



*(an Exploration stage company)*

Consolidated Financial Statements  
December 31, 2009 & 2008  
Audited

CONSOLIDATED BALANCE SHEETS

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS AND DEFICIT

CONSOLIDATED STATEMENTS OF CASH FLOWS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## AUDITORS' REPORT

To the Shareholders of Artha Resources Corporation,

We have audited the consolidated balance sheets of Artha Resources Corporation as at December 31, 2009 and 2008 and the consolidated statements of operations, comprehensive loss and deficit and cash flows for the years then ended. 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 Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the 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 financial position of the Company as at December 31, 2009 and 2008 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

*De Visser Gray LLP*

**CHARTERED ACCOUNTANTS**

Vancouver, British Columbia  
April 27, 2010

**ARTHA RESOURCES CORPORATION****Consolidated Balance Sheets**

As at December 31,

	2009	2008
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents (note 2)	\$ 276,187	\$ 556,533
Accounts receivable	7,556	10,139
	283,743	566,672
Mineral properties (note 3)	1,583,496	593,706
	\$ 1,867,239	\$ 1,160,378

**LIABILITIES**

<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 46,402	\$ 16,184

**SHAREHOLDERS' EQUITY**

Share capital (note 4b)	\$ 2,846,323	\$ 1,886,127
Subscriptions received (note 4e)	99,955	-
Contributed surplus (note 4b)	150,379	82,834
Deficit	(1,275,820)	(824,767)
	1,820,837	1,144,194
	\$ 1,867,239	\$ 1,160,378

Continuing operations (note 1)

On behalf of the Board:

"W. Todd McMurray"

W. Todd McMurray

"Kamal Nagra"

Kamal Nagra

**ARTHA RESOURCES CORPORATION****Consolidated Statements of Operations, Comprehensive Loss and Deficit**

For the years ended December 31,

	2009	2008
<b>Expenses</b>		
Bank charges	\$ 1,885	\$ 2,125
Consulting fees	162,531	136,025
Expenses relating to identification of qualifying transaction	-	78,641
Investor relations and promotion	46,530	98,475
Office and general	38,577	42,454
Professional fees	62,684	41,855
Regulatory and transfer agent	25,234	18,676
Stock based compensation (note 5)	63,851	48,398
Travel	21,410	55,365
Net loss before other items	422,702	522,014
<b>Other items</b>		
Interest income	(1,903)	(27,983)
Foreign exchange loss (gain)	30,254	(23,499)
<b>Net and comprehensive loss for the year</b>	(451,053)	(470,532)
Deficit beginning of year	(824,767)	(354,235)
<b>Deficit end of year</b>	\$ (1,275,820)	\$ (824,767)
<b>Basic loss per common share</b>	\$ (0.034)	\$ (0.045)
<b>Weighted average common shares outstanding</b>	13,242,794	10,550,235

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

**ARTHA RESOURCES CORPORATION****Consolidated Statements of Cash Flows**

For the years ended December 31,

	2009	2008
<b>Cash provided by (used for):</b>		
Operating activities:		
Net loss	\$ (451,053)	\$ (470,532)
Item not affecting cash:		
Stock based compensation	67,545	48,398
Change in non-cash working capital:		
Accounts receivable	2,583	4,881
Accounts payable	30,218	1,841
Prepaid expenses	-	8,874
Net cash used in operating activities	(350,707)	(406,538)
Financing activities:		
Share capital proceeds	750,000	351,499
Share issue costs	(44,804)	(71,174)
Subscriptions received	99,955	-
Net cash provided by financing activities	805,151	280,325
Investing activities:		
Mineral property costs	(734,790)	(593,706)
Net cash used by investing activities	(734,790)	(593,706)
Decrease in cash and cash equivalents during the year	(280,346)	(719,919)
<b>Cash and cash equivalents, beginning of year</b>	556,533	1,276,452
<b>Cash and cash equivalents, end of year</b>	\$ 276,187	\$ 556,533

**Supplementary cash flow information:**

Issued 1,700,000 common shares @ \$0.15 to Davcha Resources International for the acquisition of Argentina properties (Note 4c)

Cash and cash equivalents consist of:

Cash in bank	17,811	42,285
Cashable term investments	258,376	514,248

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

# **ARTHA RESOURCES CORPORATION**

## **Notes to the Consolidated Financial Statements**

For the years ended December 31, 2009 & 2008

### **1. INCORPORATION AND NATURE OF BUSINESS**

The Company was incorporated under the British Columbia Business Corporations Act on January 9, 2006 as Touchstones Capital Corporation. On February 8, 2006, the Company changed its name from Touchstones Capital Corporation to Artha Resources Corporation. When it first commenced trading on the TSX Venture Exchange (“the Exchange”) in June 2006, the Company was classified as a Capital Pool Company under the Exchange’s listing policy 2.4, pending completion of a Qualifying Transaction (“QT”) as defined under that policy. On March 6, 2008 the Company completed its QT, after receiving the required approval of the Exchange.

The Company is in the process of exploring and developing its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable. The recoverability of the amounts shown for mineral properties is dependent upon the discovery of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development of those reserves and upon future profitable production or proceeds from the disposition thereof. Accordingly, the Company’s financial statements are presented on a going concern basis which presumes the realization of assets and the discharge of liabilities in the normal course of business for the foreseeable future.

### **2. SIGNIFICANT ACCOUNTING POLICIES**

#### **Measurement uncertainty**

The Company’s consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the period. Actual results may differ from those estimates.

#### **Principles of Consolidation**

The consolidated financial statements include the accounts of the Company’s wholly-owned subsidiary, Artha Resources US Corporation and its investment in mineral properties in Argentina

#### **Stock-based compensation plan**

The Company has a stock option plan as described in Note 5. The Company accounts for stock-based compensation expense using the fair value base method determined by the Black-Scholes Option Pricing Model with assumptions for risk-free interest rates, dividend yields, volatility factors of the expected market price of the Company’s common shares and an expected life of the options. The fair value of direct awards of stock is determined by the quoted market price of the Company’s stock.

The value of such awards is charged to the statement of operations over the vesting period of the stock awards with an offsetting credit to contributed surplus, except for options granted as consideration for share issue costs, which are charged to share capital. Consideration paid for shares on exercise of the stock options will be credited to share capital together with the amount of any contributed surplus that arose as a result of the grant of the exercised stock options.

#### **Loss per share**

Basic loss per share is calculated on the weighted average number of shares outstanding during the reporting period. Diluted earnings per share is computed similar to basic earnings per share except that the weighted average number of shares outstanding is increased to include additional shares from the assumed exercise of stock options, if dilutive. The number of additional shares is calculated by assuming that outstanding stock options were exercised and the proceeds from such exercises were used to acquire shares of common stock at the average market price during the reporting period. Diluted earnings per share is not disclosed as it is anti-dilutive.

## **ARTHA RESOURCES CORPORATION**

### **Notes to the Consolidated Financial Statements**

For the years ended December 31, 2009 & 2008

## **2. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

### **Income taxes**

The Company uses the asset and liability method of accounting for income taxes. Under the asset and liability method, future tax assets and liabilities are recognized for the future tax consequences attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the date of enactment or substantive enactment.

### **Foreign currency**

Monetary items denominated in foreign currency are translated to Canadian dollars at exchange rates in effect at the balance sheet date. Non-monetary assets and liabilities, and equity are translated at historical rates. Revenues and expenses are translated at average rate of exchange prevailing during the year. Gains and losses on translation are included in determining net income (loss) for the year.

### **Environmental risk**

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

### **Cash and cash equivalents**

The Company's excess cash balances are held in accounts at Canadian and American Chartered Banks. From time to time these funds are invested in fully insured interest-bearing instruments, which are redeemable without penalty at any time.

### **CICA Handbook Section 1535 – Capital Disclosures**

This section establishes standards for disclosing information about an entity's capital and how it is managed. Under this standard the Company discloses the following, based on the information provided internally to the entity's key management personnel:

- i. qualitative information about its objectives, policies and processes for managing capital;
- ii. summary quantitative data about what it manages as capital;
- iii. whether during the period it complied with any externally imposed capital requirements to which it is subject;
- iv. when the Company has not complied with such externally imposed capital requirements, the consequences of such non-compliance.

The Company objectives in managing its capital (items included in shareholders' equity) are to fund acquisition, exploration and development of its mineral properties and to meet its administrative and corporate activities to ensure that the Company continues as a going concern.

The Company is an exploration stage company and is currently unable to self-finance its operations. The Company has historically relied on equity financings to raise sufficient funds to carry out its exploration and acquisition activities and pay its administrative costs. Therefore, the Company intends to raise additional funds as required to carry out its planned activities.

## ARTHA RESOURCES CORPORATION

### Notes to the Consolidated Financial Statements

For the years ended December 31, 2009 & 2008

## 2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

### CICA Handbook Section 1535 – Capital Disclosures (continued)

The Company manages the capital structure and makes appropriate adjustments to it based upon 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 new debt, and acquire or dispose of assets. In order to manage its capital requirements management has put into place a planning and budgeting process.

As at December 31, 2009, the Company had no bank indebtedness or long-term debt. The Company is not subject to any externally imposed capital requirements.

### Financial Value of Financial Instruments

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:

	Level 1	Level 2	Level 3
Cash and cash equivalents	276,187	-	-
	<b>276,187</b>	-	-

Cash and cash equivalents as shown in the consolidated balance sheet as at December 31, 2009 and 2008, are 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.

### Fair values

The Company’s financial instruments include cash and cash equivalents, accounts receivable, and accounts payable and accrued liabilities. All financial instruments are designated as held-for-trading. The fair value of these financial instruments approximates their carrying value due to their short term nature and capacity for prompt liquidation.

Canadian accounting standards require all financial instruments to be classified into one of the following five categories: held for trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments within its scope, including derivatives, are to be included on the Company’s balance sheet and measured either at fair value or, in certain circumstances when fair value may not be considered most relevant, at cost or amortized cost. Depending on the classification, changes in fair value are to be recognized in the statements of operations and comprehensive income.

## **ARTHA RESOURCES CORPORATION**

### **Notes to the Consolidated Financial Statements**

For the years ended December 31, 2009 & 2008

## **2. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

### **Financial Value of Financial Instruments** *(continued)*

All held-for-trading and available-for-sale financial instruments are recorded on the balance sheet at fair value. All other financial instruments will be recorded at cost or amortized cost, subject to impairment reviews. Transaction costs incurred to acquire held-for-trading financial instruments are recorded to the Consolidated Statement Operations and Deficit. Transaction costs incurred to acquire all other financial instruments are included in the underlying balance.

#### *Credit Risk*

Financial instruments that potentially subject the Company to credit risk consist of cash and accounts receivable. Cash deposits are maintained with Canada and United States financial institutions of reputable credit and are redeemable on demand. Accounts receivable consist of Input Tax Credits owed to the Company by the Government of Canada and interest accrued on cash equivalents. Accordingly, the Company's opinion is that credit risk is minimal.

#### *Liquidity Risk*

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's approach to managing liquidity is to ensure it will have sufficient liquidity to meet liabilities when due. To the extent the Company does not believe it has sufficient liquidity to meet obligations, it will consider securing additional equity funding, or will engage in negotiations to extend terms with debtors. The Company manages liquidity by continuously monitoring and forecasting cash flows.

#### *Foreign Exchange Risk*

The Company faces certain foreign risk as most of its expenses are deferred exploration expenses incurred in the United States and the United States dollar may appreciate or depreciate against the Canadian dollar, the Company's reporting currency. It also has exposure risk with respect to amounts due for option payments (Note 3), as these amounts are owed in US dollars. In recent quarters the fluctuations between the United States Dollar and the Canadian Dollar had not warranted the Company to actively manage its foreign exchange risk. Notwithstanding, the Company continuously monitors this exposure to determine if any mitigation strategies become necessary.

#### *Interest Rate Risk*

Included in the results of operation of the Company is interest income on Canadian Dollar and United States Dollar derived from cash equivalents. Interest income is not material to the Company. The Company has no outstanding debt subject to interest. Accordingly the Company's opinion is that there currently is no interest rate risk for the Company.

### **Changes in Accounting Policies**

#### *Credit risk and fair value of financial assets and financial liabilities*

In January 2009, the CICA issued the Emerging Issues Committee ("EIC") Abstract EIC-173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities", effective for interim and annual financial statements ending on or after January 20, 2009. EIC-173 provides further information on the determination of the fair value of financial assets and financial liabilities under Section 3855, "Financial Instruments – Recognition and Measurement". It states that an entity's own credit and the credit risk of the counterparty should be taken into account in determining the fair value of financial assets and financial liabilities, including derivative instruments. EIC-173 is applied retroactively, without restatement of prior periods, to all financial assets and liabilities measured at fair value. The Company adopted this abstract during fiscal 2009 and this standard did not have a material impact on the Company's consolidated financial statements.

## **ARTHA RESOURCES CORPORATION**

### **Notes to the Consolidated Financial Statements**

For the years ended December 31, 2009 & 2008

## **2. SIGNIFICANT ACCOUNTING POLICIES** *(Continued)*

### **Changes in Accounting Policies** *(continued)*

#### *Mining exploration costs*

On March 27, 2009, the CICA approved EIC-174 “Mining Exploration Costs.” This guidance clarified that an entity that has initially capitalized exploration costs has an obligation in the current and subsequent accounting periods to test such costs for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. The application of EIC-174 did not have any impact on the Company’s consolidated financial statements.

### **Recently Issued Accounting Pronouncements**

#### *International Financial Reporting Standards (“IFRS”)*

The Canadian Accounting Standards Board will require all public companies to use IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Companies will be required to provide IFRS comparative information for the previous fiscal year. The transition from Canadian GAAP to IFRS will be applicable for the Company for the first quarter of fiscal year 2012 when the Company will prepare both the current and comparative financial information using IFRS. The Company expects the transition to IFRS to impact financial reporting, business processes and information systems. 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.

The Company will assess the impact of the transition to IFRS and will continue to invest in training and resources throughout the transition period to facilitate a timely conversion.

## ARTHA RESOURCES CORPORATION

### Notes to the Consolidated Financial Statements

For the years ended December 31, 2009 & 2008

### 3. MINERAL PROPERTIES

#### Argentina

##### Silver and Base Metal Properties

On September 18, 2009 the Company obtained an option to acquire five exploration properties, located in the Province of Jujuy in north-west Argentina, from Davcha Resources International Ltd. ("DRI") a British Columbia, Canada registered private company (the "Option Agreement"). Concurrent with execution of the Option Agreement, Mr. Charles Straw was appointed a director of the Company and became its Chief Executive Officer.

Upon signing the Letter of Intent ("LOI") relating to this agreement, the Company paid \$25,000 to DRI. To exercise the option the Company must issue and allot to DRI 9,500,000 shares in its capital on the following schedule:

	Shares
a) Upon the Acceptance Date for filing of formal option agreement	1,700,000
b) One year after the Acceptance Date	1,700,000
c) Two years after the Acceptance Date	1,700,000
d) Three years after the Acceptance Date	1,700,000
e) Four years after the Acceptance Date	1,700,000
f) Upon the Company receiving bankable feasibility report ("BFR") on one of the Properties with eight years after the Acceptance Date; provided that if the BFR is not received within the said eight years the total consideration will be reduced to 8,500,000 shares of the Company	1,000,000
<b>Total</b>	<b>9,500,000</b>

The property interests acquired are as follows:

##### *Pirquitas North*

The Company assumes DRI's pre-existing option to acquire a 55% interest by incurring exploration expenditures of US\$1.0 million over 4 years. Upon this interest having been earned, the Company and the optioner will enter into a Joint Venture and, thereafter, each party will be required to contribute its proportional share of further expenditures or be diluted accordingly.

##### *Crosby*

The Company assumed DRI's option to acquire a 94% interest in this property, subject to a 2% NSR, in consideration for assuming DRI's obligation to pay the underlying property owner US\$215,000 (paid), agreeing to reimburse approximately AU\$169,105 (paid) in exploration costs and advances incurred by the property optioner, and the assumption of certain other obligations of DRI under the Option Agreement.

##### *Vallecito, Rosario and Ichaca Properties*

The three other properties, Vallecito, Rosario and Ichaca are 100% owned by DRI.

##### **Rare Earth Properties**

The Company acquired by staking 60,000 hectares of rare earth ground located in the Jujuy and Salta provinces of north west Argentina.

## ARTHA RESOURCES CORPORATION

### Notes to the Consolidated Financial Statements

For the years ended December 31, 2009 & 2008

#### 3. MINERAL PROPERTIES (Continued)

##### Wyoming, United States

##### Uranium Properties

On March 6, 2008 the Company signed an option agreement with Uranium One Americas, Inc. (formerly known as Energy Metal Corporation US) a wholly-owned subsidiary of Uranium One, a Canadian public Company, to earn up to a 70% interest in the Clarkson Hill, WY, DCB and BL uranium properties located in the State of Wyoming, USA. To acquire an initial 60% interest the Company must incur CDN\$5 million in exploration expenditures and issue an aggregate of 1,813,060 common shares in stages over 5 years. An additional 10% interest could be subsequently earned upon the delivery of a positive feasibility study to the optioner within 18 months of the Company earning its initial interest, and the payment of all further exploration costs to that point. The optioner will also have the right to back in to a 50% interest in the property, subject to the completion of certain expenditure requirements.

The following table details the Company's future share issue and exploration cost commitments pursuant to this agreement:

Regulatory Approval	Shares	Cash Expenditures Required (CDN\$) (cumulative)	Cash Spent (CDN\$) (cumulative)
First anniversary	415,765	-	-
Within 18 Months	-	\$500,000	\$534,957
Second anniversary	465,765	-	-
Within 30 Months	-	1,500,000	657,903
Third anniversary	465,765	-	-
Within 42 Months	-	2,500,000	-
Fourth anniversary	465,765	-	-
Within 54 Months	-	3,000,000	-
Within 60 Months	-	5,000,000	-
Total	1,813,060		

##### Phosphate Properties

The Company acquired 4,440 acres of state phosphate leases and has submitted formal application for an additional 6,004 acres of federal phosphate leases.

## ARTHA RESOURCES CORPORATION

### Notes to the Consolidated Financial Statements

For the years ended December 31, 2009 & 2008

### 3. MINERAL PROPERTIES (Continued)

Schedule of mineral property expenditures:

<b>Argentina – Base Metals and Silver properties</b>	Balance at 2007	Additions	Balance at 2008	Additions	Balance at 2009
<b>Pirquitas North</b>					
Acquisition	-	-	-	55,637	55,637
Assays	-	-	-	2,561	2,561
Field Equipment rental	-	-	-	6,255	6,255
Geology Consulting	-	-	-	40,100	40,100
Office & Sundry	-	-	-	1,817	1,817
Satellite Imagery	-	-	-	1,706	1,706
Travel	-	-	-	16,385	16,385
	-	-	-	124,461	124,461
<b>Crosby</b>					
Acquisition	-	-	-	443,255	443,255
Assays	-	-	-	2,561	2,561
Geology Consulting	-	-	-	29,960	29,960
Office & Sundry	-	-	-	1,817	1,817
Satellite Imagery	-	-	-	1,706	1,706
Travel	-	-	-	10,116	10,116
	-	-	-	489,415	489,415
<b>Vallecito</b>					
Acquisition	-	-	-	55,637	55,637
Geology Consulting	-	-	-	12,711	12,711
Office & Sundry	-	-	-	701	701
Satellite Imagery	-	-	-	1,706	1,706
Travel	-	-	-	308	308
	-	-	-	71,063	71,063
<b>Rosario</b>					
Acquisition	-	-	-	55,637	55,637
Geology Consulting	-	-	-	13,238	13,238
Office & Sundry	-	-	-	701	701
Satellite Imagery	-	-	-	1,706	1,706
Travel	-	-	-	308	308
	-	-	-	71,590	71,590
<b>Ichaca</b>					
Acquisition	-	-	-	55,637	55,637
Geology Consulting	-	-	-	12,180	12,180
Office & Sundry	-	-	-	701	701
Satellite Imagery	-	-	-	1,706	1,706
Travel	-	-	-	308	308
	-	-	-	70,532	70,532
Subtotal Base Metals and Silver properties, Argentina				827,061	827,061
<b>Argentina – Rare Earth Elements</b>					
Acquisition – Jujuy	-	-	-	4,521	4,521
Acquisition – Salta	-	-	-	24,658	24,658
<b>Subtotal Argentina properties</b>	-	-	-	856,240	856,240

# ARTHA RESOURCES CORPORATION

## Notes to the Consolidated Financial Statements

For the years ended December 31, 2009 & 2008

### 3. MINERAL PROPERTIES (Continued)

Schedule of mineral property expenditures:

Wyoming, United States	Balance at 2007	Additions	Balance at 2008	Additions	Balance at 2009
<b>Uranium properties</b>					
<b>Clarkson Hill</b>					
Drilling	-	117,052	117,052	563	117,615
Geology Consulting	-	82,204	82,204	1,292	83,496
Lease & Regulatory	-	17,088	17,088	8,068	25,156
Office & Sundry	-	6,960	6,960	1,689	8,649
Staking	-	5,604	5,604	-	5,604
Travel	-	1,740	1,740	12	1,752
	-	230,648	230,648	11,624	242,272
<b>WY</b>					
Drilling	-	122,778	122,778	4,926	127,704
Geology Consulting	-	66,649	66,649	64,317	130,966
Lease & Regulatory	-	17,567	17,567	11,720	29,287
Office & Sundry	-	6,138	6,138	8,439	14,577
Staking	-	1,202	1,202	-	1,202
Travel	-	5,011	5,011	379	5,390
	-	219,345	219,345	89,781	309,126
<b>DCB</b>					
Drilling	-	5,140	5,140	-	5,140
Geology Consulting	-	27,034	27,034	1,242	28,276
Lease & Regulatory	-	27,158	27,158	15,244	42,402
Office & Sundry	-	6,089	6,089	1,688	7,777
Staking	-	601	601	-	601
Travel	-	494	494	19	513
	-	66,516	66,516	18,193	84,709
<b>BL</b>					
Geology Consulting	-	8,840	8,840	454	9,294
Lease & Regulatory	-	1,682	1,682	1,232	2,914
Office & Sundry	-	5,927	5,927	1,662	7,589
Staking	-	601	601	-	601
Travel	-	1,398	1,398	-	1,398
	-	18,448	18,448	3,348	21,796
	-	<b>534,957</b>	<b>534,957</b>	<b>122,946</b>	<b>657,903</b>
<b>Phosphate properties</b>					
Assays	-	470	470	-	470
Geology Consulting	-	47,489	47,489	625	48,114
Lease & Regulatory	-	9,734	9,734	9,903	19,637
Office & Sundry	-	656	656	76	732
Travel	-	400	400	-	400
	-	58,749	58,749	10,604	69,353
<b>Subtotal Wyoming properties</b>	-	<b>593,706</b>	<b>593,706</b>	<b>133,550</b>	<b>727,256</b>
<b>Total mineral property costs</b>	-	<b>593,706</b>	<b>593,706</b>	<b>989,790</b>	<b>1,583,496</b>

## ARTHA RESOURCES CORPORATION

### Notes to the Consolidated Financial Statements

For the years ended December 31, 2009 & 2008

#### 4. SHARE CAPITAL

a. Authorized:

Unlimited number of voting common shares without nominal or par value.

b. Issued voting common shares:

	Number of Shares	Share Capital	Contributed Surplus
<b>Issued:</b>			
Balance as at December 31, 2007	7,000,001	441,351	34,436
Private Placement, net of share issue costs of \$71,174	4,331,286	1,444,776	-
Stock-based compensation			48,398
Balance as at December 31, 2008	11,331,287	\$ 1,886,127	\$ 82,834
Private Placement, net of share issue costs of \$44,804	7,500,000	705,196	-
Issued Davcha 1,700,000 shares	1,700,000	255,000	
Stock-based compensation			67,545
Balance as at December 31, 2009	20,531,287	\$ 2,846,323	\$ 150,379

- c. Pursuant to the Option Agreement with Davcha Resources International, the Company issued 1,700,000 common shares at \$0.15.
- d. On October 6, 2009 the Company completed a private placement of 7,500,000 units a price of \$0.10 for gross proceeds of \$750,000. Each unit consists of one common share and one half share purchase warrant. Each warrant is exercisable for a period of two years from the closing date to acquire one common share of the Company at a price of \$0.20.
- e. At December 31, 2009 the Company had received subscription advances of \$99,955 in respect of a private placement of 5,923,000 units at a price of \$0.15.
- f. On March 6, 2008, the Company completed a private placement of 4,331,286 units at a price of \$0.35 for gross proceeds of \$1,515,950. Each unit consists of one common share and one share purchase warrant. Each warrant is exercisable for a period of two years from the closing date to acquire one common share of the Company at a price of \$0.65. During fiscal 2009 the Company amended the exercise price from \$0.65 to \$0.25.
- g. Shares held in escrow:

A total of 3,150,001 common shares were escrowed. Upon the completion of the Company's Qualifying Transaction, 315,000 common shares were released from escrow as at December 31, 2009. 1,417,500 (2008 - 2,362,500) common shares remain in escrow and will be released as to 15% on each of the 6, 12, 18, 24, 30, and 36 month anniversary dates thereafter.

## ARTHA RESOURCES CORPORATION

### Notes to the Consolidated Financial Statements

For the years ended December 31, 2009 & 2008

#### 4. SHARE CAPITAL (Continued)

h. Warrants:

	Number of warrants	Weighted average exercise price	Weighted average remaining life of warrants outstanding	Expiry date
Balance as at December 31, 2007	-	-	-	-
Private placement issue	4,331,286	\$0.65	1.18 years	March 6, 2010
Balance as at December 31, 2008	4,331,286	\$0.65	1.18 years	March 6, 2010
Balance as at December 31, 2008	4,331,286	\$0.25	0.18 years	March 6, 2010
Private placement issued	3,750,000	\$0.20	1.76 years	October 6, 2011
Balance as at December 31, 2009	8,081,286	\$0.23	0.91 years	

#### 5. STOCK-BASED COMPENSATION

During fiscal 2009 the Company granted 820,000 (2008 - 267,500) stock options. The stock option is subject to vesting as to 25% upon issuance and 25% each six months thereafter pursuant to the Company's Stock Option Plan.

During fiscal 2009 the company cancelled 207,500 stock options.

A summary of the Company's options outstanding is as follows:

	2009			2008		
Expiry Date	Number of options	Weighted average exercise price	Weighted average remaining life of options outstanding	Number of options	Weighted average exercise price	Weighted average remaining life of options outstanding
May 9, 2011	450,000	\$0.10	1.35 years	600,000	\$0.10	2.35 years
July 4, 2012	65,000	0.38	2.51 years	65,000	0.38	3.51 years
April 30, 2013	210,000	0.35	3.33 years	217,500	0.35	4.33 years
May 9, 2013	-	-	-	50,000	0.35	1.35 years
October 29, 2014	820,000	0.20	4.83 years	-	-	-
Total balance	1,545,000	\$0.20		932,500	\$0.19	

	Number of options	Weighted average exercise price \$
Outstanding, December 31, 2008	932,500	0.19
Granted during the year	820,000	0.20
Cancelled during the year	(207,500)	0.17
<b>Outstanding, December 31, 2009</b>	<b>1,545,000</b>	<b>0.20</b>

## ARTHA RESOURCES CORPORATION

### Notes to the Consolidated Financial Statements

For the years ended December 31, 2009 & 2008

#### 5. STOCK-BASED COMPENSATION (Continued)

During fiscal 2009 stock based compensation costs in the amount of \$67,545 (2008-\$48,398) were recorded in the Consolidated Statement of Operations and Comprehensive Loss. The fair value of all compensatory options and warrants granted is estimated on grant date using the Black-Scholes option pricing model. The fair value of options granted during the year is \$0.1668.

The following weighted-average assumptions were used for the Black-Scholes valuation of stock options granted:

	2009	2008
	Stock options	Stock Options
Risk-free interest rate	1.98%	2.43% - 2.88%
Expected life of options	5 years	2 to 5 years
Annualized volatility	243%	126% – 139 %
Dividend rate	Nil	Nil

#### 6. RELATED PARTY TRANSACTIONS

All transactions with related parties occurred in the normal course of business and were measured at the exchange amount, which was the fair value as agreed between management and the related parties. The balances disclosed in the financial statements were unsecured receivable or payable upon demand and arose from the provision of services, expense reimbursements or advances. All material transactions and balances with related parties are described below.

During the 12 month period ended December 31, 2009, the Company paid \$45,000 (2008 - \$35,800) to a director of the Company for technical review and evaluation of the exploration projects.

During the 12 month period ended December 31, 2009, the Company paid \$30,000 (2008 - \$nil) for geological services of that director as CEO of the Company.

During the 12 month period ended December 31, 2009, the Company paid \$66,000 (2008 - \$35,000) for professional services of that director as President of the Company.

During the 12 month period ended December 31, 2009, the Company paid \$57,000 (2008 - \$28,000) for professional services of that director as Chief Financial Officer of the Company.

#### 7. INCOME TAX RECONCILIATION

The reconciliation of income tax provision computed at statutory rates to the reported income tax provision is as follows:

	2009	2008
	30.00%	31.00%
Income tax expense (benefit) computed at statutory rates	\$ (135,316)	\$ (160,971)
Non-deductible and deductible amounts	(33,139)	250,742
Unrecognized (recognized) benefit of tax losses	168,455	(89,771)
Income tax provision per financial statements	\$ -	\$ -

## ARTHA RESOURCES CORPORATION

### Notes to the Consolidated Financial Statements

For the years ended December 31, 2009 & 2008

#### 7. INCOME TAX RECONCILIATION (Continued)

The significant components of the Company's future income tax assets as at December 31, 2009 and 2008 are as follows:

	2009	2008
Future income tax assets		
Losses carried forward, Canada	\$ 309,250	\$ 226,000
Losses carried forward, United States	171,739	234,000
Share issuance costs	25,092	28,000
Mineral Properties	(432,237)	-
	73,844	488,000
Valuation allowance	(73,844)	(488,000)
Future income tax assets, net	\$ -	\$ -

This potential future tax benefit has been offset entirely by a valuation allowance and has not been recognized in these financial statements. The following schedule approximates the Company's non-capital loss carry-forwards:

	\$
2006	98,000
2007	263,000
2008	888,000
2009	561,000
Balance as at December 31, 2009	1,810,000

#### 8. COMMITMENTS

The Company entered into an office sublease for its head office at Suite 1518-800 West Pender Street for 3 years and 5 months commencing on March 1, 2009 and ending on July 30, 2012, at yearly base rent of \$15,164 escalating to \$16,502 after July 31, 2010.

#### 9. SUBSEQUENT EVENTS

- The Company closed its private placement for \$888,450 through the sale of 5,923,000 units of the Company at a price of 15 cents per unit. Each unit consists of one common share of the Company and one half of one share purchase unit at an exercise price of \$0.25 for a period of 24 months.
- The Company extended the expiry date on the 4,331,286 warrants from March 6, 2010 to September 6, 2010.
- William Sheriff resigned from the board of directors of the Company and Christine Thomson was appointed to the Company's board of directors.