



*(an Exploration stage company)*

Consolidated Financial Statements  
December 31, 2010 & 2009  
Audited

CONSOLIDATED BALANCE SHEETS

CONSOLIDATED STATEMENTS OF OPERATIONS, COMPREHENSIVE LOSS AND DEFICIT

CONSOLIDATED STATEMENTS OF CASH FLOWS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

## **INDEPENDENT AUDITORS' REPORT**

### **To the Shareholders of Artha Resources Corporation**

We have audited the accompanying consolidated financial statements of Artha Resources Corporation and its subsidiary, which comprise the consolidated balance sheets as at December 31, 2010 and 2009, and the consolidated statements of operations, comprehensive loss and deficit and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Artha Resources Corporation and its subsidiary as at December 31, 2010 and 2009 and their financial performance and their cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.



**CHARTERED ACCOUNTANTS**

Vancouver, British Columbia

May 2, 2011

**ARTHA RESOURCES CORPORATION**

## Consolidated Balance Sheets

As at December 31,

	2010	2009
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents (note 2)	\$ 2,688,011	\$ 276,187
Accounts receivable	49,291	7,556
	<u>2,737,302</u>	<u>283,743</u>
Mineral properties (note 3)	1,704,314	1,583,496
	<u>\$ 4,441,616</u>	<u>\$ 1,867,239</u>

**LIABILITIES**

<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 82,490	\$ 46,402

**SHAREHOLDERS' EQUITY**

Share capital (note 4b)	\$ 7,043,332	\$ 2,846,323
Subscriptions received (note 4f)	-	99,955
Contributed surplus (note 4b)	769,773	150,379
Deficit	(3,453,979)	(1,275,820)
	<u>4,359,126</u>	<u>1,820,837</u>
	<u>\$ 4,441,616</u>	<u>\$ 1,867,239</u>

Continuing operations (note 1)

Commitments (note 8)

Subsequent events (note 9)

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,

	2010	2009
<b>Expenses</b>		
Bank charges	\$ 3,383	\$ 1,885
Consulting fees	324,291	162,531
Write-off of mineral property costs (note 3)	855,667	-
Investor relations and promotion	165,822	46,530
Office and general	59,252	38,577
Professional fees	50,418	62,684
Regulatory and transfer agent	55,222	25,234
Stock based compensation (note 5)	590,967	63,851
Travel	64,618	21,410
	<u>2,169,640</u>	<u>422,702</u>
<b>Other income</b>		
Interest income	(3,925)	(1,903)
Foreign exchange loss	12,444	30,254
<b>Net loss and comprehensive loss for the year</b>	<u>(2,178,159)</u>	<u>(451,053)</u>
Deficit, beginning of year	(1,275,820)	(824,767)
<b>Deficit, end of year</b>	<u>\$ (3,453,979)</u>	<u>\$ (1,275,820)</u>
<b>Basic and diluted loss per common shares</b>	<u>\$ (0.077)</u>	<u>\$ (0.034)</u>
<b>Weighted average common shares outstanding</b>	<u>28,403,623</u>	<u>13,242,794</u>

**ARTHA RESOURCES CORPORATION**

## Consolidated Statements of Cash Flows

For the years ended December 31,

	2010	2009
<b>Cash provided by (used for):</b>		
Operations:		
Net loss	\$ (2,178,159)	\$ (451,053)
Items not affecting cash:		
Property costs written off	855,667	-
Stock based compensation	605,743	67,545
Changes in non-cash working capital:		
Accounts receivable	(41,735)	2,583
Accounts payable	36,088	30,218
Net cash used in operating activities	(722,396)	(350,707)
Financing activities:		
Share capital proceeds	4,288,495	750,000
Share issue costs	(177,790)	(44,804)
Subscriptions received	-	99,955
Net cash provided by financing activities	4,110,705	805,151
Investing activities:		
Mineral property costs	(976,485)	(734,790)
Net cash used in investing activities	(976,485)	(734,790)
Increase/(Decrease) in cash and cash equivalents during the year	2,411,824	(280,346)
<b>Cash and cash equivalents, beginning of year</b>	<b>276,187</b>	<b>556,533</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 2,688,011</b>	<b>\$ 276,187</b>

**Supplementary cash flow information:**

2009:

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

Cash and cash equivalents consist of:

Cash in bank	\$ 175,458	\$ 17,811
Cashable term investments	\$ 2,512,553	\$ 258,376

**ARTHA RESOURCES CORPORATION**  
Notes to the Consolidated Financial Statements  
For the year ended December 31, 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 consolidated 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**

**Use of estimates**

The Company’s consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. These standards require 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 consolidated financial statements and the reported amount of revenues and expenses during the period. Significant areas where management’s judgement is applied are the determination of stock based compensation and asset impairment. 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 received 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.

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

**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.

**Income taxes**

The Company uses the liability method of accounting for income taxes. Under the 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. Future tax assets are recognized to the extent that they are considered more likely than not to be realized.

**Foreign currency**

The Company's subsidiary is an integrated foreign operation and its results and financial position are translated into Canadian dollars using the temporal method. 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.

**Management of capital**

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

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

**Management of capital** *(continued)*

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 December 31, 2010, the Company had no bank indebtedness or long-term debt. The Company is not subject to any externally imposed capital requirements.

**Mineral properties**

Exploration and development expenditures incurred for regional reconnaissance or property investigations prior to the acquisition of a property are charged to operations. Expenditures incurred subsequent to acquisition are capitalized and will be amortized on the unit-of-production method when, and if, estimated proven or probable reserves can be determined by independent consulting engineers and production has begun. When there is little prospect of further work on a property being carried out by the Company, the deferred costs associated with that property are charged to operations during the year such determination is made. The amounts shown for mineral properties represent acquisition costs and exploration costs incurred to date after the property was acquired or optioned, less recoveries and write-offs, and are not intended to reflect present or future values.

A mineral property acquired under an option agreement where payments are made at the sole discretion of the Company, is capitalized at the time of payment. Option payments received are treated as a reduction of the carrying value of the related acquisition cost for the mineral property until the payments are in excess of acquisition costs, at which time they are then credited to operations. Option payments are at the discretion of the optionee and, accordingly, are accounted for when receipt is reasonably assured.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current stage of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements or transfer and may be affected by undetected defects.

**Financial instruments**

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 are as follows:

**ARTHA RESOURCES CORPORATION**  
Notes to the Consolidated Financial Statements  
For the year ended December 31, 2010

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

**Financial instruments (continued)**

		<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
December 31, 2010	Cash and cash equivalents	\$2,688,011	-	-
		\$2,688,011	-	-

Cash and cash equivalents as shown on the consolidated balance sheet as at December 31, 2010, 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 year, 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.

Financial instruments are 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. Held-for-trading financial instruments are recorded on the balance sheet at fair value with gains and losses recognized in income. Available for sale financial instruments are recorded on the balance sheet at fair value with unrealized gains and losses recognized in other comprehensive income. Upon realization, gains and losses are transferred to income. 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 balances.

*Credit Risk*

Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents 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 credit 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

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

**Financial instruments** *(continued)*

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 earned on the Canadian Dollar and the 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.

**Recently Issued Accounting Pronouncements**

**Business Combinations, Consolidated Financial Statements and Non-Controlling Interest**

In January 2009, the CICA issued CICA Handbook Section 1582, "Business Combinations", Section 1601, "Consolidations", and Section 1602, "Non-Controlling Interests". These sections replace the former Section 1581, "Business Combinations", and Section 1600, "Consolidated Financial Statements", and establish a new section for accounting for a non-controlling interest in a subsidiary.

Section 1582 establishes standards for the accounting for a business combination, and states that all assets and liabilities of an acquired business will be recorded at fair value. Obligations for contingent considerations and contingencies will also be recorded at fair value at the acquisition date. The standard also states that acquisition-related costs will be expensed as incurred and that restructuring charges will be expensed in the periods after the acquisition date. The section applies prospectively to business combinations occurring in years beginning on or after January 1, 2011, unless earlier adopted.

Section 1601 establishes standards for the preparation of consolidated financial statements.

Section 1602 establishes standards for accounting for a non-controlling interest in a subsidiary in the preparation of consolidated financial statements subsequent to a business combination. It is equivalent to the corresponding provisions of International Financial Reporting Standards ("IFRS") International Accounting Standards ("IAS") 27, Consolidated and Separate Financial Statements (January 2008).

Sections 1601 and 1602 apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. These new sections effectively bring Canadian GAAP in line with IFRS.

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

A decision of the CICA Accounting Standards Board (the "AcSB") will require the Company to report under IFRS for interim and annual financial statements for fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2010 will require the restatement for comparative purposes of amounts reported by the Company for interim periods and for the year ended December 31, 2010.

**ARTHA RESOURCES CORPORATION**  
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**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.

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

**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.

**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	\$789,433
Third anniversary	465,765	-	-
Within 42 Months	-	2,500,000	-
Fourth anniversary	465,765	-	-
Within 54 Months	-	3,000,000	-
Fifth anniversary	-	5,000,000	-
<b>Total</b>	<b>1,813,060</b>		

At December 31, 2010, the Company has dropped its option on the Clarkson Hill, WY, DCB, and BL uranium properties and has written off all related deferred costs.

**Phosphate Properties**

The Company did not renew the phosphate leases in August 2010 due to its focus on the exploration properties in Argentina, and has written off all costs incurred to date.

**ARTHA RESOURCES CORPORATION**  
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**3. MINERAL PROPERTIES (Continued)**

Schedule of mineral property expenditures:

<b>Argentina – Base Metals and Silver properties</b>	<b>Balance 2008</b>	<b>Additions</b>	<b>Balance 2009</b>	<b>Additions</b>	<b>Balance 2010</b>
<b>Pirquitas North</b>					
Acquisition	-	55,637	55,637	-	55,637
Assays	-	2,561	2,561	19,504	22,065
Field Equipment	-	6,255	6,255	309	6,564
Geology Consulting	-	40,100	40,100	131,577	171,677
Office & Sundry	-	1,817	1,817	8,997	10,814
Satellite Imagery	-	1,706	1,706	5,440	7,146
Surface Geochemistry	-	-	-	27,040	27,040
Surface Geophysics	-	-	-	92,068	92,068
Travel	-	16,385	16,385	64,343	80,728
	-	124,461	124,461	349,278	473,739
<b>Crosby</b>					
Acquisition	-	443,255	443,255	-	443,255
Assays	-	2,561	2,561	18,739	21,300
Field Equipment	-	-	-	309	309
Geology Consulting	-	29,960	29,960	93,367	123,327
Office & Sundry	-	1,817	1,817	3,294	5,111
Satellite Imagery	-	1,706	1,706	-	1,706
Surface Geochemistry	-	-	-	11,588	11,588
Travel	-	10,116	10,116	22,559	32,675
	-	489,415	489,415	149,856	639,271
<b>Vallecito</b>					
Acquisition	-	55,637	55,637	-	55,637
Assays	-	-	-	35,462	35,462
Environmental Report	-	-	-	1,023	1,023
Geology Consulting	-	12,711	12,711	72,420	85,131
Office & Sundry	-	701	701	1,495	2,196
Satellite Imagery	-	1,706	1,706	2,796	4,502
Travel	-	308	308	10,870	11,178
	-	71,063	71,063	124,066	195,129
<b>Rosario</b>					
Acquisition	-	55,637	55,637	-	55,637
Geology Consulting	-	13,238	13,238	30,891	44,129
Office & Sundry	-	701	701	971	1,672
Satellite Imagery	-	1,706	1,706	-	1,706
Travel	-	308	308	2,489	2,797
	-	71,590	71,590	34,351	105,941
<b>Ichaca</b>					
Acquisition	-	55,637	55,637	-	55,637
Geology Consulting	-	12,180	12,180	34,187	46,367
Office & Sundry	-	701	701	971	1,672
Satellite Imagery	-	1,706	1,706	-	1,706
Travel	-	308	308	2,489	2,797
	-	70,532	70,532	37,647	108,179
Subtotal Base Metals and Silver properties, Argentina		827,061	827,061	695,198	1,522,259

**ARTHA RESOURCES CORPORATION**  
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**3. MINERAL PROPERTIES (Continued)**

<b>Argentina – Rare Earth Elements</b>	<b>Balance 2008</b>	<b>Additions</b>	<b>Balance 2009</b>	<b>Additions</b>	<b>Balance 2010</b>
<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	18,442	43,100
Assays	-	-	-	30,415	30,415
Environmental Report	-	-	-	6,870	6,870
Geology Consulting	-	-	-	79,500	79,500
Office & Sundry	-	-	-	1,593	1,593
Travel	-	-	-	11,324	11,324
		24,658	24,658	148,144	172,802
Subtotal Rare Earth Elements		29,179	29,179	152,876	182,055
<b>Subtotal Argentina properties</b>	<b>-</b>	<b>856,240</b>	<b>856,240</b>	<b>848,074</b>	<b>1,704,314</b>

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**3. MINERAL PROPERTIES (Continued)**

<b>Wyoming, United States</b>	<b>Balance 2008</b>	<b>Additions</b>	<b>Balance 2009</b>	<b>Additions (Recoveries)</b>	<b>Write-offs</b>	<b>Balance 2010</b>
<b>Uranium properties</b>						
<b>Clarkson Hill</b>						
Drilling	117,052	563	117,615	-	(117,615)	-
Geology Consulting	82,204	1,292	83,496	10,363	(93,859)	-
Lease & Regulatory	17,088	8,068	25,156	7,232	(32,388)	-
Office & Sundry	6,960	1,689	8,649	1,513	(10,162)	-
Staking	5,604	-	5,604	-	(5,604)	-
Travel	1,740	12	1,752	368	(2,120)	-
	<b>230,648</b>	<b>11,624</b>	<b>242,272</b>	<b>19,476</b>	<b>(261,748)</b>	<b>-</b>
<b>WY</b>						
Drilling	122,778	4,926	127,704	417	(128,121)	-
Geology Consulting	66,649	64,317	130,966	60,214	(191,180)	-
Lease & Regulatory	17,567	11,720	29,287	9,415	(38,702)	-
Office & Sundry	6,138	8,439	14,577	8,530	(23,107)	-
Staking	1,202	-	1,202	-	(1,202)	-
Travel	5,011	379	5,390	1,846	(7,236)	-
	<b>219,345</b>	<b>89,781</b>	<b>309,126</b>	<b>80,422</b>	<b>(389,548)</b>	<b>-</b>
<b>DCB</b>						
Drilling	5,140	-	5,140	-	(5,140)	-
Geology Consulting	27,034	1,242	28,276	6,424	(34,700)	-
Lease & Regulatory	27,158	15,244	42,402	14,739	(57,141)	-
Office & Sundry	6,089	1,688	7,777	1,467	(9,244)	-
Staking	601	-	601	-	(601)	-
Travel	494	19	513	-	(513)	-
	<b>66,516</b>	<b>18,193</b>	<b>84,709</b>	<b>22,630</b>	<b>(107,339)</b>	<b>-</b>
<b>BL</b>						
Geology Consulting	8,840	454	9,294	6,424	(15,718)	-
Lease & Regulatory	1,682	1,232	2,914	1,165	(4,079)	-
Office & Sundry	5,927	1,662	7,589	1,413	(9,002)	-
Staking	601	-	601	-	(601)	-
Travel	1,398	-	1,398	-	(1,398)	-
	<b>18,448</b>	<b>3,348</b>	<b>21,796</b>	<b>9,002</b>	<b>(30,798)</b>	<b>-</b>
	<b>534,957</b>	<b>122,946</b>	<b>657,903</b>	<b>131,530</b>	<b>(789,433)</b>	<b>-</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	(3,119)	(16,518)	-
Office & Sundry	656	76	732	-	(732)	-
Travel	400	-	400	-	(400)	-
	<b>58,749</b>	<b>10,604</b>	<b>69,353</b>	<b>(3,119)</b>	<b>(66,234)</b>	<b>-</b>
<b>Subtotal Wyoming properties</b>	<b>593,706</b>	<b>133,550</b>	<b>727,256</b>	<b>128,411</b>	<b>(855,667)</b>	<b>-</b>
<b>Total mineral property costs</b>	<b>593,706</b>	<b>989,790</b>	<b>1,583,496</b>	<b>976,485</b>	<b>(855,667)</b>	<b>1,704,314</b>

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**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	-
Private Placement, net of share issue costs of \$29,810	4,545,455	470,190	-
Private Placement, net of share issue costs of \$122,900 and FV of agent warrants	20,000,000	2,877,100	13,651
Stock-based compensation	-	-	605,743
Balance as at December 31, 2010	50,999,742	\$ 7,043,332	\$ 769,773

- c. On December 3, 2010 the Company closed its private placement for \$3,000,000 through the sale of 20,000,000 units of the Company at a price of \$0.15 per unit. Each unit consists of one common share of the Company and one half of one share purchase warrant at an exercise price of \$0.30 for a period of 24 months.
- d. On September 17, 2010 the Company closed its private placement for \$500,000 through the sale of 4,545,455 units of the Company at a price of \$0.11 per unit. Each unit consists of one common share of the Company and one half of one share purchase warrant at an exercise price of \$0.25 for a period of 24 months.
- e. 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 \$0.15 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.
- f. At December 31, 2009 the Company received subscription advances of \$99,955 in respect of a private placement of 5,923,000 units at a price of \$0.15.
- g. During fiscal 2009 pursuant to the Option Agreement with Davcha Resources International, the Company issued 1,700,000 common shares at \$0.15.
- h. 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.

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**4. SHARE CAPITAL** *(Continued)*

i. Shares held in escrow:

A total of 3,150,001 common shares were escrowed upon the completion of the Company's Qualifying Transaction. 2,527,501 common shares were released from escrow as at December 31, 2010. 622,500 (2009 - 1,867,500) 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.

j. Warrants:

During fiscal 2010 the Company extended the expiry date on the 4,331,286 share purchase warrants from March 6, 2010 to December 31, 2011.

	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	1.00 years	December 31, 2011
Private placement issued	3,750,000	\$0.20	0.76 years	October 6, 2011
Balance as at December 31, 2009	8,081,286	\$0.23	0.91 years	
Private placement issued	2,961,500	\$0.25	1.15 years	February 24, 2012
Private placement issued	2,272,727	\$0.25	1.72 years	September 17, 2012
Private placement issued	10,000,000	\$0.30	1.93 years	December 3, 2012
Agent Warrants	76,331	\$0.30	1.93 years	December 3, 2012
Balance as at December 31, 2010	23,391,844	\$0.26	1.45 years	

**5. STOCK-BASED COMPENSATION**

During the year ended December 31, 2010, the Company granted 2,875,000 stock options to directors, officers and consultants with a weighted-average exercise price of \$0.20 and an expiry date of December 8, 2015. All of these options vested on the grant date. The Company also cancelled 210,000 stock options.

During the year ended December 31, 2009, the Company granted 820,000 stock options to its directors, officers and consultants with a weighted-average exercise price of \$0.20 and an expiry date of October 28, 2014. These stock options were subject to vesting as to 25% upon issuance and 25% each six months thereafter. The Company also cancelled 207,500 stock options.

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

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	0.35 years	450,000	\$0.10	1.35 years
July 4, 2012	65,000	0.38	1.51 years	65,000	0.38	2.51 years
April 30, 2013	110,000	0.35	2.33 years	210,000	0.35	3.33 years
October 29, 2014	710,000	0.20	3.83 years	820,000	0.20	4.83 years
December 8, 2015	2,875,000	0.20	4.94 years	-	-	-
<b>Total balance</b>	<b>4,210,000</b>	<b>\$0.20</b>	<b>4.14 years</b>	<b>1,545,000</b>	<b>\$0.20</b>	<b>3.51 years</b>

	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
Outstanding, December 31, 2009	1,545,000	0.20
Granted during the year	2,875,000	0.20
Cancelled during the year	(210,000)	0.27
Outstanding, December 31, 2010	4,210,000	0.20

During fiscal 2010, stock based compensation costs in the amount of \$605,743 (2009 - \$67,545) were credited to contributed surplus, with \$590,967 (2009 - \$63,851) expensed to stock-based compensation and \$14,776 (2009 - \$3,694) expensed to the investor relations and promotion account. The fair value of all compensatory options and warrants granted is estimated on grant date using the Black-Scholes option pricing model. The weighted average fair value of options granted during fiscal 2010 is \$0.1866 (2009 - \$0.1668).

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

	2010	2010	2009
	Agent Warrants	Stock options	Stock options
Risk-free interest rate	1.43%	1.98%	1.98%
Expected life of options	2 Years	5 years	5 years
Annualized volatility	206%	123%	243%
Dividend rate	Nil	Nil	Nil

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**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, 2010, the Company paid \$35,000 (2009 - \$45,000) for technical review services and evaluation of exploration projects to a director of the Company.

During the 12 month period ended December 31, 2010, the Company paid \$95,500 (2009 - \$30,000) for geological and corporate services provided by a director also serving as Chief Executive Officer of the Company.

During the 12 month period ended December 31, 2010, the Company paid \$106,000 (2009 - \$66,000) for professional services provided by a director also serving as President of the Company.

During the 12 month period ended December 31, 2010, the Company paid \$101,500 (2009 - \$57,000) for professional services provided by a director also serving as Chief Financial Officer of the Company.

During the 12 month period ended December 31, 2010, the Company paid \$84,500 (2009 - \$6,000) for professional services provided by a director also serving as Corporate Secretary of the Company.

**7. INCOME TAXES**

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

	2010	2009
	28.50%	30.00%
Income tax expense (benefit) computed at statutory rates	\$ (620,775)	\$ (135,316)
Non-deductible and deductible amounts	(198,688)	(33,139)
Unrecognized (recognized) benefit of tax losses	819,463	168,455
Income tax provision per financial statements	\$ -	\$ -

The significant components of the Company's future income tax assets as at December 31, 2010 and 2009 are as follows:

	2010	2009
Future income tax assets		
Losses carried forward, Canada	\$ 709,250	\$ 309,250
Losses carried forward, United States	565,007	171,739
Share issuance costs	49,396	25,092
Mineral Properties	(212,019)	(432,237)
	1,111,634	73,844
Valuation allowance	(1,111,634)	(73,844)
Future income tax assets, net	\$ -	\$ -

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**7. INCOME TAXES (Continued)**

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:

Year of non-capital loss	Year of expiry	\$
2006	2026	98,000
2007	2027	262,000
2008	2028	888,000
2009	2029	565,000
2010	2030	2,638,000
Balance as at December 31, 2010		4,451,000

**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 a yearly base rent of \$15,164 and escalating to \$16,502 after July 31, 2010.

**9. SUBSEQUENT EVENTS**

Subsequent to December 31, 2010:

- (a) The Company staked rare earth ground of 60,000 hectares in the Jasimampa area in the Sierra Norte de Córdoba, Santiago del Estero Province, Argentina.
- (b) The Company entered into an office sublease for its head office at Suite 1502-543 Granville Street, Vancouver, for three years, commencing on April 1, 2011 and ending March 31, 2014, at yearly base rent of \$60,340. The Company terminated the office sublease for its head office at Suite 1518-800 West Pender Street, Vancouver.
- (c) The Company issued 1,258,000 common shares subsequent to year end as a result of the exercise of outstanding share purchase warrants. 505,000 warrants were exercised at \$0.20 per share, while 753,000 warrants were exercised at \$0.25 per share, for total proceeds of \$289,250.
- (d) On March 8, 2011, the Company appointed George Lim as a director.
- (e) The Company granted 25,000 common share options to Alex Knox at an exercise price of \$0.27, 150,000 common share options to George Lim at an exercise price of \$0.35, and 50,000 common share options at an exercise price of \$0.25 to an employee. The Company cancelled 115,000 stock options.
- (f) On April 29, 2011, the Company issued 1,700,000 common shares to Davcha Resources International Ltd. ("DRI") at a deemed price of \$0.32 per share as part of the Company's Option Agreement with DRI. See note 3.