



*(an Exploration stage company)*

2nd Quarter Interim Consolidated Financial Statements  
June 30, 2010  
Unaudited-Prepared by Management

CONSOLIDATED BALANCE SHEETS

CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE LOSS AND DEFICIT

CONSOLIDATED STATEMENTS OF CASH FLOWS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

ARTHA RESOURCES CORPORATION

**Consolidated Balance Sheets**

As at:

	June 30, 2010 (Unaudited)	December 31 2009 (Audited)
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents (note 2)	\$ 252,120	\$ 276,187
Accounts receivable	9,514	7,556
	<u>261,634</u>	<u>283,743</u>
Mineral properties (note 3)	1,999,439	1,583,496
	<u>\$ 2,261,073</u>	<u>\$ 1,867,239</u>

**LIABILITIES**

<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 7,173	\$ 46,402

**SHAREHOLDERS' EQUITY**

Share capital (note 4b)	\$ 3,696,042	\$ 2,846,323
Subscriptions received (note 4d)	-	99,955
Contributed surplus (note 4b)	185,033	150,379
Deficit	(1,627,175)	(1,275,820)
	<u>2,253,900</u>	<u>1,820,837</u>
	<u>\$ 2,261,073</u>	<u>\$ 1,867,239</u>

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**  
(Unaudited)

For the Three and Six-Months Ended June 30, 2010 and 2009

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
<b>Expenses</b>				
Bank charges	\$ 846	\$ 299	\$ 1,668	\$ 656
Consulting fees	86,599	32,000	159,866	79,000
Investor relations and promotion	33,271	250	76,466	962
Office and general	11,049	10,039	35,057	14,960
Professional fees	8,326	2,070	9,187	2,070
Regulatory and transfer agent	5,970	3,289	20,354	9,797
Stock based compensation	27,266	19,704	27,266	19,704
Travel	7,513	-	20,134	1,539
	180,840	67,651	349,998	128,688
<b>Other income</b>				
Interest income	(71)	(298)	(762)	(1,471)
Foreign exchange (gain)/loss	(1,159)	17,183	2,119	12,412
<b>Net loss and comprehensive loss for the Period</b>	(179,610)	(84,536)	(351,355)	(139,629)
Deficit beginning of period	(1,447,565)	(879,860)	(1,275,820)	(824,767)
<b>Deficit end of period</b>	\$ (1,627,175)	\$ (964,396)	\$ (1,627,175)	\$ (964,396)
<b>Basic and diluted loss per common shares</b>	\$ (0.007)	\$ (0.007)	\$ (0.014)	\$ (0.012)
<b>Weighted average common shares outstanding</b>	26,454,287	11,331,287	24,654,480	11,331,287

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

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

For the Three and Six-Months Ended June 30, 2010 and 2009

	Three Months Ended June 30,		Six Months Ended June 30,	
	2010	2009	2010	2009
<b>Cash provided by (used for):</b>				
Operations:				
Net loss	\$ (179,610)	\$ (84,536)	\$ (351,355)	(139,629)
Item not affecting cash				
Stock based compensation	30,960	19,704	34,654	19,704
Change in non-cash working capital:				
Accounts receivable	(3,724)	1,870	(1,958)	8,138
Accounts payable	(14,458)	1,300	(39,229)	2,490
Net cash used in operating activities	(166,832)	(61,662)	(357,888)	(109,297)
Financing activities:				
Share capital net of issue costs	(407)	-	749,764	-
Net cash provided by financing activities	(407)	-	749,764	-
Investing activities:				
Mineral property costs	(272,018)	(20,019)	(415,943)	(41,465)
Net cash used by investing activities	(272,018)	(20,019)	(415,943)	(41,465)
(Decrease)/Increase in cash and cash equivalents during the period	(439,257)	(81,681)	(24,067)	(150,762)
<b>Cash and cash equivalents, beginning of period</b>	691,377	487,452	276,187	556,533
<b>Cash and cash equivalents, end of period</b>	\$ 252,120	\$ 405,771	\$ 252,120	\$ 405,771
<b>Supplementary cash flow information:</b>				
Cash and cash equivalents consist of:				
Cash in bank	\$ 50,299	\$ 11,669	\$ 50,299	\$ 11,669
Cashable term investments	\$ 201,821	\$ 394,102	\$ 201,821	\$ 394,102
Interest received from cash equivalents	\$ 576	\$ 1,127	\$ 587	\$ 9,220

# **ARTHA RESOURCES CORPORATION**

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

For the six months ended June 30, 2010

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### **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**

The Company’s interim period Consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. The preparation of financial statements in conformity with Canadian generally accepted 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. The preparation of the financial data is based on accounting principles and practices consistent with those used in the preparation of the Company’s audited year-end financial statements. The unaudited interim consolidated financial statements of the Company do not contain all the disclosure required by Canadian generally accepted accounting principles for year-end financial statements and should be read in conjunction with the audited financial statements for the year end December 31, 2009 and the accompanying notes included. In the opinion of the Company its unaudited interim financial statements contain all adjustments necessary in order to present a fair statement of the result of the interim period presented.

#### **Principles of Consolidation**

The interim period 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.

#### **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.

## **ARTHA RESOURCES CORPORATION**

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

For the six months ended June 30, 2010

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

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.

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 June 30, 2010 and 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 of amounts receivable, and accounts payable and accrued liabilities are a reasonable estimate of their fair value because of the short period to maturity of these instruments.

Cash and cash equivalents are classified as held-for-trading and are therefore recorded at fair value. At June 30, 2010, the Company’s cash and cash equivalents of \$252,120 (December 31, 2009 - \$276,187).

Cash and cash equivalents as shown in the consolidated balance sheet as at June 30, 2010 and December 31, 2009, 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 six months ended June 30, 2010 and year ended December 31, 2009, there were no transfers between level 1, level 2 and level 3 classified assets and liabilities.

#### **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:

## ARTHA RESOURCES CORPORATION

### Notes to the Consolidated Financial Statements

For the six months ended June 30, 2010

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### 3. MINERAL PROPERTIES (Continued)

	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 northwest Argentina.

## ARTHA RESOURCES CORPORATION

### Notes to the Consolidated Financial Statements

For the six months ended June 30, 2010

### 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	694,302
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 six months ended June 30, 2010

**3. MINERAL PROPERTIES (Continued)**

Schedule of mineral property expenditures:

<b>Argentina – Base Metals and Silver properties</b>	<b>Balance at 2008</b>	<b>Additions</b>	<b>Balance at December 31,2009</b>	<b>Additions</b>	<b>Balance at June 30, 2010</b>
<b>Pirquitas North</b>					
Acquisition	-	55,637	55,637	-	55,637
Assays	-	2,561	2,561	19,504	22,065
Field Equipment rental	-	6,255	6,255	-	6,255
Geology Consulting	-	40,100	40,100	73,388	113,488
Office & Sundry	-	1,817	1,817	3,488	5,305
Satellite Imagery	-	1,706	1,706	-	1,706
Surface Geochemistry	-	-	-	27,040	27,040
Surface Geophysics	-	-	-	21,722	21,722
Travel	-	16,385	16,385	27,666	44,051
	-	124,461	124,461	172,808	297,269
<b>Crosby</b>					
Acquisition	-	443,255	443,255	-	443,255
Assays	-	2,561	2,561	18,739	21,300
Geology Consulting	-	29,960	29,960	42,146	72,106
Office & Sundry	-	1,817	1,817	2,229	4,046
Satellite Imagery	-	1,706	1,706	-	1,706
Surface Geochemistry	-	-	-	11,588	11,588
Travel	-	10,116	10,116	12,396	22,512
	-	489,415	489,415	87,098	576,513
<b>Vallecito</b>					
Acquisition	-	55,637	55,637	-	55,637
Assays	-	-	-	10,050	10,050
Geology Consulting	-	12,711	12,711	15,264	27,975
Office & Sundry	-	701	701	516	1,217
Satellite Imagery	-	1,706	1,706	-	1,706
Travel	-	308	308	1,158	1,466
	-	71,063	71,063	26,988	98,051
<b>Rosario</b>					
Acquisition	-	55,637	55,637	-	55,637
Geology Consulting	-	13,238	13,238	15,264	28,502
Office & Sundry	-	701	701	516	1,217
Satellite Imagery	-	1,706	1,706	-	1,706
Travel	-	308	308	1,158	1,466
	-	71,590	71,590	16,938	88,528
<b>Ichaca</b>					
Acquisition	-	55,637	55,637	-	55,637
Geology Consulting	-	12,180	12,180	15,264	27,444
Office & Sundry	-	701	701	516	1,217
Satellite Imagery	-	1,706	1,706	-	1,706
Travel	-	308	308	1,158	1,466
	-	70,532	70,532	16,938	87,470
Subtotal Base Metals and Silver properties, Argentina		827,061	827,061	320,770	1,147,831

**ARTHA RESOURCES CORPORATION****Notes to the Consolidated Financial Statements**

For the six months ended June 30, 2010

**3. MINERAL PROPERTIES** *(Continued)*

<b>Argentina – Rare Earth Elements</b>	Balance at 2008	Additions	Balance at December 31,2009	Additions	Balance at June 30, 2010
<b>Jujuy</b>					
Acquisition	-	4,521	4,521	1,087	5,608
Environmental Report	-	-	-	3,645	3,645
		4,521	4,521	4,732	9,253
<b>Salta</b>					
Acquisition	-	24,658	24,658	10,525	35,183
Assays	-	-	-	10,806	10,806
Environmental Report	-	-	-	4,112	4,112
Geology Consulting	-	-	-	24,615	24,615
Travel	-	-	-	3,984	3,984
		24,658	24,658	54,042	78,700
Subtotal Rare Earth Elements		29,179	29,179	58,774	87,953
<b>Subtotal Argentina properties</b>	<b>-</b>	<b>856,240</b>	<b>856,240</b>	<b>379,544</b>	<b>1,235,784</b>

# ARTHA RESOURCES CORPORATION

## Notes to the Consolidated Financial Statements

For the six months ended June 30, 2010

### 3. MINERAL PROPERTIES (Continued)

Wyoming, United States	Balance at 2008	Additions	Balance at December 31, 2009	Additions	Balance at June 30, 2010
<b>Uranium properties</b>					
<b>Clarkson Hill</b>					
Drilling	117,052	563	117,615	-	117,615
Geology Consulting	82,204	1,292	83,496	469	83,965
Lease & Regulatory	17,088	8,068	25,156	-	25,156
Office & Sundry	6,960	1,689	8,649	672	9,321
Staking	5,604	-	5,604	-	5,604
Travel	1,740	12	1,752	-	1,752
	230,648	11,624	242,272	1,141	243,413
<b>WY</b>					
Drilling	122,778	4,926	127,704	153	127,857
Geology Consulting	66,649	64,317	130,966	28,162	159,128
Lease & Regulatory	17,567	11,720	29,287	-	29,287
Office & Sundry	6,138	8,439	14,577	4,232	18,809
Staking	1,202	-	1,202	-	1,202
Travel	5,011	379	5,390	565	5,955
	219,345	89,781	309,126	33,112	342,238
<b>DCB</b>					
Drilling	5,140	-	5,140	-	5,140
Geology Consulting	27,034	1,242	28,276	468	28,744
Lease & Regulatory	27,158	15,244	42,402	-	42,402
Office & Sundry	6,089	1,688	7,777	624	8,401
Staking	601	-	601	-	601
Travel	494	19	513	-	513
	66,516	18,193	84,709	1,092	85,801
<b>BL</b>					
Geology Consulting	8,840	454	9,294	468	9,762
Lease & Regulatory	1,682	1,232	2,914	-	2,914
Office & Sundry	5,927	1,662	7,589	586	8,175
Staking	601	-	601	-	601
Travel	1,398	-	1,398	-	1,398
	18,448	3,348	21,796	1,054	22,850
	<b>534,957</b>	<b>122,946</b>	<b>657,903</b>	<b>36,399</b>	<b>694,302</b>
<b>Phosphate properties</b>					
Assays	470	-	470	-	470
Geology Consulting	47,489	625	48,114	-	48,114
Lease & Regulatory	9,734	9,903	19,637	-	19,637
Office & Sundry	656	76	732	-	732
Travel	400	-	400	-	400
	58,749	10,604	69,353	-	69,353
<b>Subtotal Wyoming properties</b>	<b>593,706</b>	<b>133,550</b>	<b>727,256</b>	<b>36,399</b>	<b>763,655</b>
<b>Total mineral property costs</b>	<b>593,706</b>	<b>989,790</b>	<b>1,583,496</b>	<b>415,943</b>	<b>1,999,439</b>

## ARTHA RESOURCES CORPORATION

### Notes to the Consolidated Financial Statements

For the six months ended June 30, 2010

#### 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, 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
Private Placement, net of share issue costs of \$38,731	5,923,000	849,719	
Stock-based compensation			34,654
Balance as at June 30, 2010	26,454,287	3,696,042	185,033

c. On February 24, 2010 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.

d. 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.

e. During fiscal 2009 pursuant to the Option Agreement with Davcha Resources International, the Company issued 1,700,000 common shares at \$0.15.

f. 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.

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 March 31, 2010. 945,000 (2009 - 1,417,500) 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.

h. Warrants:

During the six month period ended June 30, 2010 the Company extended the expiry date on the 4,331,286 warrants from March 6, 2010 to September 6, 2010.

## ARTHA RESOURCES CORPORATION

### Notes to the Consolidated Financial Statements

For the six months ended June 30, 2010

#### 4. SHARE CAPITAL (Continued)

	Number of warrants	Weighted average exercise price	Weighted average remaining life of warrants outstanding	Expiry date
Balance as at December 31, 2008	4,331,286	\$0.25	0.19 years	September 6, 2010
Private placement issued	3,750,000	\$0.20	1.33 years	October 6, 2011
Balance as at December 31, 2009	8,081,286	\$0.23		
Balance as at December 31, 2009	8,081,286	\$0.23		
Private placement issued	2,961,500	\$0.20	1.65 years	February 24, 2012
Balance as at June 30, 2010	11,042,786	\$0.23		

#### 5. STOCK-BASED COMPENSATION

During fiscal 2009 the Company granted 820,000 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:

Expiry Date	2010			2009		
	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	0.86 years	450,000	\$0.10	1.35 years
July 4, 2012	65,000	0.38	2.01 years	65,000	0.38	2.51 years
April 30, 2013	210,000	0.35	2.84 years	210,000	0.35	3.33 years
May 9, 2013	-	-	-	-	-	-
October 29, 2014	820,000	0.20	4.33 years	820,000	0.20	4.83 years
Total balance	1,545,000	\$0.20		1,545,000	\$0.20	

	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, June 30, 2010 and December 31, 2009</b>	<b>1,545,000</b>	<b>0.20</b>

During the six month period ended June 30, 2010 stock based compensation costs in the amount of \$34,654 (Fiscal 2009-\$67,545) 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 fiscal 2009 is \$0.1668.

## ARTHA RESOURCES CORPORATION

### Notes to the Consolidated Financial Statements

For the six months ended June 30, 2010

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

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

	2010 and 2009
	Stock options
Risk-free interest rate	1.98%
Expected life of options	5 years
Annualized volatility	243%
Dividend rate	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 6 month period ended June 30, 2010, the Company paid \$30,000 (2009 - \$25,000) to a director of the Company for technical review and evaluation of the exploration projects.

During the 6 month period ended June 30, 2010, the Company paid \$47,500 (2009 - \$nil) for geological and corporate services of that director as CEO of the Company.

During the 6 month period ended June 30, 2010, the Company paid \$52,000 (2009 - \$30,000) for professional services of that director as President of the Company.

During the 6 month period ended June 30, 2010, the Company paid \$50,500 (2009 - \$24,000) for professional services of that director as Chief Financial Officer of the Company.

During the 6 month period ended June 30, 2010, the Company paid \$39,500 (2009 - \$nil) for professional services of that director as Corporate Secretary of the Company.

#### 7. 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.

#### 8. SUBSEQUENT EVENTS

Subsequent to June 30, 2010:

The Company's Director, David Straw passed away. David was a widely known and respected geologist with over 50 years experience in the mining industry.

The Company announced the private placement for up to \$500,000 through the sale of 4,545,455 units at a price of \$0.11 per unit. Each unit will consist of one common share of the Company and one-half of one share purchase warrant. Each warrant exercisable at \$0.25 and expires 24 months from date of closing. The private placement is subject to the acceptance of the TSX Venture Exchange.

The Company cancelled 150,000 stock options.