



*(an Exploration stage company)*

3<sup>rd</sup> Quarter Interim Consolidated Financial Statements  
September 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:

	September 30, 2010 (Unaudited)	December 31 2009 (Audited)
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents (note 2)	\$ 233,317	\$ 276,187
Accounts receivable	12,860	7,556
	<u>246,177</u>	<u>283,743</u>
Mineral properties (note 3)	2,391,851	1,583,496
	<u>\$ 2,638,028</u>	<u>\$ 1,867,239</u>

**LIABILITIES**

<b>Current liabilities</b>		
Accounts payable and accrued liabilities	\$ 130,231	\$ 46,402

**SHAREHOLDERS' EQUITY**

Share capital (note 4b)	\$ 4,166,232	\$ 2,846,323
Subscriptions received (note 4d)	-	99,955
Contributed surplus (note 4b)	188,727	150,379
Deficit	(1,847,162)	(1,275,820)
	<u>2,507,797</u>	<u>1,820,837</u>
	<u>\$ 2,638,028</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 Nine-Months Ended September 30, 2010 and 2009

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2010	2009	2010	2009
<b>Expenses</b>				
Bank charges	\$ 771	\$ 404	\$ 2,439	\$ 1,060
Consulting fees	81,176	35,000	241,042	114,000
Exploration (note 3)	69,353	-	69,353	-
Investor relations and promotion	36,302	2,464	112,768	3,426
Office and general	8,449	8,418	43,506	23,378
Professional fees	11,257	38,119	20,444	40,189
Regulatory and transfer agent	6,083	8,857	26,437	18,654
Stock based compensation	-	-	27,266	19,704
Travel	2,627	5,639	22,761	7,178
	216,018	98,901	566,016	227,589
<b>Other income</b>				
Interest income	(110)	(294)	(872)	(1,765)
Foreign exchange (gain)/loss	4,079	12,349	6,198	24,761
<b>Net loss and comprehensive loss for the Period</b>	(219,987)	(110,956)	(571,342)	(250,585)
Deficit beginning of period	(1,627,175)	(964,396)	(1,275,820)	(824,767)
<b>Deficit end of period</b>	\$ (1,847,162)	\$ (1,075,352)	\$ (1,847,162)	\$ (1,075,352)
<b>Basic and diluted loss per common shares</b>	\$ (0.008)	\$ (0.010)	\$ (0.022)	\$ (0.022)
<b>Weighted average common shares outstanding</b>	27,103,638	11,331,287	25,477,459	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 Nine-Months Ended September 30, 2010 and 2009

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
<b>Cash provided by (used for):</b>				
Operations:				
Net loss	\$ (219,987)	\$ (110,956)	\$ (571,342)	(250,585)
Item not affecting cash				
Stock based compensation	3,694	-	38,348	19,704
Change in non-cash working capital:				
Accounts receivable	(3,346)	(138)	(5,304)	8,000
Accounts payable	123,058	57,918	83,829	60,408
Prepaid Expenses	-	(14,525)	-	(14,525)
Net cash used in operating activities	(96,581)	(67,701)	(454,469)	(176,998)
Financing activities:				
Share capital net of issue costs	470,190	-	1,219,954	-
Subscriptions received	-	124,985	-	124,985
Net cash provided by financing activities	470,190	124,985	1,219,954	124,985
Investing activities:				
Mineral property costs	(392,412)	(168,979)	(808,355)	(210,444)
Net cash used by investing activities	(392,412)	(168,979)	(808,355)	(210,444)
(Decrease)/Increase in cash and cash equivalents during the period	(18,803)	(111,695)	(42,870)	(262,457)
<b>Cash and cash equivalents, beginning of period</b>	252,120	405,771	276,187	556,533
<b>Cash and cash equivalents, end of period</b>	\$ 233,317	\$ 294,076	\$ 233,317	\$ 294,076

**Supplementary cash flow information:**

Cash and cash equivalents consist of:

Cash in bank	\$ 148,450	\$ 164,493	\$ 148,450	\$ 164,493
Cashable term investments	\$ 84,867	\$ 129,583	\$ 84,867	\$ 129,583
Interest received from cash equivalents	\$ 231	\$ 406	\$ 870	\$ 9,626

# **ARTHA RESOURCES CORPORATION**

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

For the nine months ended September 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 nine months ended September 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 September 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 September 30, 2010, the Company’s cash and cash equivalents of \$233,317 (December 31, 2009 - \$276,187).

Cash and cash equivalents as shown in the consolidated balance sheet as at September 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 nine months ended September 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 nine months ended September 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 nine months ended September 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	\$770,872
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 did not renew the phosphate leases in August 2010 due to the Company's focus on its exploration properties in Argentina, therefore the Company has written off \$69,353 of the costs incurred on the phosphate properties.

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

For the nine months ended September 30, 2010

**3. MINERAL PROPERTIES (Continued)**

Schedule of mineral property expenditures:

<b>Argentina – Base Metals and Silver properties</b>	Balance at 2008	Additions	Balance at December 31,2009	Additions	Balance at September 30, 2010
<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	121,080	161,180
Office & Sundry	-	1,817	1,817	6,085	7,902
Satellite Imagery	-	1,706	1,706	-	1,706
Surface Geochemistry	-	-	-	27,040	27,040
Surface Geophysics	-	-	-	92,068	92,068
Travel	-	16,385	16,385	61,886	78,271
	-	124,461	124,461	327,663	452,124
<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	84,918	114,878
Office & Sundry	-	1,817	1,817	2,627	4,444
Satellite Imagery	-	1,706	1,706	-	1,706
Surface Geochemistry	-	-	-	11,588	11,588
Travel	-	10,116	10,116	21,228	31,344
	-	489,415	489,415	139,100	628,515
<b>Vallecito</b>					
Acquisition	-	55,637	55,637	-	55,637
Assays	-	-	-	35,462	35,462
Geology Consulting	-	12,711	12,711	60,700	73,411
Office & Sundry	-	701	701	775	1,476
Satellite Imagery	-	1,706	1,706	-	1,706
Travel	-	308	308	8,413	8,721
	-	71,063	71,063	105,350	176,413
<b>Rosario</b>					
Acquisition	-	55,637	55,637	-	55,637
Geology Consulting	-	13,238	13,238	23,050	36,288
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	24,724	96,314
<b>Ichaca</b>					
Acquisition	-	55,637	55,637	-	55,637
Geology Consulting	-	12,180	12,180	25,130	37,310
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	26,804	97,336
Subtotal Base Metals and Silver properties, Argentina		827,061	827,061	623,641	1,450,702

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

For the nine months ended September 30, 2010

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

<b>Argentina – Rare Earth Elements</b>	Balance at 2008	Additions	Balance at December 31,2009	Additions	Balance at September 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	18,442	43,100
Assays	-	-	-	30,415	30,415
Environmental Report	-	-	-	4,112	4,112
Geology Consulting	-	-	-	73,868	73,868
Office & Sundry	-	-	-	662	662
Travel	-	-	-	8,867	8,867
		24,658	24,658	136,366	161,024
Subtotal Rare Earth Elements		29,179	29,179	141,098	170,277
<b>Subtotal Argentina properties</b>	-	<b>856,240</b>	<b>856,240</b>	<b>764,739</b>	<b>1,620,979</b>

# ARTHA RESOURCES CORPORATION

## Notes to the Consolidated Financial Statements

For the nine months ended September 30, 2010

### 3. MINERAL PROPERTIES (Continued)

Wyoming, United States	Balance at 2008	Additions	Balance at December 31, 2009	Additions	Write-offs	Balance at September 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	7,969	-	91,465
Lease & Regulatory	17,088	8,068	25,156	6,989	-	32,145
Office & Sundry	6,960	1,689	8,649	985	-	9,634
Staking	5,604	-	5,604	-	-	5,604
Travel	1,740	12	1,752	205	-	1,957
	<b>230,648</b>	<b>11,624</b>	<b>242,272</b>	<b>16,148</b>	<b>-</b>	<b>258,420</b>
<b>WY</b>						
Drilling	122,778	4,926	127,704	417	-	128,121
Geology Consulting	66,649	64,317	130,966	48,018	-	178,984
Lease & Regulatory	17,567	11,720	29,287	9,901	-	39,188
Office & Sundry	6,138	8,439	14,577	6,534	-	21,111
Staking	1,202	-	1,202	-	-	1,202
Travel	5,011	379	5,390	1,703	-	7,093
	<b>219,345</b>	<b>89,781</b>	<b>309,126</b>	<b>66,573</b>	<b>-</b>	<b>375,699</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	14,415	-	56,817
Office & Sundry	6,089	1,688	7,777	929	-	8,706
Staking	601	-	601	-	-	601
Travel	494	19	513	-	-	513
	<b>66,516</b>	<b>18,193</b>	<b>84,709</b>	<b>21,768</b>	<b>-</b>	<b>106,477</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	891	-	8,480
Staking	601	-	601	-	-	601
Travel	1,398	-	1,398	-	-	1,398
	<b>18,448</b>	<b>3,348</b>	<b>21,796</b>	<b>8,480</b>	<b>-</b>	<b>30,276</b>
	<b>534,957</b>	<b>122,946</b>	<b>657,903</b>	<b>112,969</b>	<b>-</b>	<b>770,872</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)	-
	<b>58,749</b>	<b>10,604</b>	<b>69,353</b>	<b>-</b>	<b>(69,353)</b>	<b>-</b>
<b>Subtotal Wyoming</b>	<b>593,706</b>	<b>133,550</b>	<b>727,256</b>	<b>112,969</b>	<b>(69,353)</b>	<b>770,872</b>
<b>properties</b>						
<b>Total mineral property</b>	<b>593,706</b>	<b>989,790</b>	<b>1,583,496</b>	<b>877,708</b>	<b>(69,353)</b>	<b>2,391,851</b>
<b>costs</b>						

## ARTHA RESOURCES CORPORATION

### Notes to the Consolidated Financial Statements

For the nine months ended September 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	-
Private Placement, net of share issue costs of \$29,810	4,545,455	470,190	-
Stock-based compensation			38,348
Balance as at September 30, 2010	30,999,742	4,166,232	188,727

- c. 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 unit at an exercise price of \$0.25 for a period of 24 months.
- d. 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.
- 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. During fiscal 2009 pursuant to the Option Agreement with Davcha Resources International, the Company issued 1,700,000 common shares at \$0.15.
- g. 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.
- i. 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 September 30, 2010. 472,500 (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.

## ARTHA RESOURCES CORPORATION

### Notes to the Consolidated Financial Statements

For the nine months ended September 30, 2010

#### 4. SHARE CAPITAL (Continued)

j. Warrants:

During the nine month period ended September 30, 2010 the Company extended the expiry date on the 4,331,286 warrants from March 6, 2010 to December 31, 2012.

	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	1.25 years	December 31, 2011
Private placement issued	3,750,000	\$0.20	1.02 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	\$0.25	1.40 years	February 24, 2012
Private placement issued	2,272,727	\$0.25	1.97 years	September 17, 2012
Balance as at September 30, 2010	13,315,513	\$0.24		

#### 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 2010 the Company cancelled 150,000 (2009 -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	0.61 years	450,000	\$0.10	1.35 years
July 4, 2012	65,000	0.38	1.76years	65,000	0.38	2.51 years
April 30, 2013	110,000	0.35	2.58 years	210,000	0.35	3.33 years
October 29, 2014	770,000	0.20	4.08 years	820,000	0.20	4.83 years
Total balance	1,395,000	\$0.19		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
Outstanding, December 31, 2010	1,545,000	0.20
Cancelled during the year	(150,000)	0.30
<b>Outstanding, September 30, 2010</b>	<b>1,395,000</b>	<b>0.19</b>

## ARTHA RESOURCES CORPORATION

### Notes to the Consolidated Financial Statements

For the nine months ended September 30, 2010

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

During the nine month period ended September 30, 2010 stock based compensation costs in the amount of \$38,348 (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.

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 9 month period ended September 30, 2010, the Company paid \$35,000 (2009 - \$30,000) to a director of the Company for technical review and evaluation of the exploration projects.

During the 9 month period ended September 30, 2010, the Company paid or accrued \$71,500 (2009 - \$7,500) for geological and corporate services of that director as CEO of the Company.

During the 9 month period ended September 30, 2010, the Company paid or accrued \$79,000 (2009 - \$45,000) for professional services of that director as President of the Company.

During the 9 month period ended September 30, 2010, the Company paid or accrued \$76,000 (2009 - \$39,000) for professional services of that director as Chief Financial Officer of the Company.

During the 9 month period ended September 30, 2010, the Company paid or accrued \$62,000 (2009 - \$nil) for professional services of that director as Corporate Secretary of the Company.

Included in the accounts payable is \$68,755 due to related parties.

#### 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 September 30, 2010:

The Company carried out a private placement for up to \$3,000,000 through the sale of 20,000,000 units at a price of \$0.15 per unit. Each unit consisted of one common share of the Company and one-half of one share purchase

**ARTHA RESOURCES CORPORATION**

**Notes to the Consolidated Financial Statements**

For the nine months ended September 30, 2010

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warrant. Each warrant exercisable at \$0.30 and expires 24 months from date of closing. The private placement is subject to the acceptance of the TSX Venture Exchange.