



(a capital pool company)

**2nd Quarter Interim Financial Statements**  
**June 30, 2006**  
**Unaudited-Prepared by Management**  
not reviewed by an independent auditor

**ARTHA RESOURCES CORPORATION**  
**(A Capital Pool Company)**

**Balance Sheet**

June 30, 2006  
(unaudited)

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	June 30, 2006 (unaudited)
<b>Assets</b>	
<b>Current</b>	
Cash (note 3)	\$ 26,378
Short term investment (note 4)	380,000
Accounts Receivable	3,564
	<hr/> \$ 409,942
<b>Liabilities and Shareholders' Equity</b>	
<b>Current</b>	
Accounts Payable and accrued liabilities	\$ 23,338
<b>Shareholders' Equity</b>	
Share capital (note 5)	\$ 399,304
Contributed surplus	33,393
Deficit	(46,093)
	<hr/> 386,604
Stock Based Compensation (note 6)	<hr/> \$ 409,942

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On behalf of the Board:

*"Signed"*

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*Kamal Nagra, Director*

*"Signed"*

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*Todd McMurray, Director*

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

**ARTHA RESOURCES CORPORATION**  
**(A Capital Pool Company)**  
**Statement of Loss and Deficit**  
(unaudited)

For the period from incorporation on January 9, 2006 to June 30, 2006

	Three Months ended June 30, 2006 (unaudited)	From incorporation (January 9, 2006) to June 30, 2006 (unaudited)
<b>Expenses</b>		
Bank charges	\$ 251	\$ 251
Expenses relating to identification of qualifying transaction	15,951	15,951
Office and general	-	342
Professional fees	(2,980)	5,001
Regulatory and transfer agent	907	907
Stock based compensation	25,446	25,446
	39,575	47,898
<b>Other income</b>		
Interest income	1,805	1,805
<b>Loss for the period</b>	(37,770)	(46,093)
<b>Deficit beginning of period</b>	(8,323)	-
<b>Deficit end of period</b>	\$ (46,093)	\$ (46,903)
<b>Basic and diluted loss per common shares</b>	\$ (0.009)	\$ (0.013)
<b>Weighted average common shares outstanding</b>	4,111,539	3,658,722

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**ARTHA RESOURCES CORPORATION**  
**(A Capital Pool Company)**  
**Statement of Cash Flows**  
(unaudited)

For the period from incorporation on January 9, 2006 to June 30, 2006

	Three Months ended June 30, 2006 (unaudited)	From incorporation (January 9, 2006) to June 30, 2006 (unaudited)
<b>Cash Flows from Operating Activities:</b>		
Operations:		
Net Loss	\$ (37,770)	\$ (46,093)
Item not affecting cash:		
Stock based compensation	25,446	25,446
Change in non-cash working capital:		
Accounts receivable	(3,070)	(3,564)
Accounts payable	23,338	23,338
Deferred share offering costs	10,000	-
<b>Net cash used in operating activities</b>	<b>17,944</b>	<b>(873)</b>
Investment		
Short term investment	\$ (380,000)	\$ (380,000)
Financing activities:		
Issue of share capital	\$ 350,000	\$ 507,500
Share issue costs	(100,249)	(100,249)
<b>Net cash provided by financing activities</b>	<b>249,751</b>	<b>407,251</b>
Increase (decrease) in cash during the period	\$ (112,305)	\$ 26,378
<b>Cash, beginning of period</b>	<b>138,683</b>	<b>-</b>
<b>Cash, end of period</b>	<b>\$ 26,378</b>	<b>26,378</b>

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

**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 and is classified as a Capital Pool Company as defined in Policy 2.4 of the TSX Venture Exchange. (“TSX Venture”).

On February 8, 2006, the Company changed its name from Touchstones Capital Corporation to Artha Resources Corporation.

The Company’s continued operations are dependent upon its ability to identify and evaluate potential acquisitions of interest in properties, corporations, asset or business, and once identified and evaluated, to negotiate an acquisition of thereof or participation therein subject to receipt of regulatory and, if required, shareholder approval in order for the Company to complete a qualifying transaction approved by the TSX Venture.

**2. Significant accounting policies:**

The interim period financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles. 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 financial statements for the period from incorporation (January 9, 2006) to March 15, 2006. The unaudited interim financial statements of the Company do not contain all the disclosure required by Canadian generally accepted accounting principles for annual financial statements and should be read in conjunction with the audited financial statements for the period from incorporation (January 9, 2006) to March 15, 2006 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.

**3. Cash:**

The proceeds raised from the issuance of share capital may only be used to identify and evaluate assets or business for future investment, with the exception that up to 30% of the gross proceeds may be used to cover prescribed costs of issuing the common shares or administrative and general expenses of the Company. These restrictions apply until completion of a Qualifying Transaction by the Company as defined under the policies of the TSX Venture.

#### 4. Short term investment

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

#### 5. Share Capital:

(a) Authorized:

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

(b) Issued voting common shares:

	<b>Number of Shares</b>	<b>Share Capital</b>	<b>Contributed Surplus</b>
Issued			
Cash – seed shares	3,150,001	\$ 157,500	
Initial public offering	3,500,000	350,000	
Share issue cost	-	(108,196)	-
Stock based compensation	-	-	\$ 25,446
Agent's warrants	-	-	7,947
Balance as at June 30, 2006	<b><u>6,650,001</u></b>	<b><u>\$ 399,304</u></b>	<b><u>\$ 33,393</u></b>

(c) Shares held in escrow:

On the issued and outstanding common shares 3,150,001 will be held in escrow pursuant to the requirements of the Exchange to be released as to 10% thereof on the completion of the Company's Qualifying Transaction and as to 15% on each of the 6 months, 12 months, 18 months, 24 months, 30 months and 36 months.

(d) Initial public offering:

On May 09, 2006 the Company completed the initial Public Offering of 3,500,000 common shares at \$0.10 per share for gross proceeds of \$350,000. Union Securities Ltd acted as agent in respect of the offering and received a cash commission of \$45,000 as well as the equivalent of 10% of the number of common shares sold in the offering of 350,000 common shares at \$0.10 per share, exercisable for a period of eighteen months June 5, 2006, the date of filing of the common shares on the TSX Venture.

**6. Stock Based Compensation:**

The Company granted to its directors and officers, on the closing date, options to purchase 600,000 common shares at a price of \$0.10 per share. These options are non-transferable and will expire on May 09, 2011 if unexercised. No options have been exercised.

The Company granted to Union Securities 350,000 agent's warrants at a price of \$0.10 exercisable for a period of 18 months expiring on December 5, 2007. No warrants have been exercised.

During the period stock based compensation costs in the amount of \$25,446 were recorded in the Statement of Loss and Deficit and costs of \$7,947 for the agent's warrants were charged as Share issuance costs.

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

	<b>June 30, 2006</b>	
	<b>Directors and Officers</b>	<b>Agents Warrants</b>
Risk-free interest rate	3.43%	3.18%
Expected life of options	5 years	18 months
Annualized volatility	43%	43%
Dividend rate	-	-