordingly, the fair value of the options at the date of the grant is determined using the Black-Scholes option pricing model and stock-based compensation is accrued and charged to operations, with an offsetting credit to options, on a straight-line basis over the vesting periods. The fair value of stock options granted to non-employees is re-measured at the earlier of each financial reporting or vesting date, and any adjustment is charged or credited to operations upon re-measurement. Option pricing models require the input of highly subjective assumptions regarding the expected volatility. Changes in 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 at the date of the grant or thereafter.

**A.**

### **Operating results**

The Company is in the business of the acquisition, exploration, exploration management and purchase of mineral properties, with the primary aim of developing them to a stage where the Company can exploit them profitably. The Company also has advanced its properties through partnerships, whereby proven companies manage the property with expertise in developing, designing and operating the extraction of mineral resources. At that stage, the Company's operations would, to some degree, be dependent on the prevailing market prices for any of the minerals produced by such operations.

The Company currently does not have any producing properties and its current operations on its various properties are in the exploration stages, working towards establishing economic concentrations of minerals. Before, during and after

the fiscal year ended December 31, 2009, the Company was engaged in continued exploration of its Kenville Mine Property, The Fry Inlet and URL Diamond claims, the Blu Starr Gemstone Property, and the McAllister Pipe Property all located in Columbia. The Company's future mineral exploration and mining activities may be affected in varying degrees by prevailing market prices, political stability and government regulations, the success of existing joint venture partners, all of which are beyond the control of the Company.

*Fiscal Year ended December 31, 2009 Compared to Fiscal Year Ended December 31, 2008*

During the fiscal year ended December 31, 2009, total assets increased to \$13,184,824 from \$9,555,031 at December 31, 2008 due to an increase in cash at year end and the acquisition of the Nelson Mining Camp properties. The net loss experienced by Anglo Swiss is subject to extremely wide variations arising from such matters as property write-downs and disposition and charges for stock-based compensations. These non-cash charges are subject to variations from year to year.

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Anglo Swiss's general and administrative expenses have been averaging approximately \$2.2 million over the last 3 years as the Company initiated large exploration programs and expansion of the crushing facility on the Kenville Gold Mine property which is now part of the recently acquired Nelson Mining Camp. G&A expenses for the years ended December 31, 2009, 2008 and 2007 excluding non-cash items (depreciation, stock-based compensation and properties write-down) are \$1,132,355, \$1,194,711 and \$792,583 respectively.

For the most part G&A expenses were similar during 2009 and 2008. Consulting fees were lower in 2009 (\$216,000) compared to \$241,400 in 2008. Filing fees were higher in 2009 at \$37,424 (2008-\$20,568) as the Company was more active in financings and property acquisitions. Sand and gravel operations were curtailed in 2009 (\$1,138) compared to \$53,907 in 2008 as the Company expanded the Nelson Mining Camp concentrating on exploration and the rehabilitation of the 257 Level of the Kenville Mine.

Professional fees were significantly higher in 2009 at \$468,137 (2008 - \$96,746) due to the successful settlement of the Gold Standard Resources litigation with respect to the Kenville Mine property. Shareholder and investor relations were significantly lower in 2009 at \$211,611 compared to \$528,448 in 2008. In 2008, the Company was extremely active in promotion utilising both trade show venues, web awareness campaigns and investor relation companies in both Canada and the United States, while in 2009, all efforts were focused on expanding the Nelson Mining Camp and the 257 Level rehabilitation.

In 2009, the Company re-focused on assembling the 160 square kilometre Nelson Mining Camp. Transfer agent fees in 2009 were \$16,146 (2008 - \$17,232) and travel and promotion for 2009 were lower at \$44,506 compared to \$59,439 in 2008.

Anglo Swiss' total assets consist of cash and short-term deposits plus its resource property costs. Cash resources at December 31, 2009 were \$2,123,080 compared to \$642,700 at December 31, 2008.

#### *Fiscal Year ended December 31, 2008 Compared to Fiscal Year Ended December 31, 2007*

During the fiscal year ended December 31, 2008, total assets decreased slightly to \$9.55 million from \$9.7 million as of December 31, 2007 due to a decrease in working capital as the Company was very active on the exploration of the Kenville Mine property. The net loss experienced by Anglo Swiss is subject to extremely wide variations arising from such matters as property write-downs and disposition and charges for stock-based compensations. These non-cash charges are subject to variations from year to year.

Anglo Swiss's general and administrative expenses have increased substantially over the last two years as the Company initiated both large exploration programs and expansion of the mill facility on the Kenville Gold Mine property. G&A expenses for the years ended December 31, 2008, 2007 and 2006 excluding non-cash items (depreciation, stock-based compensation and properties write-down) are \$1,194,711, \$792,583 and \$310,205 respectively.

The largest increases incurred during the year ended December 31, 2008 were in three areas. The Company during 2008 recorded a \$59,412 charge to Revenue Canada due to the renunciation of exploration expenses using the look back rule from a flow-through share offering in 2007. The Company also spent \$53,907 on its sand and gravel operations for the first time as this resource has been proven in 2008 under the NI 43-101 reporting guidelines. Shareholder and investor relations increased to \$528,448 in 2008 compared to \$283,032 during 2007. In 2008, the

Company was extremely active in promotion utilising both trade show venues, web awareness campaigns and investor relation companies in both Canada and the United States.

At December 31, 2008, the Company had working capital of \$36,851. Based on its existing working capital, the Company does not have sufficient funds to meet its general and administrative expenses and continue the exploration of its two key properties through 2009. The Company has addressed this in the first quarter of 2009 by settling outstanding debt of \$474,940 and raising \$333,000 in a private placement.

At December 31, 2008, Anglo Swiss had capital stock of \$18,451,320 representing 107,932,837 common shares without par value, and an accumulated deficit of \$12,956,899, resulting in a shareholder's equity (or net assets) of \$8,749,967 (2007 - \$9,182,444). Anglo Swiss had working capital of \$3,828,978 at December 31, 2007 and a working capital deficiency of \$455,069 at December 31, 2006.

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Anglo Swiss total assets consist of cash and short-term deposits plus its resource property costs. Cash resources at December 31, 2008 were \$642,700 compared \$4,151,934 at December 31, 2007.

*Fiscal Year ended December 31, 2007 Compared to Fiscal Year Ended December 31, 2006*

During the fiscal year ended December 31, 2007, total assets increased to \$9.7 million from \$5.4 million at December 31, 2006 due to an increase in working capital due to four private placements completed within the period for \$6,068,063. The Company also received \$551,515 from the exercise of options and warrants. The net loss experienced by Anglo Swiss is subject to extremely wide variations arising from such matters as property write-downs and disposition and charges for stock-based compensations. These non-cash charges are subject to variations from year to year.

Anglo Swiss's general and administrative cash expenses have been fairly consistent over the previous years, although in 2007 the Company incurred \$1,032,750 in G&A expenses. During the prior two years, G&A expenses were \$310,205 in 2006 and \$267,293 in 2005. This has increased in 2007 to \$1,032,750 due to the aggressive exploration programs undertaken during this period and their related expenses. (MK Note: Chris, I couldn't figure out how the numbers in this paragraph were calculated so please check.)

The largest increases incurred during 2007 were in consulting fees of \$216,000 compared to \$60,000 in 2006; depreciation of \$253,670 in 2007 compared to \$4,083 in 2006; professional fees of \$136,351 in 2007 compared to \$38,121 in 2006; and shareholder's information to \$283,032 in 2007 compared to \$48,506 in 2006.

The Company was able to take advantage of the increased interest in the mining sector in recent years; raising funds through private placements and becoming more active in property exploration and the related expenses in filing fees and increasing the investor relations budget over the last two years. This has also been reflected in the value of the publically traded shares which has increase over 400% during 2007. Anglo Swiss total assets consist of cash and short-term deposits plus its resource property costs. Cash resources at December 31, 2007 were \$4,151,934 compared to \$64,871 at December 31, 2006.

**B.**

**Liquidity and Capital Resources**

In management's view given the nature of the Company's activities, which consists of the acquisition, exploration, exploration management and purchase of mineral properties, the most meaningful and material financial information concerning the Company relates to its current liquidity and capital resources. The Company currently does not have any producing properties and its current operations on its various properties are in the exploration stage and have not derived any revenues from the sale of gold, gemstones or any other materials in the last three years. Before, during and after the fiscal year ended December 31, 2009, the Company was engaged in continued exploration of its

diamond, gold and precious/semi-precious gemstone properties, located in the Northwest Territories and south-eastern British Columbia. As a result, the Company's future mineral exploration and mining activities may be affected in varying degrees by prevailing market prices, political stability and government regulations, the success of existing or future partners, all of which are beyond the control of the Company.

The Company's mineral exploration activities have been funded through the sales of common shares, and while the Company has also been successful in continuing exploration of its properties, there is no assurance that these trends will continue indefinitely. The ongoing general and administrative obligations are dependent on financings as well and the Company expects to continue to utilize this source of funding until it generates cash flow from its operations. There can be no assurance, however, that the Company will be able to obtain the required financing in the future on acceptable terms, or at all.

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At December 31, 2009, the Company had working capital of \$1,955,269. Based on its existing working capital, the Company has sufficient funds to meet its general and administrative expenses and continue the exploration of its two key properties through 2010. Additionally, the Company completed a private placement in Q1 of 2010 for gross proceeds of \$1,500,000.

At December 31, 2009, Anglo Swiss had capital stock of \$22,972,431 representing 132,982,840 common shares without par value, and an accumulated deficit of \$14,714,019, resulting in a shareholder's equity (or net assets) of \$12,607,503 (2008 - \$8,749,967).

Management reviews the carrying value of the Company's interests in each mineral property at least annually to consider whether there are any conditions that may indicate impairment. Where estimates of future cash flows are not available and where exploration results or other information suggests an impairment has occurred, management assesses whether the carrying value can be recovered. Costs relating to properties abandoned are written off when the decision to abandon is made.

As a result of the Company's decision to focus on the Nelson Mining Camp and the Kenville Mine property, the Company is currently re-evaluating its continued participation in the Fry Inlet property and URL claim groups in the Lac de Gras region of Canada's Northwest Territories. Exploration of the Blu Starr property is also planned for 2010 including prospecting, surface sampling and a drill program.

Management plans to continue to raise equity funding and may work with joint venture partners to further advance its projects. While the Company has been successful in raising funds in the past, there can be no assurance that it will be able to do so in the future.

The Company believes that there is minimal risk in losing any of its mineral claims as they are all in good standing from various dates in 2012 to 2016 at the Nelson Mining Camp and Kenville Mine property and past 2011 on the Blu Starr property. Current exploration programs underway in 2010 will further extend the mineral claims up to 10 years. The Company has recently completed an Aerotech airborne survey on the Blu Starr and an Assessment Work Report will be filed in due course further extending the staked mineral claims. The Company does have to incur approximately \$7,500 to keep the placer claims located on the Blu Starr property in good standing during the current year.

### **Nelson Mining Camp Acquisitions**

Ron Gold Property Option (Requires Annual Exploration Expenditures)

In order to maintain the Option in good standing and earn a 60% right, title and undivided interest in and to the Property (subject to the Original Royalty Interest and the Second Royalty Interest referred to in paragraph 8), Anglo, subject to paragraph 2, shall:

(a)

pay to Klondike \$50,000 within one business day of signing this Agreement;

(b)

pay to Klondike a further \$50,000 in cash on or before the date which is 12 months from the date of this Agreement;

(c)

pay to Klondike a further \$50,000 in cash on or before the date which is 24 months from the date of this Agreement;

(d)

pay to Klondike a further \$50,000 in cash on or before the date which is 36 months from the date of this Agreement;

(e)

issue to Klondike 100,000 common shares of Anglo (the Payment Shares ) upon receipt of approval from the TSX Venture Exchange (the Exchange ) as well as any applicable regulatory authority;

(f)

incur \$50,000 in exploration expenditures on or before the date which is 12 months from the date of this Agreement;

(g)

incur an additional \$100,000 in exploration expenditures on or before the date which is 24 months from the date of this Agreement;

(h)

incur an additional \$200,000 in exploration expenditures on or before the date which is 36 months from the date of this Agreement; and

(i)

incur an additional \$300,000 in exploration expenditures on or before the date which is 48 months from the date of this Agreement.

#### Referendum Gold Property

In order to maintain the Option in good standing and earn a 100% right, title and undivided interest in and to the Property, subject to the Royalty Interest and to paragraph 2, Anglo Swiss shall:

a)

pay to Cherry \$10,000 and issue 50,000 common shares of Anglo Swiss (each a **Common Share** ) within one week of Anglo Swiss receiving approval from the TSX Venture Exchange (the **Exchange** ) as well as any applicable regulatory authority;

b)

pay to Cherry a further \$20,000 in cash on or before the date which is 12 months from the date of this Agreement and issue an additional 50,000 Common Shares;

c)

pay to Cherry a further \$40,000 in cash on or before the date which is 24 months from the date of this Agreement and issue an additional 50,000 Common Shares;

d)

pay to Cherry a further \$60,000 in cash on or before the date which is 36 months from the date of this Agreement and issue an additional 50,000 Common Shares;

e)

pay to Cherry a further \$60,000 in cash on or before the date which is 48 months from the date of this Agreement and issue an additional 50,000 Common Shares;

f)

pay to Cherry a further \$60,000 in cash on or before the date which is 60 months from the date of this Agreement and issue an additional 50,000 Common Shares.

Doyle Silver Lynx Property

To exercise this option Anglo Swiss must:

(a)

transfer to the Vendor 50,000 free trading shares of Anglo Swiss Resources Inc on or before January 25, 2010, ( 4 month restrictive legend is acknowledged).

(b)

pay the sum of \$20,000. and transfer to the Vendor 50,000 free trading shares of Anglo Swiss Resources Inc on or before December 7, 2010.

(c)

pay the sum of \$25,000. and transfer to the Vendor 50,000 free trading shares of Anglo Swiss Resources Inc on or before December 7, 2011.

(d)

pay the sum of \$40,000. and transfer to the Vendor 50,000 free trading shares of Anglo Swiss Resources Inc on or before December 7, 2012.

Doyle Mount Nelson Property

To exercise this option Anglo Swiss must:

(a)

transfer to the Vendor 25,000 free trading shares of Anglo Swiss Resources Inc on or before January 25, 2010, ( 4 month restrictive legend is acknowledged).

(b)

pay the sum of \$20,000. and transfer to the Vendor 25,000 free trading shares of Anglo Swiss Resources Inc on or before December 7, 2010.

(c)

pay the sum of \$25,000. and transfer to the Vendor 25,000 free trading shares of Anglo Swiss Resources Inc on or before December 7, 2011.

(d)

pay the sum of \$40,000. and transfer to the Vendor 25,000 free trading shares of Anglo Swiss Resources Inc on or before December 7, 2011.



#### 49er Creek Gold Property

To exercise this option Anglo Swiss must:

on or before the first anniversary of the Effective Date, \$120,000 and 1,100,000 Anglo Swiss Shares;

on or before the second anniversary of the Effective Date, \$150,000 in cash, or \$75,000 in cash and Anglo Swiss Shares with a value of \$75,000;

on or before the third anniversary of the Effective Date, \$180,000 in cash, or \$90,000 in cash and Anglo Swiss Shares with a value of \$90,000; and

on or before the fourth anniversary of the Effective Date, \$200,000 in cash, or \$100,000 in cash and Anglo Swiss Shares with a value of \$100,000

#### Gold Hill Property

To exercise this option Anglo Swiss must:

pay to Cherry a further \$8,000 in cash on or before the date which is 12 months from the date of this Agreement;

pay to Cherry a further \$10,000 in cash on or before the date which is 24 months from the date of this Agreement;

pay to Cherry a further \$12,500 in cash on or before the date which is 36 months from the date of this Agreement;

pay to Cherry a further \$17,000 in cash on or before the date which is 48 months from the date of this Agreement.

#### Mammoth Property

To exercise this option Anglo Swiss must pay:

(a) the sum of SIX THOUSAND DOLLARS (\$6,000.00) plus SIXTY THOUSAND SHARES (60,000) on the execution of this Agreement;

(b) the sum of EIGHT THOUSAND DOLLARS (\$8,000.00) plus SIXTY THOUSAND SHARES (60,000) by the 13<sup>th</sup> day of May, 2011;



(c) the sum of TEN THOUSAND DOLLARS (\$10,000.00) plus SIXTY THOUSAND SHARES (60,000) by the 13<sup>th</sup> day of May, 2012;

(d) the sum of TEN THOUSAND DOLLARS (\$10,000.00) by the 13<sup>th</sup> day of May, 2013;

Anglo Swiss shall have the right to purchase from the Optionors, the three percent (3%) Net Smelter Return, for \$500,000.00 at any time during the life of this agreement.

In October of 2006 the Company entered a two year lease for its head office in Vancouver. The payments made through December 31, 2008 are as follows:

2006 - \$3,300

2007 - \$13,200

2008 - \$13,200

The office is now on a month to month basis for \$1,100 per month.

The Company entered into two Management Employment Agreements effective January 1, 2007 with its CEO/ President and Vice President/CFO for their annual services in their respective capacities. Remuneration was set at \$10,000 and \$8,000 per month respectively. The agreements were approved by the independent members of the Compensation Committee and have carried on through to December 31, 2010.

The Company has no material off-balance sheet arrangements, no material capital lease agreements and no material long term debt obligations. The majority of the Company's expenditures on its properties are of a discretionary nature.

While the Company has been successful in raising the necessary funds to finance its exploration activities to-date, there can be no assurance that it will be able to continue to do so. Accordingly, there may be some doubt about the ability of the Company to continue as a going concern.

If such funds are not available or cannot be obtained and its partnership arrangements are insufficient to cover the costs of the Company's mineral exploration activities, the Company will be forced to further curtail its exploration activities to a level for which funding is available or can be obtained.

Other than as discussed herein, the Company is not aware of any trends, demands, commitments, events or uncertainties that may result in the Company's liquidity either materially increasing or decreasing at present or in the foreseeable future. Material increases or decreases in the Company's liquidity will be substantially determined by the success for failure of its exploration programs on its properties.

*Fiscal Year ended December 31, 2009 Compared to Fiscal Year Ended December 31, 2008.*

As at December 31, 2009, the Company's current cash assets totalled \$2,123,080 compared to \$642,700 at December 31, 2008. The Company's working capital increased to \$1,955,269 at December 31, 2009 from \$36,851 at December 31, 2008. Based on its existing working capital, the Company has sufficient funds to meet its general and administrative expenses and continue the exploration of its two key properties through 2010. Additionally, the Company has complemented its working capital in the first quarter of 2010 by a private placement for gross proceeds of \$1,500,000.

The current liabilities (accounts payable and accrued liabilities) at December 31, 2009 decreased to \$577,321 from \$805,064 at December 31, 2008. The Company settled an outstanding debt in Q1 of 2009 for \$474,940 and raised approximately \$4,500,000 in private placements and options/warrants exercised during the year. Included in current liabilities at December 31, 2009 and 2008 were amounts totalling \$2,616 and \$32,564, respectively, as due to related

parties owed to certain directors of the Company and a law firm of which an officer of the Company is a partner.

Accrued liabilities consists principally of accounts payable of \$380,030, accounting/audit costs of \$26,300, a charge for the settlement agreement with Terasen Gas of \$150,000, and the accrued tax of \$11,460 with respect to the issuance of flow through shares payable to Canada Revenue Agency.

The Company incurred major expenses at its Kenville Gold Mine property in 2009 of \$1,421,843 in exploration expenses and approximately \$214,000 on expanding the plant and equipment of the crushing facility.

The Company also raised approximately \$4,520,000 through private placements, options and warrants exercised in the fiscal year ended December 31, 2009 compared to \$740,000 from the issuance of shares and warrants in 2008. As a result, capital stock at December 31, 2009 increased to \$22,972,431 compared to \$18,451,320 at December 31, 2008.

The Company's largest cash outflow other than exploration costs associated with the Nelson Mining Camp and the Kenville Gold Mine property continues to be the ongoing general and administrative expenses, which for 2009 were \$1,132,355 and \$1,194,711 for 2008. The G&A expenses do not include non-cash items of \$846,905 and \$671,990 for stock-based compensation charges for the 2009 and 2008 years respectively and also depreciation charges of \$216,803 and \$238,405 of the Kenville plant and equipment for the same periods.

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*Fiscal Year ended December 31, 2008 Compared to Fiscal Year Ended December 31, 2007.*

As at December 31, 2008, the Company's current cash assets totalled \$642,700 compared to \$4,151,934 at December 31, 2007. The Company's working capital decreased to \$36,851 at December 31, 2008 from \$3,828,978 at December 31, 2007.

The current liabilities (accounts payable and accrued liabilities) at December 31, 2008 increased to \$805,064 compared to \$535,179 at December 31, 2007. Included in current liabilities at December 31, 2008 and 2007 were amounts totalling \$32,654 and \$311,282, respectively, as due to related parties owed to certain directors of the Company and a law firm of which an officer of the Company is a partner. Accrued liabilities consists principally of accounting/audit costs \$23,500, a charge for BC Capital Tax of \$75,300, and the annual property taxes of \$7,289 on the surface rights owned at the Kenville.

The Company incurred major expenses at its Kenville Gold Mine property in 2008 of \$2,911,376 in exploration expenses and approximately \$400,000 on expanding the Mill facility. The Company also raised \$740,000 from the issuance of shares and warrants in 2008 compared to \$6,619,579 in 2007. Capital stock at December 31, 2008 decreased to \$18,451,320 compared to \$18,866,832 at December 31, 2007 due mainly to a \$1,047,974 flow-through renunciation charge.

The Company's largest cash outflow other than exploration costs associated with the Kenville Gold Mine property continues to be the ongoing general and administrative expenses, which for 2008 were \$1,194,711 and \$792,583 for 2007. The G&A expenses do not include non-cash items of \$671,990 and \$338,941 for stock-based compensation charges for the 2008 and 2007 years respectively and also depreciation charges of \$238,405 and \$253,670 of the Kenville plant and equipment for the same periods, and a \$986,101 write down in 2007 of various diamond properties in the NWT of Canada.

*Fiscal Year ended December 31, 2007 Compared to Fiscal Year Ended December 31, 2006.*

As at December 31, 2007, the Company's current cash assets totalled \$4,151,934 and carried a working capital of \$3,828,978. At December 31, 2006 the Company had current cash assets of \$64,871 and a working capital deficiency

of \$455,069. The Company completed four private placements in 2007 for \$6,068,063.

The current liabilities (accounts payable and accrued liabilities) at December 31, 2007 decreased slightly to \$535,179 from \$551,299 at December 31, 2006. Related parties (directors and a law firm to which an officer of the Company is a partner in) increased to \$389,280 (2006 - \$328,620). The Company has no long term debt.

Share capital increased in 2007 due to the four private placements and the exercise of warrants and options for \$6,619,579 at \$0.10 to \$0.475 per share to \$18,866,832 at December 31, 2007. At December 31, 2006, the Company had \$13,314,402 in share capital.

The Company's largest cash outflow continues to be the ongoing general and administrative expense over the years. Anglo Swiss's G&A cash expenses have been fairly consistent over the previous years, although in 2007 the Company incurred \$1,032,750 in G&A expenses. During the prior two years the G&A expenses incurred were \$310,205 in 2006 and \$267,293 in 2005. This has increased in 2007 to \$1,032,750 due to the aggressive exploration programs undertaken during this period and their related expenses.

#### *Resource property and exploration costs*

For U.S. GAAP purposes, the Company expenses exploration costs incurred relating to unproven mineral properties. When proven and probable reserves are determined for a property, subsequent development costs of the property are capitalized. The capitalized costs of such properties are assessed periodically to ensure that 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.

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Under U.S. GAAP, deferred exploration costs are expensed as incurred. Had the Company presented its financial statements in accordance with U.S. GAAP, its loss for the fiscal years ended December 31, 2009, 2008, and 2007 would have been \$3,420,841, \$4,640,001 and \$3,458,845 respectively.

### *Outlook*

For the remainder of the fiscal year ending December 31, 2010, the Company's activities will focus primarily on the Nelson Mining Camp and the Kenville Gold Mine property in south-eastern British Columbia.

#### Nelson Mining Camp (Kenville Gold Mine property)

The Company has significantly expanded the Kenville property to now encompass 160 square kilometers and is known as the Nelson Mining Camp.

In the third and fourth quarters of 2009 and continuing into January of 2010 the Company aggressively expanded its properties contiguous to the south of the Kenville Mine property. The Nelson Mining Camp now consists of over 16,000 hectares trending approximately 10 kilometres to the south. There were a total of nine property option purchase agreements. SEE ITEM 4D.- Property, Plants and Equipment.

The Nelson Mining Camp is host to the Company's 100% owned Kenville Gold Mine plus numerous historic producing underground mines, numerous surface adits and old workings. The Company has initiated the most aggressive exploration program on the largest contiguous property group in the history of the Nelson Mining Camp in November of 2009.

The exploration programs over the 160 square kilometres are designed to locate any source(s) of the known gold, silver and poly-metallic minerals and to expand upon the current gold resources of the Kenville Gold Mine. The Company completed the analysis of a small VTEM airborne survey completed in February of 2010. The results successfully identified two significant anomalous conductive features. One consists of a NNE trending conductor with a strike extent in excess of 3km, and the other is a cluster of conductors in the immediate vicinity of the Silver Lynx zinc, lead, copper and silver showings.

The Nelson Mining Camp has never been subjected to large-scale systematic exploration using modern techniques, and the next phase of this approach consists of flying a state of the art airborne magnetic and electromagnetic survey consisting of Aeroquest's AeroTEM III system. This survey will collect approximately 2,667 line kilometers of high-resolution data and provide complete coverage of the property. It will enable the direct detection of conductive features, often caused by metallic mineralization, and aid in the structural interpretation of the geology as it relates to

known deposits.

St.Pierre GeoConsultants will oversee the execution of the airborne survey, and interpret the results in order to define anomalies and design follow-up exploration programs consisting of ground surveys and drilling. Equity Exploration Consultants Ltd. were retained to compile and interpret the exploration data across the 150 square kilometer Nelson Mining Camp

**Kenville Mine Property (100% Owned)**

*The Kenville Property* continues to be the most developed asset of the Company, with 385.82 hectares of staked mineral claims and 201.88 hectares of Crown granted mineral claims plus four- fee simple district lots. Due to the recent and continued increase in the global metals commodities market, the Company is of the opinion that the value of the property, plant and equipment has most likely increased.

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This property is very advanced; from the underground infrastructure to the surface facilities, a new crushing facility initiated in 2008 with completion scheduled in 2010, assay laboratory, maintenance and repair shop, geological office and the mine manager's residence. The equipment on site is extensive with most of the required ancillary equipment necessary to operate underground mining and milling equipment such as ore cars, ball mills, classifiers, coarse ore bins, jaw and cone crushers and the milling circuit.

The Kenville gold mine's historic workings consisting of the main haulage level (257) and the upper workings (275 Level), which contain substantial volumes of mill feed. In both levels the stopes and working veins are full of previously blasted gold-bearing material and muck. The company completed a full rehabilitation of the 257 Level and the rail system in 2009 and will complete the 275 Level in 2010. The Property also has extensive waste rock material in the surface waste dumps from previous production years which are located at surface.

### **Legal Status Kenville Mine Property**

There were two law suits filed in December 2006 and November 2007 with respect to the Company's Kenville Mine Property and an Option Joint Venture Agreement initiated on September 5, 2002 with 5 corporate optionees. As of April 29, 2010 both law suits have been settled and dismissed with no costs to either party.

Terasen Gas vs Anglo Swiss Resources Inc. Vancouver Action S073240

Terasen Gas initiated a claim for damages related to an incident in 2006 at the Kenville mine whereby a contractor excavated some material near the gas pipeline. Terasen claims damages up to \$250,000. The Company at the time of this report has negotiated a settlement with Terasen Gas for \$150,000, which is included in Current liabilities..

The Company does not have any material commitments for capital expenditures at the time of this report other than \$50,000 of exploration expenditures required on the Ron Gold Property by September of 2010.

C.

### **Research and Development, Patents and Licenses, etc.**

As the Company is a mineral exploration company with no producing properties, the information required by this section is inapplicable.

D.

### **Trend Information**

As the Company is a mineral exploration company with no producing properties, the information required by this section is inapplicable.

E.



**Off-balance Sheet Arrangements**

The Company has no off-balance sheet arrangements.

**F.**

**Tabular Disclosure of Contractual Obligations**

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## Payments due by Period

	Total	Less than 1 year	1-3 years	more than 5 years
<b>Contractual Obligations</b>				
<b>Long-Term Debt Obligations</b>				
<b>Capital (Finance) Lease Obligations</b>				
<b>Operating Lease Obligations</b>				
<b>Purchase Obligations</b>				
<b>Other Long-Term Liabilities Reflected on the Company's Balance Sheet under the GAAP of the primary financial statements</b>				
<b>Total</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>	<b>NIL</b>

G.

**Safe Harbour**

The safe harbour provided in Section 27A of the Securities Act and Section 21E of the Exchange Act applies to forward-looking information provided pursuant to Item 5.E and F above.

**ITEM 6.****DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**

A.

**Directors and Senior Management**

Leonard R. Danard

Mr. Danard is a director and President and CEO of the Company. He has held this position since December 14, 1992. Prior to this date he was president of a private company, which held the Kenville mine property, the Company's main asset. He has spent in excess of 20 years in the resource sector where he held various senior management positions. Mr. Danard is 63 years old.

Christopher C. Robbins

Mr. Robbins is a director and Vice President of the Company. He has been a director since November 25, 1994 and vice-president since June of 1999. He has business experience in public relations, corporate governance and financing for over 20 years, both in private and public sectors. Before his involvement with Anglo Swiss, Mr. Robbins was a consultant to a telecommunications firm, which also went public. Mr. Robbins is 51 years old.

Leroy Wolbaum

Mr. Wolbaum has been a director of the Company since August 30, 1993. He resides in Nelson, British Columbia and is the Company's liaison for the Kenville, Blu Starr and McAllister properties. Mr. Wolbaum has extensive corporate experience as he has served on a number of boards for various public listed companies over the years. Mr. Wolbaum is 66 years old.

Greg Pendura, M.Ed.

Mr. Pendura has more than 35 years of experience in founding, financing and advising emerging private and public companies. Mr. Pendura has spent the last 12 years in the public sector with Resin Systems Inc. An original founder of the company he recently retired as President, CEO and Chairman of the Board. During his tenure with Resin Systems Inc., he was instrumental in the company achieving a market capitalization of over \$200 million as well as raising in excess of \$100 million during its formative years. Mr. Pendura is 62 years old. Mr. Pendura resigned as a director at the Annual General Meeting held May 28, 2010.

Thomas Obradovich

Mr. Obradovich joined the board of directors on November 12, 2009. Tom is a graduate of the Haileybury School of Mines in mining technology and advanced field geophysics. He has a wide range of experience in mining exploration, development and financing. Over a career of 27 years he co-founded Canadian Royalties Inc. which discovered and developed the Raglan south nickel belt. He then acquired most of the Matachewan gold camp and through a reverse takeover of Young-Davidson Mines Ltd. upgraded and doubled the resource which was subsequently acquired by Northgate Minerals in 2005. The project is in prefeasibility and is scheduled for production in 2011. He co-founded Aurelian Resources Inc. which discovered the Fruta Del Norte gold deposit in Ecuador which was subsequently acquired by Kinross. Kinross is currently developing the 14-million-ounce gold resource. He assisted in raising the seed and IPO capital to create U3O8 Corp., which is developing uranium deposits in Guyana. He currently operates a private exploration company known as Canadian Continental Exploration Corp. and recently acquired a non-core asset from Goldcorp to form Manitou Gold Inc. which is scheduled to be listed in Toronto in late 2009.

Edward J. Nunn, Director

Mr. Nunn joined the board of directors in March 2008. He is a Registered Professional Engineer in British Columbia and has been associated with the mining industry for 42 years. Mr. Nunn has spent most of the 42 years primarily working in project engineering and management for domestic and international mine operating companies. His metal mining experience has been in gold, copper, molybdenum, lead and zinc while working for Cominco, Lornex Mining Corp., Echo Bay Mines and Granduc Operating Company. Mr. Nunn is 63 years old. Mr. Nunn resigned as a director on January 21, 2010.

**B.**

### **Compensation**

On January 29, 2008, the directors of the Company approved Executive Employment Agreements for two officers of the Company. These Agreements provide for combined annual base salaries totalling \$216,000, payment of performance bonuses at the Company's discretion, a benefits package and reimbursement of all expenses incurred in accordance with the Company's reimbursement policy.

During the fiscal year ended December 31, 2009, the Company accrued a total \$2,116 (2008 - \$32,654) in cash compensation due to directors and organizations controlled by directors. The Company also has Nil in 2009 (2008 - Nil) due to a law firm in which an officer of the Company is a partner. These amounts do not take account of incentive stock options granted to or exercised by such directors and officers or other non-cash compensation, as more particularly described below. No other funds were set aside or accrued by the Company during the fiscal year ended December 31, 2009 to provide pension, retirement or similar benefits for directors or officers of the Company pursuant to any existing plan provided or contributed to by the Company under applicable Canadian laws.

The Company is required, under applicable securities legislation in Canada to disclose to its shareholders details of compensation paid to its executive officers. The following fairly reflects all material information regarding compensation paid to the Company's executive officers, which has been disclosed to the Company's shareholders under applicable Canadian law.

*Cash and Non-Cash Compensation Executive Officers and Directors*

The Company currently has three executive officers: Len Danard, President and CEO; Chris Robbins, Vice President; and Brian Canfield, Corporate Secretary (the Named Executive Officers). Mr. Canfield is a lawyer who practices in Vancouver, British Columbia.

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The following table sets forth all annual and long term compensation for services in all capacities to the Company for the fiscal years ended December 31, 2009, 2008 and 2007 in respect of the individuals who were, at December 31, 2009, the Named Executive Officers:

Name and Principal Position in 2009 Fiscal Year	Year	Annual Compensation			Non-equity incentive plan compensation		Pension Value & Other
		Salary (\$)	Share-based awards (\$)	Option-based awards (\$)	Annual Incentive plans (\$)	Long-term Incentive plans (\$)	
Leonard Danard Chief Executive Officer and President	2009	120,000	Nil	Nil	Nil	Nil	Nil
	2008	120,000	Nil	Nil	Nil	Nil	
	2007	120,000	Nil	Nil	Nil	Nil	Nil
Christopher Robbins Vice-President and Financial Officer	2009	96,000	Nil	Nil	Nil	Nil	Nil
	2008	96,000	Nil	Nil	Nil	Nil	Nil
	2007	96,000	Nil	Nil	Nil	Nil	Nil

(1)

Fiscal years ended December 31, 2009, 2008, and 2007.

(2)

Indicates total options held in each of the fiscal periods down.

*Option Grants in Last Fiscal Year*

The following table, if required, sets forth stock options granted during the fiscal year ended December 31, 2009 to the Named Executive Officers:

Name of Optionee	Position (Director/ Employee/	% of Total Options Granted	No. of Optioned Shares	Exercise Price	Expiry Date	Total No. of Options Granted in
------------------	-------------------------------------	----------------------------------	------------------------------	-------------------	-------------	---------------------------------------

	<b>Consultant/ Management Company</b>					<b>Past 12 Months</b>
Len Danard	President & CEO	30.6	1,745,000	\$0.14	2014/04/28	5,695,000
Chris Robbins	Vice-President	14.0	800,000	\$0.14	2014/04/28	5,695,000

*Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values*

The following table, if required, sets forth details of all exercises of stock options during the fiscal year ended December 31, 2009 by the Named Executive Officers and the fiscal year-end value of unexercised options on an aggregated basis:

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No Options were exercised during the year ended December 31, 2009 by the Executive Officers.

*Defined Benefit or Actuarial Plan Disclosure*

The Company does not provide retirement benefits for directors and executive officers.

*Termination of Employment, Change in Responsibilities and Employment Contracts.*

The Company has entered into two formal employment agreements with its Named Executive Officers. On January 29, 2008, the directors of the Company approved Executive Employment Agreements for two officers of the Company. These Agreements provide for combined annual base salaries totalling \$216,000, payment of performance bonuses at the Company's discretion, a benefits package and reimbursement of all expenses incurred in accordance with the Company's reimbursement policy. **SEE EXHIBIT 7.1 and 7.2 EXECUTIVE EMPLOYMENT AGREEMENTS.**

*Directors*

Directors are not compensated for their services incurred in pursuance of their duties as directors although certain directors may be compensated for services rendered and expenses incurred as consultants or experts.

The following table, if required, sets forth stock options granted by the Company during the fiscal year ended December 31, 2009 to directors who are not Named Executive Officers of the Company.

<b>Name of Optionee</b>	<b>Position (Director/ Employee/ Consultant/ Management Company</b>	<b>% of Total Options Granted</b>	<b>No. of Optioned Shares</b>	<b>Exercise Price</b>	<b>Expiry Date</b>	<b>Total No. of Options Granted in Past 12 Months</b>
Thomas Obradovich	Director	35.1	2,000,000	\$0.30	2014/11/12	5,695,000
*Greg Pendura	Director	9.6	550,000	\$0.14	2014/04/28	5,695,000
Leroy Wolbaum	Director	8.7	500,000	\$0.14	2014/04/28	5,695,000

\* Resigned as a Director on May 28, 2010.

The following table, if required, sets forth detail of all exercises of stock options during the fiscal year ended December 31, 2009 by directors who are not Named Executive Officers of the Company, and the fiscal year-end value of unexercised options on an aggregated basis:

No Options were exercised during the year ended December 31, 2009 by the independent Directors.

C.

**Board Practices**



The Directors hold office for a term of one year or until the next annual general meeting of the Company, at which time all directors retire, and are eligible for re-election. Len Danard has been a director, President and the Chief Executive Officer of the Company since December 14, 1992. Leroy Wolbaum has been a director of the Company since August 30, 1993. Chris Robbins has been a director of the Company since November 25, 1994 and Vice President of the Company effective June 25, 1999. Brian Canfield has been a director and Corporate Secretary of the Company since June 25, 1999; Mr. Canfield resigned as a director on January 9, 2003 and has resigned as the Corporate Secretary on May 28, 2010. Mr. Greg Pendura became a director on March 12, 2007 and resigned his position on May 28, 2010. Mr. Edward J Nunn P.Eng became a director on March 11, 2008 and resigned his position on January 21, 2010. Mr. Thomas Obradovich became a director on November 12, 2010.

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The Company currently has two independent directors to serve as an Audit Committee. The two members of The Board of Directors are independent and meet and review and discuss along with the recommendations of the Company's auditors, De Visser Gray, Chartered Accountants, effectively serving as an Audit Committee. The Board of Directors after receiving recommendations from the audit committee reviews the audited financial statements of the Company and liaises with the Company's auditors and makes recommendations whether or not to approve such statements. At the request of the Company's auditors, the Board of Directors convenes a meeting to consider any matters which the auditor believes should be brought to the attention of the Board of Directors or the shareholders of the Company.

#### D.

##### Employees

During the fiscal year ended December 31, 2009, the Company had a number of employees on a seasonal basis as it explored the Kenville Gold Mine property. The number ranged from four to twenty-one between April of 2009 through to December 31, 2009 when the property was closed for the holiday season. The Corporate office has two employees, consisting of the CEO and Vice President who oversee the day to day activities of the Company. The Company utilizes independent consultants and casual labour sporadically when it is undertaking exploration programs or staking mineral claims. The Company expects to continue to contract out exploration responsibilities to the partners it attracts to its properties or independent contractors with expertise in their required fields.

#### E.

##### Share Ownership

See Item 6.A Directors, Senior Management and Employees – Directors and Senior Management for a summary of all common shares of the Company held by the directors and senior management.

The following table sets forth a summary of the details of all options and warrants to purchase shares of the Company held by the named Executive officers to the Company as at June 1, 2010. As at June 1, 2010 there were an aggregate of 17,760,000 stock options outstanding of the 27,500,000 authorized under the Plan to officers, directors, consultants and employees of the Company:

Name	Option Exercise price (\$)	Option-based Awards		Value of unexercised in-the-money options (\$)	Share-based Awards	
		Number of securities underlying unexercised options	Option Expiry Date		Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)
Leonard R. Danard	0.14	1,745,000	04/28/2014	410,075	Nil	Nil
Chief Executive Officer,	0.25	1,500,000	06/18/2013	187,500	Nil	Nil

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President and Director	0.10	1,200,000	07/18/2012	330,000	Nil	Nil
	0.11	2,000,000	11/17/2010	530,000	Nil	Nil
Christopher C. Robbins	0.14	800,000	04/28/2014	188,000	Nil	Nil
Vice President and Director	0.25	750,000	06/18/2013	93,750	Nil	Nil
	0.10	1,300,000	07/18/2012	357,500	Nil	Nil
	0.11	2,000,000	11/17/2010	530,000	Nil	Nil

(1) Beneficial ownership is determined in accordance with the rules of the Securities and Exchange Commission. In computing the number of shares owned by a person and the percentage ownership of that person, Common Shares subject to options and warrants held by that person that are currently exercisable or exercisable within 60 days of June 1, 2010, are deemed outstanding. Such shares, however, are not deemed outstanding for the purposes of computing the percentage ownership of any other person. This table has been prepared based on 139,171,055 Common Shares outstanding as of June 1, 2010, plus the exercisable shares that are deemed outstanding as listed in this table.

The following table sets forth a summary of the details of all options and warrants to purchase shares of the Company held by directors to the Company as at June 1, 2010:

Name	Option-based Awards			Share-based Awards		
	Option Exercise price (\$)	Number of securities underlying unexercised options#	Option Expiry Date	Value of unexercised in-the-money options (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)
Leroy R.T.	0.14	500,000	04/28/2014	117,500	Nil	N/A
Wolbaum	0.25	500,000	06/18/2013	62,500	Nil	N/A
Director	0.10	200,000	03/13/2012	55,000	Nil	N/A
	0.11	200,000	11/17/2010	53,000	Nil	N/A
(1)Edward J Nunn	0.27	500,000	03/11/2012	52,500	Nil	N/A
Director	0.25	750,000	06/18/2013	93,750	Nil	N/A
	0.14	100,000	04/28/2014	23,500	Nil	N/A
(2)Greg Pendura	0.10	750,000	03/13/2012	206,250	Nil	N/A
Director	0.25	1,000,000	06/18/2013	125,000	Nil	N/A
	0.14	550,000	04/28/2014	129,250	Nil	N/A
Tom Obradovich	0.30	2,000,000	11/12/2014	150,000	Nil	N/A
Director						

(1) Resigned as a Director on January 21, 2010.

(2) Resigned as a Director on May 28, 2010

### 2010 Share Option Plan (the 2010 Plan )

Options for executive officers are granted initially at the time of employment. Option grants for all employees including executive officers are reviewed on an annual basis.

The 2010 Plan has been drafted to comply with Exchange policies as they exist as at the date of this Management Information Circular. It reserves 27,500,000 common shares for issuance pursuant to the exercise of options granted pursuant to the 2010 Plan being less than 20% of the number of common shares expected to be issued and outstanding as at the effective date of the 2010 Plan. Any common shares subject to a share option which for any reason is cancelled or terminated without having been exercised shall again be available for grant under the 2010 Plan.

The 2010 Plan provides that eligible persons there under include any director, officer, employee (full or part-time), consultant or management company employee of the Company or any affiliate of the Company designated by the directors under the 2010 Plan. The definition of consultant is the same as that contained in the policies of the Exchange.

The 2010 Plan shall be administered by the board of directors of the Company, or if appointed, by a special committee of directors appointed from time to time by the board of (the Option Committee ). The board of directors will have authority to determine, among other things, the persons to whom options are granted and the number of such options. At the time an option is granted, the board will also determine the exercise price of the option which, subject to a

minimum price of \$0.10, shall be equal to the closing price of the common shares on the Exchange on the day immediately preceding the date of grant, and any vesting criteria or other restrictions with respect to the exercise-ability of the option. At a minimum, unless approval of the Exchange is received, options will vest in equal instalments, either monthly, quarterly or bi-annually, at the discretion of the board over a period of 18 months. Subject to any restrictions contained in the 2010 Plan, the board may also impose such other terms and conditions as it shall deem necessary or advisable at the time of the grant.

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The term of the options will be determined by the board, but in any case must be no more than five years from the date of the grant. Options are not transferable other than by will or the laws of descent and distribution. If an optionee ceases to be an eligible person for any reason whatsoever, the option (to the extent that it has vested at the time of termination) is exercisable for a period of 90 days or until the option expiration date, whatever is earlier, after which time the options will terminate and be of no further force and effect. If an optionee dies, the legal representative of the optionee may exercise the option (to the extent that it has vested at the time of death) until the earlier of one year after the date of death and the option expiration date.

The 2010 Plan provides that the maximum number of common shares which may be reserved for issuance to any participant pursuant to options may not exceed 5% of the common shares outstanding at the time of the grant (on a non-diluted basis) less the aggregate number of common shares reserved for issuance to such person under any option to purchase common shares under any other share compensation arrangement. Under the 2010 Plan, the maximum number of common shares that may be issued to any one participant, or to any one insider and the insider's associates, within a one year period pursuant to option exercises may not exceed 5% of the outstanding issue.

The maximum number of common shares which may be reserved for issuance to all the insiders of the Company pursuant to share options is limited to 20% of the common shares outstanding at the time of the grant (on a non-diluted basis) less the aggregate number of common shares reserved for issuance to insiders under any other share compensation arrangement.

The Company will not provide any optionee with financial assistance in order to enable such optionee to exercise share options granted under the 2010 Plan.

## ITEM 7.

A.

### MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

#### Major Shareholders

To the best of the Company's knowledge, the Company is not directly or indirectly owned or controlled by another corporation or any foreign government.

As at June 25, 2010 and except for the officers and directors as a group (**as summarized in Item 6.E Directors, Senior Management and Employees - Share Ownership**), the Company is aware of the following persons or groups of persons which are registered as owning more than 10% of the Company's issued and outstanding common shares.



<b>Title of Class</b>	<b>Person or Group</b>	<b>Shares Owned</b>	<b>% of Class</b>
Common Shares	CDS & Co.	104,768,505	75.2
Common Shares	DTC (formerly Cede & Co.)	15,814,392	11.3

(1) No officer or director individually owns or controls more than 10% of the Company's shares.

To the knowledge of the Company, it is not controlled by another corporation, any foreign government or by any other natural or legal persons severally or jointly.

As at June 25, 2010 there were 139,171,055 common shares of the Company issued and outstanding. Based on the records of the Company's registrar and transfer agent, Computershare Trust Company of Canada, of 510 Burrard Street, Vancouver, British Columbia, Canada, as at such date there were 592 holders of the Company's common shares resident in the United States, holding an aggregate 20,624,021 common shares. This number represents approximately 14.8% of the total issued and outstanding common shares of the Company as at June 25, 2010.

## **B.**

### **Related Party Transactions**

There were no material transactions in the fiscal year ended December 31, 2009, or proposed material transactions between the Company or any of its subsidiaries and:

(a)

enterprises that directly or indirectly through one or more intermediaries, control or are controlled by, or are under common control with, the Company;

(b)

associates;

(c)

individuals owning directly or indirectly, an interest in the voting power of the Company that gives them significant influence over the Company, and close members of any such individual's family;

(d)

key management personnel, that is, those persons having authority and responsibility for planning, directing and controlling the activities of the Company, including directors and senior management of companies and close members of such individuals' families;

(e)



enterprises in which a substantial interest in the voting power is owned, directly or indirectly, by any person described in (c) or (d) or over which such person is able to exercise significant influence including enterprises owned by directors or major shareholders of the Company and enterprises that have a member of key management in common with the Company.

**C.**

**Interests of Experts and Counsel**

Not applicable.

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## ITEM 8.

### FINANCIAL INFORMATION

#### A.

##### **Consolidated Statements and Other Financial Information**

This Annual Report contains the consolidated financial statements for the Company for the fiscal year ended December 31, 2009 which contain an Audit Report dated April 30, 2010, Consolidated Balance Sheets as of December 31, 2009 and 2008, Consolidated Statements of Operations, Comprehensive Loss and Deficit and Consolidated Statements of Cash Flows for the Fiscal Years Ended December 31, 2009, 2008 and 2007 and Notes to the Consolidated Financial Statements.

#### B.

##### **Significant Changes**

##### **International Financial Reporting Standards**

On 2/13/2008, the Canadian Accounting Standards Board ( AcSB ) confirmed the mandatory changeover date to International Financial Reporting Standards ( IFRS ) for Canadian profit-oriented publicly accountable entities ( PAE s ) such as the Company. The AcSB requires that IFRS compliant financial statements be prepared for annual and interim financial statements commencing on or after 1/1/2011. For PAE s with a December 31st year-end, the first un-audited interim financial statements under IFRS will be the quarter ending 3/31/2011, with comparative financial information for the quarter ended 3/31/2010. The first audited annual financial statements will be for the year ending 12/31/2011, with comparative financial information for the year ended 12/31/2010. This also means that all the opening balance sheet adjustments relating to the adoption of IFRS must be reflected in the 1/1/2010 opening balance sheet that will be issued as part of the comparative financial information in the 3/31/2011 un-audited interim financial statements.

The Company intends to adopt these requirements as set out by the AcSB and other regulatory bodies. At this time, the impact of adopting IFRS cannot be reasonably quantified. Nonetheless, the Company has identified several areas relating to IFRS that could materially affect the Company:

#### a.

Impairment: Upon conversion to IFRS, an assessment of whether there is any impairment to mineral properties will have to be made.

#### b.

Mineral resources: At present, the issue of capitalizing exploration expenditures under GAAP appears to be acceptable under IFRS.

c.

Business combinations: The effect of IFRS on the Company's present business combination is minimal because the first-time adoption of IFRS has exemptions allowing the new accounting policies on the business combinations be applied prospectively.

d.

Foreign currency: The adoption of IFRS will involve the identification of a functional currency. At present, it appears that the Canadian dollar is the Company's functional currency and the Mexico peso is the subsidiaries' functional currency. Upon consolidation, the presentation currency will be that of the parent's functional currency and therefore, the adoption of IFRS should have a minimal impact on the foreign currency translation. In addition, an exemption is allowed whereby any cumulative translation differences prior to transition date will be deemed to be zero.

e.

Income taxes: Although there are many areas where GAAP is similar to IFRS, there are differences as well, such as the differentiation between deferred tax assets and deferred tax liabilities; and whether deferred tax is to be charged to the income statement, equity or goodwill.

The majority of the Company's audit committee are accounting professionals and have taken professional development courses relevant to IFRS conversion, and as such, do not need to be convinced or re-educated as to the specifics of IFRS conversion. The Company's staff, in conjunction with its CFO, have adequate resources with which to carry out the conversion, as well as to carry on the day-to-day operations of the Company. The Company's staff is taking professional development courses relating to IFRS conversion.

At present, the Company has no contracts, debt covenants, capital requirements or compensation contracts that may be affected by changes to financial reporting because of IFRS.

The actual conversion work will occur in 2010 and 2011, in anticipation of the preparation of the 3/31/2011 balance sheet that will be required for comparative purposes for all periods ending in 2011.

Other than the aforementioned, no significant change has occurred since the date of the annual consolidated financial statements included in this Annual Report on Form 20-F.

## ITEM 9.

### THE OFFER AND LISTING

#### A.

#### Offer and Listing Details

The high and low sale prices for the common shares of the Company on the TSX Venture Exchange for each of the six months, each fiscal quarter in each of the last two full financial years and subsequent period and each of the last five full financial years are as follows:

<b>Time Period</b>	<b>High \$/Share</b>	<b>Low \$/Share</b>
May 2010	0.31	0.235
April 2010	0.345	0.23
March 2010	0.395	0.325
February 2010	0.43	0.31
January 2010	0.395	0.33
December 2009	0.48	0.33
2009		
Fourth Quarter	0.48	0.26
Third Quarter	0.445	0.265
Second Quarter	0.47	0.08
First Quarter	0.195	0.075
2008		
Fourth Quarter	0.24	0.07
Third Quarter	0.305	0.175

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Second Quarter	0.32	0.185
First Quarter	0.47	0.19
2007	0.67	0.05
2006	0.16	0.05
2005	0.18	0.065

The closing price of the Company's common shares on the TSX Venture Exchange, on June 25, 2010 was \$0.275.

The high and low sale prices (US\$) for the common shares of the Company on the Over The Counter Bulletin Board for each of the six months, each fiscal quarter in each of the last two full financial years and subsequent period and each of the last five full financial years are as follows:

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<b>Time Period</b>	<b>High \$/Share</b>	<b>Low \$/Share</b>
May 2010	0.3085	0.2198
April 2010	0.38	0.261
March 2010	0.38	0.278
February 2010	0.43	0.291
January 2010	0.4078	0.32
December 2009	0.5088	0.3062
2009		
Fourth Quarter	0.5088	0.23
Third Quarter	0.40	0.24
Second Quarter	0.41	0.115
First Quarter	0.16	0.057
2008		
Fourth Quarter	0.21	0.054
Third Quarter	0.286	0.161
Second Quarter	0.32	0.166
First Quarter	0.551	0.165
2007	0.72	0.025
2006	0.145	0.042
2005	0.15	0.05

The closing price of the Company's common shares on the Over the Counter Bulletin Board on June 25, 2010 was US\$0.2699.

## **B.**

### **Plan of Distribution**

Not applicable.

## **C.**

### **Markets**

Issuance and trading of the Company's common shares is currently governed in Canada by the *Company Act* (British Columbia) and the *Securities Act* of each of the Provinces of British Columbia, Alberta, Ontario, Quebec and Nova Scotia.

#### *Principal Non-U.S. Trading Market*

On May 1, 2002 the Canadian Venture Exchange (the CDNX) changed its name to the TSX Venture Exchange. On October 1, 2001 the Company's shares began trading on the CDNX, subsequent to an agreement negotiated between the CDNX and the Montreal Exchange whereby, as approved by the regulatory authorities, the Montreal Exchange

ceased operations as an equity exchange. On August 22, 1996 ASII received a conditional listing for its shares to be called for trading on the Montreal Exchange in Quebec, Canada. The shares were called for trading on October 18, 1996 under the trading symbol ASW . Upon commencement of trading on the Montreal Exchange, ASII s shares were delisted from the Canadian Dealing Network of Toronto, Ontario, Canada where they had been listed under the symbol ASWC since May 17, 1995. Upon shareholder approval of the Reorganization held November 24, 1997, the Company Common Shares were listed for trading on December 9, 1997 in substitution for ASII Common Shares under the same trading symbol ASW where they continue to trade.

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*Principal U.S. Trading Market*

The Company's shares also currently trade on the Over The Counter Bulletin Board (OTC BB) under the symbol ASWRF. On April 25, 1994, ASII's trading symbol was changed to ASWCF and subsequently to ASWC December 13, 1994. The Company's trading symbol was once again changed on January 26, 1999 to ASWRF as a result of the Reorganization.

European Listing

On February 12, 2004 the Company's shares were quoted on the Berlin Exchange under the symbol AMO. The Company believes the addition of a European listing, in conjunction with the TSX Venture Exchange and the OTC Bulletin Board (ASWRF) listing in the United States is a positive corporate development in our efforts in creating greater worldwide exposure for the Company and its diamond/gemstone/precious and base metals properties. Europeans have historically been strong supporters and investors in the exploration and development of gold properties and more significantly gemstone exploration throughout the world. The shares to date appear to be quoted in Euros, but there does not appear to be any trading volumes as of the time of this report.

**D.**

**Selling Shareholders**

Not applicable.

**E.**

**Dilution**

Not applicable.

**F.**

**Expenses of the Issue**

Not applicable.

**ITEM 10.**

**ADDITIONAL INFORMATION**

**A.**

**Share Capital**



Not applicable.

**B.**

**Memorandum and Articles of Association**

The Company was incorporated under the laws of Canada on June 27, 1995 under the name 3160157 Canada Ltd. as a wholly-owned subsidiary of Anglo Swiss Industries Inc. ( ASII ). On July 12, 1995, it changed its name to Canadian Sapphire Corporation . On October 8, 1997 it was continued as Anglo Swiss Resources Inc. under the *Company Act*. The continuance was implemented to repatriate the Company as a British Columbia company as the majority of its direct business operations are located in that province. As a result of the Reorganization, holders of ASII Common Shares automatically became holders of Company Common Shares and the Company automatically became the holder of all the outstanding ASII Common Shares. This resulted in the Company becoming the new parent company of the Anglo Swiss group of companies. The financial statements of the Company are, in effect, the same as the financial statements of ASII would appear, if the Reorganization had not taken place.

With respect to directors, the Articles of the Company provide that a director who is, in any way, directly or indirectly interested in an existing or proposed contract or transaction with the Company, or who holds any office or possesses any Property whereby, directly or indirectly, a duty or interest might be created to conflict with his duty or interest as a director, shall declare the nature and extent of his interest in such contract or transaction or the conflict or potential conflict with his duty and interest as a director, as the case may be, in accordance with the provisions of the Act and shall abstain from voting in respect thereof. This prohibition does not apply to:

(a)

any such contract or transaction relating to a loan to the company, which a director or a specified corporation or a specific firm in which he has an interest has guaranteed or joined in guaranteeing the repayment of the loan or any part of the loan;

(b)

any contract or transaction made or to be made with, or for the benefit of a holding corporation or a subsidiary corporation of which a director is a director;

(c)

any contract by a director to subscribe for or underwrite shares or debentures to be issued by the Company or a subsidiary of the Company, or any contract, arrangement or transaction in which a director is, directly or indirectly interested if all the other directors are also, directly or indirectly interested in the contract, arrangement or transaction;

(d)

determining the remuneration of the directors;

(e)

purchasing and maintaining insurance to cover directors against liability incurred by them as directors; or

(f)

the indemnification of any director by the Company.

The Articles of the Company also provide that the directors may from time to time on behalf of the Company borrow such money in such manner and amount, on such security, from such sources and upon such terms and conditions as they think fit; issue bonds, debentures and other debt obligations, either outright or as security for any liability or obligation of the Company, or any other person; and mortgage, charge, whether by way of specific or floating charge, or give other security on the undertaking, or on the whole or any part of the Property and assets of the Company (both present and future). Variation of these borrowing powers would require an amendment to the Articles of the Company which would, in turn, require the approval of the shareholders of the Company by way of a Special Resolution. A Special Resolution means a resolution cast by a majority of not less than  $\frac{3}{4}$  of the votes cast by shareholder of the Company who, being entitled to do so, vote in person or by proxy at a general meeting of the Company of which notice as the Articles of the Company may provide and not being less than 21 days notice specifying the intention to propose the resolution as a special resolution, has been duly given (or, if every shareholder entitled to attend and vote at the meeting agrees, at a meeting of which less than 21 days notice has been given), or a resolution consented to in writing by every shareholder of the Company who would have been entitled to vote in person or by proxy at a general meeting of the Company, and a resolution so consented to is deemed to be a special resolution passed at a general meeting of the Company

There is no requirement in the Articles of the Company or in the Act requiring retirement or non--retirement of directors under an age limit requirement, nor is there any minimum shareholding required for a director's qualification.

Holders of common shares of the Company are entitled to vote at meetings of shareholders, and a Special Resolution, as described above, is required to effect a change in the rights of shareholders. Holders of common shares are not entitled to pre-emptive rights. Holders of common shares are entitled, rateably, to the remaining Property of the Company upon liquidation, dissolution or winding up of the Company, and such holders receive dividends if, as, and when, declared by the directors of the Company. There are no restrictions on the purchase or redemption of common shares by the Company while there is an arrearage in the payment of dividends or sinking fund instalments. There is no liability on the part of any shareholder to further capital calls by the Company nor any provision discriminating against any existing or prospective holder of securities of the Company as a result of such shareholder owning a substantial number of shares. There are no limitations on the rights to own securities, including the rights of non-resident or foreign shareholders to hold or exercise voting rights on the securities imposed by the Act or by the constating document of the Company.

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The Company is required to give its registered shareholders not less than 21 days notice of any general meeting of the Company unless all such shareholders consent to reduce or waive the period. In addition, the Company is obliged to give notice to registrants and intermediaries who hold shares on behalf of the ultimate beneficial owners no fewer than 35 or more than 60 days prior to the date of the meeting. The Company then delivers, in bulk, proxy-related materials in amounts specified by the intermediaries. No shares of the Company owned by registrants or intermediaries may be voted at a general meeting of the Company unless all proxy-related materials are delivered to the ultimate beneficial owners of such shares. Such ultimate beneficial owner must then deliver a proxy to the Company within the time limited by the Company for the deposit of proxies in order to vote the shares in respect of which such person is the beneficial owner.

There is no provision in the Company's Articles that would have an effect of delaying, deferring or preventing a change in control of the Company and that would operate only with respect to a merger, acquisition or corporate restructuring involving the Company (or any of its subsidiaries).

Securities legislation in the Company's home jurisdiction of British Columbia requires that shareholder ownership must be disclosed once a person owns beneficially or has control or direction over greater than 10% of the issued shares of the Company. This threshold is higher than the 5% threshold under U.S. securities legislation at which shareholders must report their share ownership.

## C.

### **Material Contracts**

The Company has not completed any material contracts other than ordinary course of business during the last two fiscal years. This includes the various option to purchase agreements entered into with respect to the recent acquisitions of the Nelson Mining Camp. The Company considers these agreements non-material as there are minimal or no annual work requirements required. If and when the Company executes the option(s) and acquires the property(s) then reporting will be required of the effected material contract(s).

The Company did enter into an Option Joint Venture Agreement in respect to the New Shoshoni diamond claims in the NWT of Canada. The agreement required the following payments and exploration expenditures at the Company's option and therefore is not considered material prior to forming a Joint Venture:

i)

\$30,000 on or before May 25, 2006; PAID

ii)

\$35,000 on or before May 25, 2007; PAID

iii)

\$40,000 on or before May 25, 2008;PAID

a)

incur the following minimum annual expenditures on the Property:

b)

\$200,000 on or before twelve months from the date of Exchange approval of this Agreement; COMPLETED

c)

an additional \$400,000 on or before 24 months from the date of Exchange approval of this Agreement;  
COMPLETED

d)

an additional \$800,000 on or before 36 months from the date of Exchange approval of this Agreement; UNDER  
EVALUATION

e)

an additional \$1,600,000 on or before 48 months from the date of Exchange approval of this Agreement; UNDER  
EVALUATION

As a result of the Company's decision to focus on the Nelson Mining Camp and the Kenville Mine property, the Company is currently re-evaluating its continued participation in the Fry Inlet property in the Lac de Gras region of Canada's Northwest Territories.

**D.****Exchange Controls**

There are no governmental laws, decrees or regulations in Canada relating to restrictions on the export or import of capital, or affecting the remittance of interest, dividends or other payments to non-resident holders of the Company's common shares. Any remittances of dividends to United States residents are, however, subject to a 15% withholding tax (5% if the shareholder is a corporation owning at least 10% of the outstanding common shares of the Company) pursuant to Article X of the reciprocal tax treaty between Canada and the United States. **See Item 10.E Additional Information Taxation below.**

Except as provided in the Investment Canada Act (the Act), which has provisions which govern the acquisition of a control block of voting shares by non-Canadians of a corporation carrying on a Canadian business, there are no limitations specific to the rights of non-Canadians to hold or vote the common shares of the Company under the laws of Canada or the Province of British Columbia or in the charter documents of the Company.

Management of the Company considers that the following general summary fairly describes those provisions of the Act pertinent to an investment in the Company by a person who is not a Canadian resident (a non-Canadian).

The Act requires a non-Canadian making an investment which would result in the acquisition of control of the Canadian business to notify the Investment Review Division of Industry Canada, the federal agency created by the Act; or in the case of an acquisition of a Canadian business, the gross value of the assets of which exceeds certain threshold levels or the business activity of which is related to Canada's cultural heritage or national identity, to file an application for review with the Investment Review Division.

The notification procedure involves a brief statement of information about the investment on a prescribed form which is required to be filed with Investment Canada by the investor at any time up to 30 days following implementation of the investment. Once the completed notice has been filed, a receipt bearing the certified date will be issued to the non-Canadian investor. The receipt must advise the investor either that the investment proposal is unconditionally non-reviewable or that the proposal will not be reviewed as long as notice of review is not issued within 21 days of the date certified under the receipt. It is intended that investments requiring only notification will proceed without government intervention unless the investment is in a specific type of business activity related to Canada's cultural heritage and national identity.

If an investment is reviewable under the Act, an order for review must be issued within 21 days after the certified date on which notice of investment was received. An application for review in the form prescribed is required to be filed with Investment Canada prior to the investment taking place. Once the application has been filed, a receipt will be issued to the applicant, certifying the date on which the application was received. For incomplete applications, a deficiency notice will be sent to the applicant, and if not done within 15 days of receipt of application, the application will be deemed to be complete as of the date it was received. Within 45 days after the complete application has been received, the Minister responsible for the Investment Canada Act must notify the potential investor that the Minister is satisfied that investment is likely to be of net benefit to Canada. If within such 45-day period the Minister is unable to complete the review, the Minister has an additional 30 days to complete the review, unless the applicant agrees to a longer period. Within such additional period, the Minister must advise either that he is satisfied or not satisfied that the investment is likely to be of net benefit to Canada. If the time limits have elapsed, the Minister will be deemed to be satisfied that the investment is likely to be of net benefit to Canada. The investment may not be implemented until the review has been completed and the Minister is satisfied that the investment is likely to be of net benefit to Canada.

If the Minister is not satisfied that the investment is likely to be of net benefit to Canada, the non-Canadian must not implement the investment or, if the investment has been implemented, could be penalized by being required to divest himself of control of the business that is the subject of the investment. To date, the only types of business activities which have been prescribed by regulation as related to Canada's cultural heritage or national identity deal largely with publication, film and music industries. Because the Company's total assets are less than the \$5 million notification threshold, and because the Company's business activities would likely not be deemed related to Canada's cultural heritage or national identity, acquisition of a controlling interest in the Company by a non-Canadian investor would not be subject to even the notification requirements under the Act.

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The following investments by non-Canadians are subject to notification under the Act:

1.  
an investment to establish a new Canadian business; and
2.  
an investment to acquire control of a Canadian business that is not re-viewable pursuant to the Act.

The following investments by a non-Canadian are subject to review under the Act:

1.  
direct acquisitions of control of Canadian businesses with assets of \$5 million or more, unless the acquisition is being made by a World Trade Organization ( WTO ) member country investor (the United States being a member of the WTO);
2.  
direct acquisitions of control of Canadian businesses with assets of \$218,000,000 or more by a WTO investor;
3.  
indirect acquisitions of control of Canadian businesses with assets of \$5 million or more if such assets represent more than 50% of the total value of the assets of the entities, the control of which is being acquired, unless the acquisition is being made by a WTO investor, in which case there is no review;
4.  
indirect acquisitions of control of Canadian businesses with assets of \$50 million or more even if such assets represent less than 50% of the total value of the assets of the entities, the control of which is being acquired, unless the acquisition is being made by a WTO investor, in which case there is no review; and
5.  
an investment subject to notification that would not otherwise be re-viewable if the Canadian business engages in the activity of publication, distribution or sale of books, magazines, periodicals, newspapers, film or video recordings, audio or video music recordings, or music in print or machine-readable form.

Generally speaking, an acquisition is direct if it involves the acquisition of control of the Canadian business or of its Canadian parent or grandparent and an acquisition is indirect if it involves the acquisition of control of a non-Canadian parent or grandparent of an entity carrying an the Canadian business. Control may be acquired through the acquisition of actual voting control by the acquisition of voting shares of a Canadian corporation or through the acquisition of substantially all of the assets of the Canadian business. No change of voting control will be deemed to



have occurred if less than one-third of the voting control of a Canadian corporation is acquired by an investor.

A WTO investor, as defined in the Act, includes an individual who is a national of a member country of the World Trade Organization or who has the right of permanent residence in relation to that WTO member, a government or government agency of a WTO investor-controlled corporation, limited partnership, trust or joint venture and a corporation, limited partnership, trust or joint venture that is neither WTO-investor controlled or Canadian controlled of which two-thirds of its board of directors, general partners or trustees, as the case may be, are any combination of Canadians and WTO investors.

The higher thresholds for WTO investors do not apply if the Canadian business engages in activities in certain sectors such as uranium, financial services, transportation services or communications.

The Act specifically exempts certain transactions from either notification or review. Included among this category of transactions is the acquisition of voting shares or other voting interests by any person in the ordinary course of that person's business as a trader or dealer in securities.

**E.**

## **Taxation**

### *Material Canadian Federal Income Tax Consequences*

Management of the Company believes that the following general summary accurately describes all material Canadian federal income tax consequences applicable to a holder of common shares of the Company who is a resident of the United States and who is not a resident of Canada and who does not use or hold, and is not deemed to use or hold, his common shares of the Company in connection with carrying on a business in Canada (a non-resident holder).

This summary is based upon the current provisions of the Income Tax Act (Canada) (the ITA), the regulations thereunder (the Regulations), the current publicly announced administrative and assessing policies of Revenue Canada, Taxation, and all specific proposals (the Tax Proposals) to amend the ITA and Regulations announced by the Minister of Finance (Canada) prior to the date hereof. This summary assumes that the Tax Proposals will be enacted in their form as of the date of this Annual Report. This description, except for the Tax Proposals, does not take into account or anticipate any changes in law, whether by legislative, governmental or judicial action, nor does it take into account provincial, territorial, or foreign tax considerations which may differ significantly from those discussed herein.

### *Dividends*

Dividends paid on the common shares of the Company to a non-resident holder will be subject to withholding tax. The Canada - U.S. Income Tax Convention (1980) (the Treaty) provides that the normal 25% withholding tax rate under the ITA is reduced to 15% on dividends paid on shares of a corporation resident in Canada (such as the Company) to beneficial owners of the dividends who are residents of the United States, and also provides for a further reduction of this rate to 5% where the beneficial owner of the dividends is a corporation that is a resident of the United States which owns at least 10% of the voting shares of the corporation paying the dividend.

### *Capital Gains*

Under the ITA, a taxpayer's capital gain or capital loss from a disposition of a share of the Company is the amount, if any, by which his proceeds of disposition exceed (or are exceeded by) the aggregate of his adjusted cost base of the share and reasonable expenses of disposition. One-half of a capital gain (the taxable capital gain) is included in income, and one-half of a capital loss in a year (the allowable capital loss) is deductible from taxable capital gains realized in the same year. The amount by which a shareholder's allowable capital loss exceeds his taxable capital gains in a year may be deducted from a taxable capital gain realized by the shareholder in the three previous or any subsequent year, subject to certain restrictions in the case of a corporate shareholder.

A non-resident holder is not subject to tax under the ITA in respect of a capital gain realized upon the disposition of a share of a public corporation unless the share represents taxable Canadian Property to the holder thereof. The Company is a public corporation for purposes of the ITA and a common share of the Company will be taxable

Canadian Property to a non-resident holder if, at any time during the period of five years immediately preceding the disposition, the non-resident holder, persons with whom the non-resident holder did not deal at arm's length, or the non-resident holder and persons with whom he did not deal at arm's length together owned not less than 25% of the issued shares of any class of shares of the Company.

Where a non-resident holder who is an individual ceased to be resident in Canada, and at the time he ceased to be a Canadian resident elected to have his the Company shares treated as taxable Canadian Property, he will be subject to Canadian tax on any capital gain realized on disposition of the Company's shares, subject to the relieving provisions of the Treaty described below. Shares of the Company may also be taxable Canadian Property to a holder if the holder acquired them pursuant to certain tax-deferred rollover transactions whereby the holder exchanged Property that was taxable Canadian Property for shares of the Company.

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Where the non-resident holder realizes a capital gain on a disposition of the Company shares that constitute taxable Canadian Property, the Treaty relieves the non-resident shareholder from liability for Canadian tax on such capital gains unless:

(a)

the value of the shares is derived principally from real Property in Canada, including the right to explore for or exploit natural resources and rights to amounts computed by reference to production from natural resources, which is the case for the Company,

(b)

the non-resident holder is an individual who was resident in Canada for not less than 120 months during any period of 20 consecutive years preceding, and at any time during the 10 years immediately preceding, the disposition and the shares were owned by him when he ceased to be resident in Canada or are Property substituted for Property that was owned at that time, or

(c)

the shares formed part of the business Property of a permanent establishment or pertained to a fixed base used for the purpose of performing independent personal services that the shareholder has or had in Canada within the 12 months preceding the disposition.

#### *Material United States Federal Income Tax Consequences*

The following summary is a general discussion of the material United States Federal income tax considerations to U.S. holders of shares of the Company under current law. This discussion assumes that U.S. holders hold their shares of the Company's common stock as capital assets within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended (the Code). It does not discuss all the tax consequences that may be relevant to particular holders in light of their circumstances or to holders subject to special rules, such as tax-exempt organizations, qualified retirement plans, financial institutions, insurance companies, real estate investment trusts, regulated investment companies, broker-dealers, non-resident alien individuals or foreign corporations whose ownership of shares of the Company is not effectively connected with the conduct of a trade or business in the United States, shareholders who acquired their stock through the exercise of employee stock options or otherwise as compensation, shareholders who hold their stock as ordinary assets and not capital assets and other non-U.S. holders. In addition, U.S. holders may be subject to state, local or foreign tax consequences. No opinion or representation with respect to the United States Federal income tax consequences to any such holder or prospective holder is being made by the Company herein. Holders and prospective holders should therefore consult with their own tax advisors with respect to their particular circumstances. This discussion covers all material tax consequences.

The following discussion is based upon the sections of the Code, Treasury Regulations, published Internal Revenue Service (IRS) rulings, published administrative positions of the IRS and court decisions that are currently applicable, any or all of which could be materially and adversely changed, possibly on a retroactive basis, at any time. This discussion does not consider the potential effects, both adverse and beneficial, of any recently proposed legislation that, if enacted, could be applied, possibly on a retroactive basis, at any time. Accordingly, holders and prospective

holders of shares of the Company should consult their own tax advisors about the Federal, state, local, estate, and foreign tax consequences of purchasing, owning and disposing of shares of the Company.

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### *U. S. Holders*

As used herein, a U.S. Holder includes a holder of shares of the Company who is a citizen or resident of the United States, a corporation created or organized in or under the laws of the United States or of any political subdivision thereof, any entity that is taxable as a corporation for U.S. tax purposes and any other person or entity whose ownership of shares of the Company is effectively connected with the conduct of a trade or business in the United States. A U.S. Holder does not include persons subject to special provisions of Federal income tax law, such as tax exempt organizations, qualified retirement plans, financial institutions, insurance companies, real estate investment trusts, regulated investment companies, broker-dealers, non-resident alien individuals or foreign corporations whose ownership of shares of the Company is not effectively connected with conduct of trade or business in the United States, shareholders who acquired their stock through the exercise of employee stock options or otherwise as compensation and shareholders who hold their stock as ordinary assets and not as capital assets.

### *Distributions on Common Shares of the Company*

U.S. Holders receiving dividend distributions (including constructive dividends) with respect to shares of the Company are required to include in gross income for United States Federal income tax purposes the gross amount of such distributions to the extent that the Company has current or accumulated earnings and profits as defined under U.S. Federal tax law, without reduction for any Canadian income tax withheld from such distributions. Such Canadian tax withheld may be credited, subject to certain limitations, against the U.S. Holder's United States Federal income tax liability or, alternatively, may be deducted in computing the U.S. Holder's United States Federal taxable income by those who itemize deductions. (See more detailed discussion at *Foreign Tax Credit* below). To the extent that distributions exceed current or accumulated earnings and profits of the Company, they will be treated first as a return of capital up to the U.S. Holder's adjusted basis in the shares and thereafter as gain from the sale or exchange of the shares. Preferential tax rates for net capital gains are applicable to a U.S. Holder that is an individual, estate or trust. There are currently no preferential tax rates for long term capital gains for a U.S. Holder that is a corporation.

Dividends paid on the shares of the Company will not generally be eligible for the dividends received deduction provided to corporations receiving dividends from certain United States corporations. A U.S. Holder that is a corporation may, under certain circumstances, be entitled to a 70% deduction of the United States source portion of dividends received from the Company (unless the Company qualifies as a foreign personal holding company or a passive foreign investment company, as defined below) if such U.S. Holder owns shares representing at least 10% of the voting power and value of the Company. The availability of this deduction is subject to several complex limitations that are beyond the scope of this discussion.

In the case of foreign currency received as a dividend that is not converted by the recipient into U.S. dollars on the date of receipt, a U.S. Holder will have a tax basis in the foreign currency equal to its U.S. dollar value on the date of receipt. Generally, any gain or loss recognized upon a subsequent sale or other disposition of the foreign currency, including the exchange for U. S. dollars, will be ordinary income or loss. However, for tax years after 1997, an individual whose realized foreign exchange gain does not exceed U.S. \$200 will not recognize that gain, to the extent that there are not expenses associated with the transaction that meet the requirement for deductibility as a trade or business expense (other than travel expenses in connection with a business trip or as an expense for the production of income).

### *Foreign Tax Credit*

A U.S. Holder who pays (or has withheld from distributions) Canadian income tax with respect to the ownership of shares of the Company may be entitled, at the option of the U.S. Holder, to either a deduction or a tax credit for such foreign tax paid or withheld. Generally, it will be more advantageous to claim a credit because a credit reduces United States Federal income taxes on a dollar-for-dollar basis, while a deduction merely reduces the taxpayer's income subject to tax. This election is made on a year-by-year basis and applies to all foreign taxes paid by (or withheld from) the U.S. Holder during that year. There are significant and complex limitations that apply to the credit, among which is the general limitation that the credit cannot exceed the proportionate share of the U.S. Holders United States Federal income tax liability that the U.S. Holder's foreign source income bears to his or its worldwide taxable income. In the determination of the application of this limitation, the various items of income and deduction must be classified into foreign and domestic sources. Complex rules govern this classification process. There are further limitations on the foreign tax credit for certain types of income such as passive income, high withholding tax interest, financial services income, shipping income, and certain other classifications of income. The availability of the foreign tax credit and the application of the limitations on the credit are fact specific and holders and prospective holders of shares of the Company should consult their own tax advisors regarding their individual circumstances.

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### *Information Reporting and Backup Withholding*

U.S. information reporting requirements may apply with respect to the payment of dividends to U. S. Holders of the Company's common shares. Under Treasury regulations currently in effect, non-corporate holders may be subject to backup withholding at a 31% rate with respect to dividends when such holder (1) fails to furnish or certify a correct taxpayer identification number to the payor in the required manner, (2) is notified by the IRS that it has failed to report payments of interest or dividends properly or (3) fails, under certain circumstances, to certify that it has been notified by the IRS that it is subject to backup withholding for failure to report interest and dividend payments. Any amounts withheld under the backup withholding rules from a payment to a U.S. Holder generally will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle the U.S. Holder to a refund, provided that the required information is furnished to the IRS. Certain U.S. Holders, including corporations, are not subject to backup withholding.

### *Disposition of Common Shares of the Company*

A U.S. Holder will recognize a gain or loss upon the sale of shares of the Company equal to the difference, if any, between (i) the amount of cash plus the fair market value of any Property received, and (ii) the shareholder's tax basis in the shares of the Company. This gain or loss will be a capital gain or loss if the shares are a capital asset in the hands of the U.S. Holder, and will be a short-term or long-term capital gain or loss depending upon the holding period of the U.S. Holder. Gains and losses are netted and combined according to special rules in arriving at the overall capital gain or loss for a particular tax year. Deductions for net capital losses are subject to significant limitations. Corporate capital losses (other than losses of corporations electing under Subchapter S of the Code) are deductible to the extent of capital gains. Non--corporate taxpayers may deduct net capital losses, whether short-term or long-term, up to U.S.\$3,000 a year (U.S.\$1,500 in the case of a married individual filing separately). For U.S. Holders which are individuals, any unused portion of such net capital loss may be carried over to be used in later tax years until such net capital loss is thereby exhausted. For U.S. Holders which are corporations (other than corporations subject to Subchapter S of the Code), an unused net capital loss may be carried back three years from the loss year and carried forward five years from the loss year to be offset against capital gains until such net capital loss is thereby exhausted.

### *Currency Exchange Gains or Losses*

U.S. holders generally are required to calculate their taxable incomes in United States dollars. Accordingly, a U.S. holder who purchases common shares of the Company with Canadian dollars will be required to determine the tax basis of such shares in United States dollars based on the exchange rate prevailing on the settlement date of the purchase (and may be required to recognize the unrealized gain or loss, if any, in the Canadian currency surrendered in the purchase transaction). Similarly, a U.S. holder receiving dividends or sales proceeds from common shares of the Company in Canadian dollars will be required to compute the dividend income or the amount realized on the sale, as the case may be, in United States dollars based on the exchange rate prevailing at the time of receipt in the case of dividends and on the settlement date in the case of sales on an established securities exchange. Gain or loss, if any, recognized on a disposition of Canadian currency in connection with the described transactions generally will be treated as ordinary gain or loss.





### *Other Considerations*

In the following circumstances, the above sections of this discussion may not describe the United States Federal income tax consequences resulting from the holding and disposition of common shares of the Company (the Company does not believe that it will qualify in the next year, or has qualified within the past three fiscal years, as a foreign personal holding company, foreign investment company, passive foreign investment company or controlled foreign corporation as discussed below):

#### *Foreign Personal Holding Company*

If at any time during a taxable year more than 50% of the total combined voting power or the total value of the Company's outstanding shares is owned, directly or indirectly, by five or fewer individuals who are citizens or residents of the United States and 60% or more of the Company's gross income for such year was derived from certain passive sources (e.g., from dividends received from its subsidiaries), the Company would be treated as a foreign personal holding company. In that event, U.S. Holders that hold common shares of the Company (on the earlier of the last day of the Company's tax year or the last date in which the Company was a foreign personal holding company) would be required to include in gross income for such year their allocable portions of such passive income to the extent the Company does not actually distribute such income.

#### *Foreign Investment Company*

If 50% or more of the combined voting power or total value of the Company's outstanding shares are held, directly or indirectly, by citizens or residents of the United States, United States domestic partnerships or corporations, or estates or trusts other than foreign estates or trusts (as defined by the Code Section 7701(a)(3i)), and the Company is found to be engaged primarily in the business of investing, reinvesting, or trading in securities, commodities, or any interest therein, it is possible that the Company might be treated as a foreign investment company as defined in Section 1246 of the Code, causing all or part of any gain realized by a U.S. Holder selling or exchanging common shares of the Company to be treated as ordinary income rather than capital gain.

#### *Passive Foreign Investment Company*

As a foreign corporation with U.S. Holders, the Company could potentially be treated as a passive foreign investment company (PFIC), as defined in Section 1297 of the Code, depending upon the percentage of the Company's income which is passive, or the percentage of the Company's assets which are producing passive income (generally 75% or more of its gross income in a taxable year is passive income, or the average percentage of the Company's assets (by value) during the taxable year which produce passive income or which are held for production of same is at least 50%). Passive income is generally defined to include gross income in the nature of dividends, interest, royalties, rents and annuities; excess of gains over losses from certain transactions in any commodities not arising *inter alia* from a PFIC whose business is actively involved in such commodities; certain foreign currency gains; and other similar types of income. U.S. Holders owning shares of a PFIC are subject to an additional tax and to an interest charge based on the value of deferral of tax for the period during which the common shares of the PFIC are owned, in addition to treatment of gain realized on the disposition of common shares of the PFIC as ordinary income rather than capital gain. However, if the U.S. Holder makes a timely election to treat a PFIC as a qualified electing fund (QEF) with respect to such shareholder's interest therein, the above-described rules generally will not apply. Instead, the electing U.S. Holder would include annually in his gross income his pro rata share of the PFIC's ordinary earnings and net capital gain regardless of whether such income or gain was actually distributed. A U. S. Holder of a QEF can, however, elect to defer the payment of United States Federal income tax as such income inclusions. Special rules

apply to U.S. Holders who own their interests in a PFIC through intermediate entities or persons.

Effective for tax years of U.S. Holders beginning after December 31, 1997, U.S. Holders who hold, actually or constructively, marketable stock of a foreign corporation that qualifies as a PFIC may elect to mark such stock to the market (a mark-to-market election). If such an election is made, such U.S. Holder will not be subject to the special taxation rules of PFIC described above for the taxable years for which the mark-to-market election is made. A U.S. Holder who makes such an election will include in income for the taxable year an amount equal to the excess, if any, of the fair market value of the shares of the Company as of the close of such tax year over such U.S. Holder's adjusted basis in such shares. In addition, the U.S. Holder is allowed a deduction for the lesser of (i) the excess, if any, of such U.S. Holder's adjusted tax basis in the shares over the fair market value of such shares as of the close of the tax year, or (ii) the excess, if any of (A) the mark-to-market gains for the shares in the Company included by such U.S. Holder for prior tax years, including any amount which would have been included for any prior year but for Section 1291 interest on tax deferral rules discussed above with respect to a U.S. Holder, who has not made a timely QEF election during the year in which he holds (or is deemed to have held) shares in the Company and the Company is a PFIC ( Non-Electing U.S. Holder ), over (B) the mark-to-market losses for shares that were allowed as deductions for prior tax years. A U.S. Holder's adjusted tax basis in the shares of the Company will be increased or decreased to reflect the amount included or deducted as a result of mark-to-market election. A mark-to-market election will apply to the tax year for which the election is made and to all later tax years, unless the PFIC stock ceases to be marketable or the IRS consents to the revocation of the election.

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The IRS has issued proposed regulations that, subject to certain exceptions, would treat as taxable certain transfers of PFIC stock by a Non-Electing U. S. Holder that are generally not otherwise taxed, such as gifts, exchanges pursuant to corporate reorganizations, and transfers at death. Generally, in such cases, the basis of the Company's shares in the hands of the transferee and the basis of any Property received in the exchange for those shares would be increased by the amount of gain recognized. A U.S. Holder who has made a timely QEF election (as discussed below) will not be taxed on certain transfers of PFIC stock, such as gifts, exchanges pursuant to corporate reorganizations, and transfers at death. The transferee's basis in this case will depend on the manner of the transfer. The specific tax effect to the U.S. Holder and the transferee may vary based on the manner in which the shares of the Company are transferred. Each U.S. Holder should consult a tax advisor with respect to how the PFIC rules affect their tax situation.

The PFIC and QEF election rules are complex. U.S. Holders should consult a tax advisor regarding the availability and procedure for making the QEF election as well as the applicable method for recognizing gains or earnings and profits under the foregoing rules.

#### *Controlled Foreign Corporation*

If more than 50% of the voting power of all classes of stock or the total value of the stock of the Company is owned, directly or indirectly, by citizens or residents of the United States, United States domestic partnerships and corporations or estates or trusts other than foreign estates or trusts, each of whom owns 10% or more of the total combined voting power of all classes of stock of the Company (United States shareholder), the Company could be treated as a controlled foreign corporation under Subpart F of the Code. This classification would effect many complex results including the required inclusion by such United States shareholders in income of their pro rata shares of Subpart F income (as specially defined by the Code) of the Company. Subpart F requires current inclusions in the income of United States shareholders to the extent of a controlled foreign corporation's accumulated earnings invested in excess passive assets (as defined by the Code). In addition, under Section 1248 of the Code, gain from the sale or exchange of stock by a holder of common shares of the Company who is or was a United States shareholder at any time during the five year period ending with the sale or exchange is treated as ordinary dividend income to the extent of earnings and profits of the Company attributable to the stock sold or exchanged. Because of the complexity of Subpart F, and because it is not clear that Subpart F would apply to the holders of common shares of the Company, a more detailed review of these rules is outside of the scope of this discussion.

If the Company is both a PFIC and controlled foreign corporation, the Company will generally not be treated as a PFIC with respect to United States shareholders of the controlled foreign corporation. This rule generally will be effective for taxable years of the Company ending with or within such taxable years of United States shareholders.

The foregoing summary is based upon the sections of the Internal Revenue Code of 1986, as amended (the Code), Treasury Regulations, published Internal Revenue Service (IRS) rulings, published administrative positions of the IRS and court decisions that are currently applicable, any or all of which could be materially and adversely changed, possibly on a retroactive basis, at any time. This discussion does not consider the potential effects, both adverse and beneficial, of any recently proposed legislation that, if enacted, could be applied, possibly on a retroactive basis, at any time. Accordingly, holders and prospective holders of shares of the Company should consult their own tax advisors about the Federal, state, local, estate, and foreign tax consequences of purchasing, owning and disposing of shares of the Company.

**F.**

**Dividends and Paying Agents**

Not applicable.

**G.**

**Statements by Experts**

Not applicable.

**H.**

**Documents on Display**

Any documents referred to in this Annual Report may be inspected at the head office of the Company, 26<sup>th</sup> Floor, 700 West Georgia Street, Vancouver, British Columbia, V7Y 1B3, during normal business hours.

**I.**

**Subsidiary Information**

There is no information relating to the Company's subsidiaries which must be provided in Canada and which is not otherwise called for by the body of generally accepted accounting principles used in preparing the financial statements. The Company has wound up its subsidiaries, Canadamin, S.A. and Anglo Swiss International Holdings Inc. in 2001.

**ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The Company anticipates its primary market risk, if any, to be related to fluctuations in exchange rates. Exchange rate risk may arise if the Company is required to use different currencies for various aspects of its operations. At present, the functional currency of the Company is the Canadian dollar. Based on the Company's overall exchange rate risk as

at December 31, 2009, the Company believes that a ten percent change in exchange rates would not have a material adverse effect on its financial position, results of operations, or changes in financial position. The Company intends to monitor its exchange rate risk and take reasonable steps to reduce its exposure. The Company does not intend to purchase or sell derivative instruments for speculative purposes.

**ITEM 12.**

**DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**

Not applicable.

**PART II**

**ITEM 13.**

**DEFAULTS, DIVIDEND ARREAGES AND DELINQUENCIES**

None.

**ITEM 14.**

**MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS  
AND USE OF PROCEEDS**

None.

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**ITEM 15.****CONTROLS AND PROCEDURES****Disclosure Controls and Procedures**

The Company carried out an evaluation, under the supervision and with the participation of the Company's management, including the Company's chief executive officer and principal financial officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures as of December 31, 2009 pursuant to Exchange Rule 13a-15(e) or Rule 15d-15(e). Based upon that evaluation, the Company's chief executive officer and principal financial officer concluded that the Company's disclosure controls and procedures as of the end of the fiscal year covered by this Annual Report were effective to provide reasonable assurance that the information required to be disclosed in the reports of the Company files and submits under the Securities and Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

**Managements Report on Internal Control over Financial Reporting**

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting for the Company as defined in Rule 13a-15(f) under the Securities and Exchange Act of 1934. The Company's internal control over financial reporting is a process designed under the supervision of the Company's CEO and CFO, and effected by the Company's Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the financial statements for external purposes in accordance with Canadian generally accepted accounting principles.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.

Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with policies and procedures may deteriorate.

Management has assessed the effectiveness of the Company's internal control over financial reporting as of December 31, 2009. In making this assessment, management used the criteria described in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission ( COSO ). Based on Management's assessment in accordance with the Internal Control - Integrated Framework, management has concluded that internal control over financial reporting was effective as of December 31, 2009.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the SEC that permit the Company to provide only management's report in this annual report.

**Changes in Internal Controls over Financial Reporting**

There was no change in the Company's internal control over financial reporting during the fiscal year ended December 31, 2009 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

It should be noted that while management of the Company believes that its disclosure controls and procedures provide a reasonable level of assurance, management does not expect that its disclosure controls and procedures or internal financial controls will prevent all errors or fraud. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

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There were no changes in the Company's internal control over financial reporting that occurred that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

**ITEM 16.**

**RESERVED**

**ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT**

The Company at the time of this report does not have an audit committee financial expert as defined by the rules of the SEC. The Company will attempt to attract a person that qualifies as an expert in the current fiscal year. The audit committee members through their collective experience do meet a majority of the definitions of the SEC for an audit committee financial expert in both the private and public sectors. Both members have served as directors and officers of numerous public companies and have over the years developed a strong knowledge and understanding of generally accepted accounting principals, overseeing the preparation, audit and evaluation of financial statements and run private enterprises as individual owners.

**ITEM 16B.**

**CODE OF ETHICS**

The Company has adopted a code of ethics applicable to its directors, principal executive officer, principal financial officer, principal accounting procedures and persons performing similar functions. A copy of the Company's Code of Ethics will be made available to any person who requests it in writing to the Company's head office or through the Company's website at [www.anglo-swiss.com](http://www.anglo-swiss.com).

**ITEM 16C.**

**PRINCIPAL ACCOUNTANT FEES AND SERVICES**

In respect of work undertaken for the fiscal years ended December 31, 2009 and 2008, the Company paid or accrued the following amounts of fees to De Visser Gray, Chartered Accountants for the following category of services:

2009

Type of Fees

Amount Paid or Incurred

Percentage of Services

Audit Fees

\$24,000

94.5%

Audit Related Fees

-

-

Tax Fees

\$1,400

5.5%

All other Fees

-

-

Total fees

\$25,400

100%

2008

Type of Fees

Amount Paid or Incurred

Percentage of Services

Audit Fees

\$23,000

94.6%

Audit Related Fees

-

-

Tax Fees

\$1,300

5.4%

All other Fees

-

-

Total fees

\$24,300

100%

For the purposes of this Item 16C, the following terms have the following meanings:

Audit fees - Fees billed for the audit of the Company's annual financial statements and for services normally provided by the accountant in connection with statutory and regulatory filings in each fiscal year.



Audit-related fees - Fees billed for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements in each fiscal year reported on and that are not reported as audit fees.

Tax fees - Fees billed for tax compliance, tax advice, and tax planning services in each fiscal year reported on.

All other fees - Fees billed for products and services provided by the principal accountant other than services reported under the three categories above in each fiscal year reported on.

As required by Rule 2-01(c)(7)(i) of Regulation S-X, before the accountant was engaged by the Company to render audit or non-audit services, the Company's audit committee approved the engagement.

**ITEM 16D.**

**EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES**

Not applicable.

**ITEM 16E.**

**PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS**

None.

**ITEM 16F.**

**CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT**

Not applicable.

**ITEM 16G.**

**CORPORATE GOVERNANCE**

Not applicable.

**ITEM 17.**

**FINANCIAL STATEMENTS**

See the Financial Statements and Exhibits listed in Item 19 hereof and filed as part of this Annual Report.

These consolidated financial statements were prepared in accordance with Canadian GAAP and are expressed in Canadian dollars. Such financial statements have been reconciled to U.S. GAAP (see Note 11 therein). For a history of exchange rates in effect for Canadian dollars as against U.S. dollars, see page 11 of this Annual Report.

**ITEM 18.**

**FINANCIAL STATEMENTS**

Not applicable.

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**ITEM 19.****EXHIBITS**

The following exhibits are attached and incorporated herein:

<u>Description of Document</u>	<u>Page Number</u>
Cover Sheet	F1
Management's Responsibility for Financial Reporting	F2
Auditors' Report dated April 30, 2010	F3
Consolidated Balance Sheets as at December 31, 2009 and 2008	F4
Consolidated Statements of Operations, Comprehensive Loss and Deficit for the Fiscal Years Ended December 31, 2009, 2008 and 2007	F5
Consolidated Statements of Cash Flows for the Fiscal Years Ended December 31, 2009, 2008 and 2007	F6
Notes to the Consolidated Financial Statements	F7

<u>Exhibit No.</u>	<u>Description of Document</u>	<u>Page Number</u>
4.1.(1)	Blu Starr Joint Participation Agreement	N/A
4.2(1)	Catamayo Joint Participation Agreement	N/A
5.2(2)	Purchase Agreement Till Claims 1-7, NWT	N/A
5.3(2)	New Shoshoni Option & Joint Venture Agreement, NWT	N/A
5.4(2)	Purchase Agreement PQ Claim 1-25, NWT	N/A
5.5(2)	Purchase Agreement MS Claims, NWT	N/A
5.6(3)	2007 Stock Option Plan	N/A
6.1(4)	Purchase Agreement for UL 1&2 and AFR 6&7 Claims	N/A
6.2(4)	Claim Transfer Agreement for UL 3, 4 & 5	N/A
7.1(5)	Employment Agreement - Danard	N/A
7.2(5)	Employment Agreement - Robbins	N/A
12.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	N/A
12.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) of the Exchange Act, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002	N/A
13.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002	N/A
13.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of	N/A

2002

- (1) The documents(s) are contained in the Company's Form 20-F filing for the year ended December 31, 1999 and are hereby incorporated by reference in their entirety.
  - (2) The document(s) are contained in the Company's Form 20-F filing for the year ended December 31, 2005 and are hereby incorporated by reference in their entirety.
  - (3) The document(s) has been previously filed under a Form 6K dated January 18, 2006 #06534889, and are hereby incorporated by reference in their entirety.
  - (4) The document(s) are contained in the Company's Form 20-F filing for the year ended December 31, 2006 and are hereby incorporated by reference in their entirety.
  - (5) The document(s) are contained in the Company's Form 20-F filing for the year ended December 31, 2007 and are hereby incorporated by reference in their entirety.
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**SIGNATURES**

The registrant hereby certifies that it meets all of the requirements for filing on Form 20-F and that it has duly caused and authorized the undersigned to sign this annual report on its behalf.

Dated at Vancouver, British Columbia, this 28th day of June 2010.

ANGLO SWISS RESOURCES INC.

*/s/ Len Danard*

Per:

Len Danard

Title:

President and Chief Executive Officer



**EXHIBIT 12.1**

**CERTIFICATION PURSUANT TO SECTION 302  
OF THE SARBANES-OXLEY ACT OF 2002**

I, Len Danard, certify that:

1.

I have reviewed this annual report on Form 20-F of Anglo Swiss Resources Inc. (the Company );

2.

Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3.

Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4.

The Company s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

a)

designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b)

designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c)

evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d)

disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5.

The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

a)

all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

b)

any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.

Date:

June 28, 2010

*/s/ Len Danard*

Len Danard, President and Chief Executive Officer

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**EXHIBIT 12.2**

**CERTIFICATION PURSUANT TO SECTION 302  
OF THE SARBANES-OXLEY ACT OF 2002**

I, Chris Robbins, certify that:

1.

I have reviewed this annual report on Form 20-F of Anglo Swiss Resources Inc. (the Company );

2.

Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3.

Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Company as of, and for, the periods presented in this report;

4.

The Company s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Company and have:

a)

designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Company, including its consolidated

subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b)

designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c)

evaluated the effectiveness of the Company's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d)

disclosed in this report any change in the Company's internal control over financial reporting that occurred during the period covered by the annual report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting; and

5.

The Company's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Company's auditors and the audit committee of the Company's board of directors (or persons performing the equivalent functions):

a)

all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Company's ability to record, process, summarize and report financial information; and

b)

any fraud, whether or not material, that involves management or other employees who have a significant role in the Company's internal control over financial reporting.



Date:

June 28, 2010

*/s/ Chris Robbins*

Chris Robbins, Vice President and Chief Financial Officer

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**EXHIBIT 13.1**

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report on Form 20-F of Anglo Swiss Resources Inc. (the Company ) for the year ended December 31, 2009, as filed with the Securities and Exchange Commission on the date hereof, I hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The annual report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the annual report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 28, 2010

*/s/ Len Danard*

Len Danard

President and Chief Executive Officer

This certification is being furnished to the Securities and Exchange Commission as an exhibit to the Company's annual report on Form 20-F pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

**EXHIBIT 13.2**

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report on Form 20-F of Anglo Swiss Resources Inc. (the Company ) for the year ended December 31, 2009, as filed with the Securities and Exchange Commission on the date hereof, I hereby certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

1. The annual report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the annual report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 28, 2010

*/s/ Chris Robbins*

Chris Robbins

Vice President and Chief Financial Officer

This certification is being furnished to the Securities and Exchange Commission as an exhibit to the Company's annual report on Form 20-F pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and shall not, except to the extent required by such Act, be deemed filed by the Company for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

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**Anglo Swiss Resources Inc.**

**(an exploration stage company)**

**Consolidated Financial Statements**

**December 31, 2009, 2008 and 2007**

**(expressed in Canadian dollars)**

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April 30, 2010

### **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

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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, 2009 and 2008 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, 2009. 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 (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, 2009 and 2008 and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 2009 in accordance with Canadian generally accepted accounting principles.

De Visser Gray LLP

**CHARTERED ACCOUNTANTS**

Vancouver, British Columbia

April 30, 2010

**Anglo Swiss Resources Inc.****(An exploration stage company)****Consolidated Balance Sheets****For the years ended December 31, 2009 and 2008**

(expressed in Canadian dollars)

	<b>2009</b>	<b>2008</b>
	\$	\$
<b>Assets</b>		
<b>Current assets</b>		
Cash and cash equivalents	886,841	400,410
Term deposits	1,236,239	242,290
Subscriptions receivable	240,000	-
GST and other amounts receivable	108,525	186,993
Prepaid expenses	60,985	12,222
	2,532,590	841,915
<b>Reclamation bonds</b> (note 3)	45,885	25,876
<b>Property, plant and equipment</b> (note 4)	1,103,995	889,976
<b>Mineral properties</b> (note 5)	9,502,354	7,797,264
	13,184,824	9,555,031
<b>Liabilities</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities	577,321	805,064
<b>Shareholders' Equity</b>		
<b>Capital stock</b> (note 6)	22,972,431	18,451,320
Obligation to issue shares	-	130,000

<b>Options</b> (note 7)	2,538,958	1,745,590
<b>Warrants</b> (note 7)	1,301,632	941,549
<b>Contributed surplus</b> (note 7)	508,501	438,407
<b>Deficit</b>	(14,714,019)	(12,956,899)
	12,607,503	8,749,967
	13,184,824	9,555,031
<b>Continuance of operations</b> (note 1)		
<b>Commitment</b> (note 9)		
<b>Outstanding matters</b> (note 12)		
<b>Subsequent events</b> (note 13)		

See accompanying notes to the consolidated financial statements.



**Anglo Swiss Resources Inc.****(An exploration stage company)****Consolidated Statements of Cash Flows****For the years ended December 31, 2009, 2008 and 2007**

(expressed in Canadian dollars)

	<b>2009</b>	<b>2008</b>	<b>2007</b>
	\$	\$	\$
<b>Expenses</b>			
Administrative	84,802	82,589	100,157
Capital tax and interest recovery	-	-	(75,300)
Consulting fees (note 10(b))	216,000	241,400	216,000
Depreciation	216,803	238,405	253,670
Filing fees	37,424	20,568	27,188
Foreign exchange (gain)/loss	9,202	(22,793)	4,902
General exploration	24,713	19,020	11,761
Interest	18,676	38,743	15,058
Part XII.6 tax	-	59,412	-
Professional fees	468,137	96,746	136,351
Sand and gravel operations	1,138	53,907	-
Shareholders and investor relations (note 10(c))	211,611	528,448	283,032
Stock-based compensation (note 7)	846,905	671,990	338,941
Transfer agent fees	16,146	17,232	17,241
Travel and promotion	44,506	59,439	56,193
Write-down of mineral properties	-	-	986,101
	-	-	-
	2,196,063	2,105,106	2,371,295
<b>Other items</b>			
Gain on debt settlement	(379,940)	-	-
Interest and other income	(4,403)	(78,639)	(13,503)
Settlement of lawsuit (note 12(b))	150,000	-	-
<b>Loss before income taxes</b>	<b>1,961,720</b>	<b>2,026,467</b>	<b>2,357,792</b>
Income tax recovery future income taxes (note 8)	(204,600)	(1,047,974)	(29,002)
<b>Net comprehensive loss for the year</b>	<b>1,757,120</b>	<b>978,493</b>	<b>2,328,790</b>



<b>Deficit - Beginning of year</b>	12,956,899	11,978,406	9,649,616
<b>Deficit - End of year</b>	14,714,019	12,956,899	11,978,406
<b>Weighted average number of shares outstanding</b>	116,492,660	101,837,179	78,855,193
<b>Basic and diluted loss per share</b>	\$ 0.02	\$ 0.01	\$ 0.03

See accompanying notes to the consolidated financial statements.

**Anglo Swiss Resources Inc.****(An exploration stage company)****Consolidated Statements of Cash Flows****For the years ended December 31, 2009, 2008 and 2007**

(expressed in Canadian dollars)

	<b>2009</b>	<b>2008</b>	<b>2007</b>
	\$	\$	\$
<b>Cash provided by (used for):</b>			
<b>Operating activities</b>			
Loss for the year	(1,757,120)	(978,493)	(2,328,790)
Items not affecting cash			
Depreciation	216,803	238,405	253,670
Write-down of mineral properties	-	-	986,101
Stock-based compensation	846,905	671,990	338,941
Gain on debt settlement	(379,940)	-	-
Income tax recovery	(204,600)	(1,047,974)	(29,002)
Accrued interest income	(1,916)	(7,866)	-
Capital tax and interest recovery	-	-	(75,300)
Management services rendered for shares	10,000	92,000	-
Changes in non-cash working capital			
Amounts receivable	78,468	(91,380)	(183,596)
Prepaid expenses	(48,763)	(7,982)	2,732
Accounts payable and accrued liabilities	595,314	(300,067)	59,180
	(644,849)	(1,431,367)	(976,064)
<b>Financing activities</b>			
Proceeds from issuance of private placements, options and warrants	4,748,751	740,000	6,619,579
Obligation to issue shares	-	130,000	-
Subscription received	-	112,370	-
Share issue costs	(164,900)	(40,000)	(303,378)
	4,583,851	942,370	6,316,201
<b>Investing activities</b>			
Purchase of equipment	(430,822)	(382,162)	(1,920)
Purchase of term deposit	(992,042)	(200,000)	(34,500)
Reclamation bonds	(20,000)	(5,000)	(2,000)

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Mineral property costs	(2,009,707)	(2,640,865)	(1,249,154)
	(3,452,571)	(3,228,027)	(1,287,574)
Increase (decrease) in cash and cash equivalents	486,431	(3,717,024)	4,052,563
Cash and cash equivalents - Beginning of year	400,410	4,117,434	64,871
Cash and cash equivalents - End of year	886,841	400,410	4,117,434

**Supplementary Information**

Shares issued for mineral properties	43,500	-	-
Shares issued for agent issue costs	3,500	-	97,851
Shares issued for debt	95,000	-	-
Account payable related mineral properties	221,835	569,952	-
Interest received	4,403	78,639	13,503

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**(An exploration Stage Company)**

**Notes to the Consolidated Financial Statements**

**For the Years ended December 31, 2009, 2008 and 2007**

(expressed in Canadian dollars)

**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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**(An exploration Stage Company)**

## **Notes to the Consolidated Financial Statements**

**For the Years ended December 31, 2009, 2008 and 2007**

(expressed in Canadian dollars)

**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. 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 and reclamation bonds are classified as loans and receivables and measured at amortized cost; accounts payable and accrued liabilities are classified as other financial liabilities and are measured at amortized cost.

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**(An exploration Stage Company)**

**Notes to the Consolidated Financial Statements**

**For the Years ended December 31, 2009, 2008 and 2007**

(expressed in Canadian dollars)

**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, 2009, 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 Venture 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.

## **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.



**(An exploration Stage Company)**

**Notes to the Consolidated Financial Statements**

**For the Years ended December 31, 2009, 2008 and 2007**

(expressed in Canadian dollars)

**2.**

**SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**Flow-through Shares - continued**

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

**Capital Management**

The Company manages its cash, common shares, stock options and warrants (see Note 7) as capital. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to pursue the development of its mineral properties and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. The Company is not subject to any externally imposed capital requirements.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Company may attempt to issue new shares, issue debt, acquire or dispose of assets or adjust the amount of cash and cash equivalents.

In order to facilitate the management of its capital requirements, the Company prepares expenditure budgets that are updated as necessary depending on various factors, including successful capital deployment and general industry conditions.

**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, 2009, 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 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 December 31, 2009.

*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.

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**(An exploration Stage Company)**

**Notes to the Consolidated Financial Statements**

**For the Years ended December 31, 2009, 2008 and 2007**

(expressed in Canadian dollars)

**2.**

**SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

**Fair Value Hierarchy**

During 2009, CICA handbook section 3862 Financial Instruments Disclosures was amended to require enhanced disclosure of financial instrument fair value measurements and liquidity risks. Financial instruments must be classified at one of three levels within a fair value hierarchy according to the relative reliability of the inputs used to estimate their values. The three levels of the hierarchy are as follows:

.

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;

.

Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and

.

Level 3: Inputs that are not based on observable market data.

The carrying values, fair market values, and fair value hierarchal classification of the Company's financial instruments as at December 31, 2009 are as follows:

**For the year ended December 31, 2009**

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Cash and cash equivalents	886,841	-	-
Short term Investments	1,236,239	-	-
	2,123,080	-	

Cash and cash equivalents, and short term investments as shown in the consolidated balance sheet as at December 31, 2009 and 2008, is measured using level 1. The Company does not have any financial instruments that are measured using level 2 or level 3 inputs.

During the years ended December 31, 2009 and 2008, there were no transfers between level 1, level 2 and level 3 classified assets and liabilities.

**New accounting pronouncements adopted**

Effective January 1, 2009, 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.

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

In May 2009, the CICA amended Section 3862, Financial Instruments – Disclosures to include additional disclosure requirements about the fair market value measurements for financial instruments and liquidity risk disclosures. These amendments require a three-level hierarchy that reflects the significance of the inputs used in making the fair value measurements. Fair values of assets and liabilities included in Level 1 are determined by reference to quoted prices in active markets for identical assets and liabilities. Assets and liabilities in level 2 include valuations using inputs other than quoted prices for which all significant outputs are observable, either directly or indirectly. Level 3 valuations are based on inputs that are unobservable and significant to the overall fair value measurement.

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**(An exploration Stage Company)**

**Notes to the Consolidated Financial Statements**

**For the Years ended December 31, 2009, 2008 and 2007**

(expressed in Canadian dollars)

**2.**

**SIGNIFICANT ACCOUNTING POLICIES** *(continued)*

*Goodwill and Intangible Assets (CICA Section 3064)*

The CICA issued the new Handbook Section 3064, *Goodwill and Intangible Assets*, which will replace Section 3062, *Goodwill and Intangible Assets*. The new standard establishes revised standards for the recognition, measurement, presentation and disclosure of goodwill and intangible assets. The new standard also provides guidance for the treatment of preproduction and start-up costs and requires that these costs be expensed as incurred. The new standard applies to annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008 and therefore the Company has implemented it as of January 1, 2009. The adoption of this statement did not have an impact on the consolidated financial statements.

*Mining Exploration Costs*

Effective March 27, 2009, the Company adopted new CICA Emerging Issues Committee (EIC) guidance in EIC-174, *Mining Exploration Costs*. The EIC provides guidance on the capitalization and impairment review of exploration costs. Adoption of this guidance did not have an effect on the Company's financial statements.

**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.

*Business combination, Consolidated Financial Statements and Non-controlling interest*

For interim and annual financial statements relating to its fiscal year commencing on or after January 1, 2011, the Company will be required to adopt new CICA Section 1582 Business Combinations, Section 1601 Consolidated Financial Statements and Section 1602 Non-Controlling Interests. Section 1582 replaces existing Section 1581 Business Combinations, and Sections 1601 and 1602 together replace Section 1600 Consolidated Financial Statements. The adoption of Sections 1582 and collectively, 1601 and 1602 provides the Canadian equivalent to IFRS 3 Business Combinations and International Accounting Standard IAS 27 Consolidated and Separate Financial Statements respectively. The impact of adopting these new standards has not yet been assessed and cannot reasonably be estimated at this time.

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**(An exploration Stage Company)**

**Notes to the Consolidated Financial Statements**

**For the Years ended December 31, 2009, 2008 and 2007**

(expressed in Canadian dollars)

3.

**RECLAMATION BONDS**

The Company has reclamation bonds outstanding totalling a principal amount of \$45,885 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.

4.

**PROPERTY, PLANT AND EQUIPMENT**

	<b>2009</b>		
	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Net</b>
	\$	\$	\$
Mine plant and equipment	1,878,722	803,854	1,074,868
Office equipment	34,893	29,169	5,724
Motor vehicles	41,280	17,877	23,403
	1,954,895	850,900	1,103,995

	<b>2008</b>		
	<b>Cost</b>	<b>Accumulated depreciation</b>	<b>Net</b>
	\$	\$	\$
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

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(An exploration Stage Company)

**Notes to the Consolidated Financial Statements**

**For the Years ended December 31, 2009, 2008 and 2007**

(expressed in Canadian dollars)

**5.**

**MINERAL PROPERTIES**

	<b>Acquisition costs</b>	<b>Exploration expenditures</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
<b>Kenville (a)</b>			
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
Acquisition costs	104,500	-	104,500
Expenditures	-	1,421,843	1,421,843
Balance - December 31, 2009	1,481,976	4,814,381	6,296,357
<b>Blu Starr (b)</b>			
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



Expenditures	-	58,048	58,048
Balance - December 31, 2009	812,306	803,374	1,615,680
<b>McAllister (c)</b>			
Balance - December 31, 2007	-	7,967	7,967
Expenditures	-	600	600
Balance - December 31, 2008	-	8,567	8,567
Expenditures	-	1,068	1,068
Balance - December 31, 2009	-	9,635	9,635
<b>New Shoshoni Claims (e)</b>			
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
Expenditure recoveries		(93,807)	(93,807)
Expenditures	-	1,000	1,000
Balance - December 31, 2009	134,000	1,086,440	1,220,440
<b>PQ Claims (f)</b>			
Balance - December 31, 2007 & 2008	-	-	-
Expenditures	-	10,846	10,846
Balance - December 31, 2009	-	10,846	10,846

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(An exploration Stage Company)

**Notes to the Consolidated Financial Statements**

**For the Years ended December 31, 2009, 2008 and 2007**

(expressed in Canadian dollars)

5.

**MINERAL PROPERTIES** *(continued)*

	<b>Acquisition costs</b>	<b>Exploration expenditures</b>	<b>Total</b>
	\$	\$	\$
<b>Group of Four Claims (h)</b>			
Balance - December 31, 2007	137,500	-	137,500
Expenditures	-	10,304	10,304
Balance - December 31, 2008	137,500	10,304	147,804
Expenditures	-	10,310	10,310
Balance - December 31, 2009	137,500	20,614	158,114
<b>Ron Gold Property (i)</b>			
Balance - December 31, 2008	-	-	-
Acquisition costs	79,000	-	79,000
Balance - December 31, 2009	79,000	-	79,000
<b>Referendum Gold Property (j)</b>			
Balance - December 31, 2008	-	-	-
Acquisition costs	24,500	-	24,500
Balance - December 31, 2009	24,500	-	24,500
<b>Silver Lynx Property (k)</b>			
Balance - December 31, 2008	-	-	-
Acquisition costs	15,981	-	15,981
Balance - December 31, 2009	15,981	-	15,981
<b>Mount Nelson Property (l)</b>			
Balance - December 31, 2008	-	-	-
Acquisition costs	15,981	-	15,981
Balance - December 31, 2009	15,981	-	15,981
<b>49 er Creek Gold Corp Property (m)</b>			
Balance - December 31, 2008	-	-	-

Acquisition costs	6,007	49,813	55,820
Balance - December 31, 2009	6,007	49,813	55,820
<b>Total mineral properties - December 31, 2008</b>	2,461,282	5,335,982	7,797,264
<b>Total mineral properties - December 31, 2009</b>	2,707,251	6,795,103	9,502,354

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**(An exploration Stage Company)**

**Notes to the Consolidated Financial Statements**

**For the Years ended December 31, 2009, 2008 and 2007**

(expressed in Canadian dollars)

**5.**

**MINERAL PROPERTIES** *(continued)*

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.

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 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 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.

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 Slokan, 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.

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**(An exploration Stage Company)**

**Notes to the Consolidated Financial Statements**

**For the Years ended December 31, 2009, 2008 and 2007**

(expressed in Canadian dollars)

**5.**

**MINERAL PROPERTIES** *(continued)*

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. The mineral tenures are collectively known as the Till Claims and are located on the Fishing Lake area in the Northwest Territories. The company paid \$20,000 and issued 900,000 common shares valued at \$94,500. The vendors retained a 2% gross overriding royalty ( 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 1,000,000. The vendors are eligible to receive kimberlite bonus payments of 150,000 shares for each individual kimberlite discovered by the company on the property. 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 Company paid an additional purchase price of \$105,000 through annual payments. The agreement also states that the company must also incur \$3,000,000 in exploration expenditures by July 2009. This date has now been extended to July 2010. 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.

f)

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

The Company acquired a 100% interest in 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.

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**(An exploration Stage Company)**

**Notes to the Consolidated Financial Statements**

**For the Years ended December 31, 2009, 2008 and 2007**

(expressed in Canadian dollars)

**5.**

**MINERAL PROPERTIES** *(continued)*

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. The claims are collectively 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. 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 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. The Company dropped this claim group during 2007.

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.

i)

Ron Gold Property, Canada

In September 2009 the Company entered into an option and joint venture agreement with Klondike Gold Corp ( Klondike ) wherein the Company will earn up to a 60% interest in thirty-seven contiguous staked mineral claims covering 1,492 hectares situated along the eastern, western and southern borders of the Company's Kenville Gold Mine Property. The Company paid a cash instalment of \$50,000 and issued 100,000 common shares valued at \$29,000. The agreement requires that the company pay additional cash consideration of \$150,000 and incur \$650,000 in exploration expenditures by September 2013. An arm's length party retains a 2% net smelter royalty (the Original Royalty Interest ). The Company may purchase 1.5% of the Original Royalty Interest by paying \$500,000. Klondike also holds an additional royalty (the Second Royalty Interest ) equal to 1% of net smelter returns. The Company may purchase 100% of the Second Royalty Interest by paying Klondike \$500,000. Upon completion of the 60% earn-in, a joint venture will be formed between the Company and Klondike.

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(An exploration Stage Company)

**Notes to the Consolidated Financial Statements**

**For the Years ended December 31, 2009, 2008 and 2007**

(expressed in Canadian dollars)

**5.**

**MINERAL PROPERTIES** *(continued)*

j)

Referendum Gold Property, Canada

In November 2009 the Company entered into an option to purchase agreement wherein the Company may acquire a 100% interest in 19 contiguous staked mineral claims covering 1,381 hectares situated along the southern border of the Company's Kenville Gold Mine Property. The company paid a cash instalment of \$10,000 and issued 50,000 common shares valued at \$14,500. The agreement requires that the company pay additional cash consideration of \$240,000 and issue 250,000 common shares by November 2014. The vendor retains a 2.5% net smelter returns ( NSR ) royalty. The Company may purchase 100% of the royalty interest by paying the vendor \$2,000,000.

k)

Silver Lynx Property, Canada

In December 2009 the Company entered into an option to purchase agreement wherein the Company may acquire a 100% interest the Silver Lynx claim group consisting of 15 contiguous staked mineral claims covering 1,200 hectares. The company paid a cash instalment of \$15,000. The agreement requires that the company pay additional cash consideration of \$85,000 and issue 200,000 common shares by December 2012. The vendor retains a 1.5% NSR. The Company may purchase 100% of the royalty interest by paying the vendor \$1,000,000.

l)

Mount Nelson Property, Canada

In December 2009 the Company entered into an option to purchase agreement wherein the Company may acquire a 100% interest the Mount Nelson property consisting of 2 contiguous staked mineral claims covering 524 hectares. The



company paid a cash instalment of \$15,000. The agreement requires that the company pay additional cash consideration of \$85,000 and issue 100,000 common shares by December 2012. The vendor retains a 1.5% NSR. The Company may purchase 100% of the royalty interest by paying the vendor \$1,000,000.

m)

49 er Creek Gold Corp, Canada

In December 2009 the Company entered into an option agreement wherein the Company may acquire a 100% interest in the 49 er Creek Gold Corp property consisting of 158 contiguous staked mineral claims covering approximately 5,000 hectares. The company paid a cash instalment of \$5,000. The agreement requires that the company pay additional cash consideration of \$745,000 and issue a minimum of 1,600,000 common shares by December 2013. The parties may elect that the cash payments totalling \$530,000 that are payable in the second, third and fourth year be paid as to 50% in cash and 50% in common shares subject to review and acceptance by the TSX Venture Exchange. The vendor retains a 2.5% NSR. The Company may purchase 100% of the royalty interest by paying the vendor \$2,000,000 and issuing an additional 500,000 common shares.

**6.**

## **CAPITAL STOCK**

Authorized share capital consists of 500,000,000 common shares without par value and 400,000,000 preferred shares without par value. No preferred share has been issued.

Issued share capital:

**For the Years ended December 31, 2009, 2008 and 2007**

(expressed in Canadian dollars)

**6.****CAPITAL STOCK** *(continued)*

	<b>Common Shares</b>	<b>Amount \$</b>
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
Shares - issued for cash, flow through	975,000	390,000
- issued for cash, non-flow through	10,330,003	2,433,001
- issued for property (5(i), 5(j))	150,000	43,500
- issued for management services, flow through	25,000	10,000
- issued for debt	1,000,000	95,000
- issued for finders fee	35,000	3,500

Warrants exercised	11,097,500	2,109,500
Options exercised	437,500	46,250
Agent warrants exercised	500,000	90,000
Agent options exercised	500,000	50,000
Share issue costs - cash	-	(164,900)
Share issue costs - non-cash	-	(3,500)
Fair value - warrants granted	-	(816,513)
- warrants exercised	-	456,430
- options exercised	-	53,537
- agent option granted	-	(107,494)
- agent options exercised	-	37,400
- flow-through renunciation	-	(204,600)
Balance - December 31, 2009	132,982,840	22,972,431

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**(An exploration Stage Company)**

**Notes to the Consolidated Financial Statements**

**For the Years ended December 31, 2009, 2008 and 2007**

(expressed in Canadian dollars)

**6.**

**CAPITAL STOCK** *(continued)*

During 2009, 150,000 common shares were issued for a total of \$43,500 to purchase two separate mineral claims for gold exploration in the Nelson B.C

At December 31, 2009, the Company has a share subscription receivable of \$40,000 for 100,000 shares issued by private placement and a receivable of \$200,000 for 1,000,000 shares issued for warrants exercised.

7.

**CONTRIBUTED SURPLUS, OPTIONS AND WARRANTS**

<b>During the years ended December 31, 2009 and 2008, the change in options, warrants and contributed surplus was as follows:</b>	<b>Options</b>	<b>Warrants</b>	<b>Contributed Surplus</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
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	-	(18,019)	-
Fair value of options exercised	(50,870)	-	-
Balance - December 31, 2008	1,745,590	941,549	438,407
Stock based compensation	846,905	-	-
Fair value of broker options granted as finders fees	-	-	107,494
Fair value of warrants issued on private placement	-	816,513	-
Fair value of warrants exercised	-	-	-
Fair value of options exercised	(53,537)	(456,430)	(37,400)
Balance - December 31, 2009	2,538,958	1,301,632	508,501

(An exploration Stage Company)

## Notes to the Consolidated Financial Statements

For the Years ended December 31, 2009, 2008 and 2007

(expressed in Canadian dollars)

### 7. CONTRIBUTED SURPLUS, OPTIONS AND WARRANTS *(continued)*

#### 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 22,250,000 common shares (20,250,000 common shares 2008). 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.

During the years ended December 31, 2009 and 2008, the change in stock options outstanding is as follows:

	<b>2009</b>		<b>2008</b>	
	<b>Weighted</b>		<b>Weighted</b>	
	<b>average</b>		<b>average</b>	
	<b>exercise</b>		<b>exercise</b>	
	<b>Number</b>	<b>price</b>	<b>Number</b>	<b>price</b>
	<b>of shares</b>	<b>\$</b>	<b>of shares</b>	<b>\$</b>
Beginning of year	16,855,000)	0.16	14,375,000)	0.11
Granted	6,495,000)	0.19	6,155,000)	0.25
Exercised	(437,500)	0.14	(1,175,000)	0.10
Cancelled	(1,065,000)	0.21	(2,500,000)	0.11
Expired	(1,400,000)	0.10	-	-
End of year	20,447,500)	0.17	16,855,000)	0.16
Exercisable, End of year	15,538,125)	0.16	12,738,750)	0.12

Weighted average fair value of options granted during 2009 \$0.16 (2008 - \$0.25)

Weighted average remaining life of options outstanding at December 31, 2009 2.97 years

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Notes to the Consolidated Financial Statements

For the Years ended December 31, 2009, 2008 and 2007

(expressed in Canadian dollars)

7.

**CONTRIBUTED SURPLUS, OPTIONS AND WARRANTS** *(continued)*

At December 31, 2009, the following stock options are outstanding and exercisable:

<b>Exercise</b>	<b>Options</b>	<b>Options exercisable</b>	<b>Expiry date</b>	<b>Remaining</b>
-----------------	----------------	--------------------------------	--------------------	------------------

<b>Price</b>	<b>outstanding</b>		<b>contractual</b>	<b>life, outstanding options</b>
				<b>(years)</b>
\$				
0.11	4,450,000	4,450,000	November 17, 2010	0.88
0.27	90,000	90,000	January 31, 2011	1.08
0.10	950,000	950,000	March 13, 2012	2.20
0.10	200,000	200,000	June 15, 2012	2.46
0.10	2,500,000	2,500,000	July 18, 2012	2.55
0.10	350,000	350,000	August 1, 2012	2.59
0.10	200,000	200,000	August 16, 2012	2.63
0.12	350,000	350,000	August 31, 2012	2.67
0.27	500,000	500,000	March 11, 2013	3.19
0.25	4,900,000	4,275,000	June 18, 2013	3.47
0.14	3,857,500	1,423,125	April 28, 2014	4.33
0.28	100,000	-	November 3, 2014	4.84
0.30	2,000,000	250,000	November 12, 2014	4.87
	20,447,500	15,538,125		

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

	<b>2009</b>	<b>2008</b>	<b>2007</b>
Expected dividend yield	Nil	Nil	Nil
Average risk-free interest rate	2.44%	3.40%	3.75%
Expected life	5 years	5 years	5 years
Expected volatility	104.67%	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.

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(An exploration Stage Company)

**Notes to the Consolidated Financial Statements**

**For the Years ended December 31, 2009, 2008 and 2007**

(expressed in Canadian dollars)

**7. CONTRIBUTED SURPLUS, OPTIONS AND WARRANTS** *(continued)*

**Broker options**

As at December 31, 2009, 1,235,525 broker options were outstanding entitling the holders to acquire shares of the Company for \$0.40 per share exercisable up to December 7, 2010 as to 535,525 broker options, and \$0.60 per share exercisable up to August 28, 2011 as to 700,000 broker options.

During the years ended December 31, 2009 and 2008, the change in broker options outstanding was as follows:

	<b>2009</b>		<b>2008</b>	
	<b>Number of</b>	<b>Weighted</b>	<b>Number of</b>	<b>Weighted</b>
	<b>Broker</b>	<b>Average</b>	<b>Broker</b>	<b>Average</b>
	<b>options</b>	<b>Exercise</b>	<b>options</b>	<b>Exercise</b>
		<b>price</b>		<b>price</b>
		<b>\$</b>		<b>\$</b>
Beginning of year	1,072,407	0.26	572,407	0.40
Granted	700,000	0.60	500,000	0.10
Exercised	(500,000)	0.10	-	-
Cancelled	(36,882)	0.40	-	-
End of year	1,235,525	0.51	1,072,407	0.26

During the year ended December 31, 2009, the company issued 700,000 units in connection with the August 2009 private placement.

**Warrants**



During the years ended December 31, 2009 and 2008, the change in warrants outstanding was as follows:

	<b>2009</b>		<b>2008</b>	
	<b>Number of</b>	<b>Exercise</b>	<b>Number of</b>	<b>Exercise</b>
		<b>price</b>		<b>price</b>
<b>warrants</b>	<b>\$</b>	<b>warrants</b>	<b>\$</b>	
Beginning of year	18,436,512	0.35	13,831,512	0.37
Granted	8,330,002	0.39	5,470,000	0.15
Exercised	(11,597,500)	0.19	(865,000)	0.21
Cancelled	(2,062,500)	-	-	-
End of year	13,106,514	0.54	18,436,512	0.35

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(An exploration Stage Company)

**Notes to the Consolidated Financial Statements**

**For the Years ended December 31, 2009, 2008 and 2007**

(expressed in Canadian dollars)

**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:

	<b>2009</b>	<b>2008</b>	<b>2007</b>
Statutory tax rate	30.00%	31.00%	34.12%
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Loss before tax	(1,961,720)	(2,026,467)	(2,357,792)
Provision for income taxes based on statutory rates	(588,516)	(628,205)	(804,479)
Net adjustments for deductible and non deductible amounts	335,043	271,644	481,665
Future income tax recognized on flow-through renunciation	(204,000)	(1,047,974)	(29,002)
Tax benefits not recognized	253,473	356,561	322,814
	(204,000)	(1,047,974)	(29,002)

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**(An exploration Stage Company)**

**Notes to the Consolidated Financial Statements**

**For the Years ended December 31, 2009, 2008 and 2007**

(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:

	<b>2009</b>	<b>2008</b>
	\$	\$
Capital and non-capital loss carry-forwards	1,060,250	868,400
Property, plant and equipment, mineral properties and other	(441,537)	(360,765)
Total future tax assets	618,713	507,635
Valuation allowance	(618,713)	(507,635)
Net future tax assets	-	-

c)

The company estimates that it has approximately \$4.24 million in non-capital losses, expiring between 2010 and 2029, 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, 2009, the Company is to incur approximately \$682,000 in eligible exploration expenditures prior to December 31, 2010 in order to complete obligations entered into under flow-through share purchase agreements.

**Notes to the Consolidated Financial Statements**

**For the Years ended December 31, 2009, 2008 and 2007**

(expressed in Canadian dollars)

**10.**

**RELATED PARTY TRANSACTIONS**

a)

Included in accounts payable and accrued liabilities is \$2,616 (2008- \$32,654) due to directors and organizations controlled by directors.

b)

The Company incurred consulting fees of \$216,000 (2008 - \$216,000; 2007 - \$216,000) for management services provided by directors and officers or organizations controlled by such parties. The Company issued 25,000 flow through common shares valued at \$10,000 as part of the payment for management services rendered by a director.

c)

The Company incurred fees of \$20,206 (2008 - \$144,000; 2007 \$126,575) 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

**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:

	<b>2009</b>	<b>2008</b>	<b>2007</b>
	\$	\$	\$
<b>Consolidated statements of loss</b>			
Loss for the year under Canadian GAAP	1,757,120	978,493	2,328,790
Exploration expenditures for the year (a)	1,459,121	3,170,817	1,214,154
Exploration costs written off during the year (a)	-	-	(76,601)
Reversal of FIT Recovery (c)	204,600	1,047,974	29,002)
FIT Premium US GAAP (c)	-	(557,283)	(36,500)
Loss for the year under U.S. GAAP	3,420,841	4,640,001	3,458,845
Loss per share under U.S. GAAP	0.03	0.05	0.04
<b>Mineral properties</b>			
Balance per Canadian GAAP	9,502,354	7,797,264	4,586,447
Cumulative exploration expenditures (a)	(6,755,103)	(5,295,982)	(2,125,165)
Balance under U.S. GAAP	2,747,251	2,501,282	2,461,282

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**(An exploration Stage Company)**

**Notes to the Consolidated Financial Statements**

**For the Years ended December 31, 2009, 2008 and 2007**

(expressed in Canadian dollars)

	2009	2008	2007
	\$	\$	\$
<b>Stock options and warrants</b>			
Under Canadian GAAP	3,840,590	2,687,139	1,893,011
Stock-based compensation (b)	(80,594)	(80,594)	(80,594)
Balance under U.S. GAAP	3,759,996	2,606,545	1,812,417
<b>Deficit</b>			
Under Canadian GAAP	(14,714,019)	(12,956,899)	(11,978,406)
Stock-based compensation (b)	80,594	80,594	80,594
Cumulative mineral property expenditures (a)	(6,755,103)	(5,295,982)	(2,125,165)
FIT adjustments net (c)	(791,771)	(587,171)	(96,480)
Deficit under U.S. GAAP	(22,180,299)	(18,759,458)	(14,119,457)
<b>Share Capital</b>			
Under Canadian GAAP	22,972,431	18,451,320	18,866,832
Reversal of FIT Recovery (c)	1,385,554	1,180,954	132,980
FIT Premium US GAAP (c)	(593,783)	(593,783)	(36,500)
Balance under U.S. GAAP	23,764,202	19,038,491	18,963,312
<b>Cash flows</b>			
<b>Cash flows from operating activities</b>			
Per Canadian GAAP	(644,849)	(1,431,367)	(976,064)
Exploration expenditures (a)	(1,807,238)	(2,600,865)	(1,214,154)
Per U.S. GAAP	(2,452,087)	(4,032,232)	(2,190,218)
<b>Cash flows from investing activities</b>			
Per Canadian GAAP	(3,452,571)	(3,228,027)	(1,287,574)
Exploration expenditures (a)	1,807,238	2,600,865	1,214,154
Per U.S. GAAP	(1,645,333)	(627,162)	(73,420)

a)

Mineral property and exploration costs

For U.S. GAAP purposes, the company expenses exploration costs incurred relating to unproven mineral properties. When proven and probable reserves are determined for a property, subsequent 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.

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**Notes to the Consolidated Financial Statements**

**For the Years ended December 31, 2009, 2008 and 2007**

(expressed in Canadian dollars)

**11**

**MATERIAL DIFFERENCES BETWEEN CANADIAN AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES** *(continued)*

b)

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.

c)

#### Flow through shares

Under U.S. GAAP, the proceeds of issuances of flow through shares are 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.

For U.S. GAAP purposes, any difference between the future income tax liability otherwise generated on renunciation and the premium is recorded as a future income tax expense or recovery. For U.S. GAAP purposes the Company does not have temporary differences as a result of the policy to expense costs related to exploration expenditures; therefore, all future income taxes related to renunciations for Canadian GAAP are reversed through the statements of operations for U.S. GAAP purposes.

The reconciling items disclosed herein are in respect to the reversal of the required Canadian GAAP treatment of flow through share issuances and renunciations.

d)

#### 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.



**For the Years ended December 31, 2009, 2008 and 2007**

(expressed in Canadian dollars)

**12.**

**OUTSTANDING MATTERS**

**a)**

**Legal Status Kenville Mine Property**

There were two law suits filed in December 2006 and November 2007 with respect to the Company's Kenville Mine Property and an Option Joint Venture Agreement initiated on September 5, 2002 with 5 corporate optionees. As of April 29, 2010 both lawsuits have been settled and dismissed with no costs to either party.

**b)**

**Terasen Gas vs. Anglo Swiss Resources Inc. Vancouver Action S073240**

Terasen Gas initiated a claim for damages related to an incident in 2006 at the Kenville mine whereby a contractor excavated some material near the gas pipeline. Terasen claimed damages up to \$250,000. The Company at the time of this report has negotiated a settlement with Terasen Gas for \$150,000, which is reflected in accounts payable.

**13.**

**SUBSEQUENT EVENTS**

(a) On January 21, 2010 the Company entered into an option agreement wherein the Company may acquire a 100% interest the Gold Hill Property consisting of 1 staked mineral claim covering 25 hectares. The agreement requires that the Company pay a purchase price of \$50,000 by January 2014. The vendor retains a 2% NSR. The Company may purchase 100% of the royalty interest by issuing the vendor 15,000 common shares.

(b) The Company completed a brokered private placement equity offering announced on February 26, 2010 issuing 4,285,715 units ("Units") at a price of \$0.35 per Unit for gross proceeds of \$1.5 million. Each Unit consists of one common share (a Share) and one-half of one common share purchase warrant (a Warrant) of the Company. Each full Warrant shall be exercisable for a period of one year from the closing date at an exercise price of \$0.50 per Share.

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