

(an Exploration stage company)

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

June 30, 2014
(Unaudited)
(Expressed in Canadian Dollars)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (DEFICIENCY)

CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS

NOTES TO THE CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

MANAGEMENT'S COMMENTS ON UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The accompanying unaudited condensed consolidated interim financial statements of Artha Resources Corporation for the three months ended June 30, 2014 have been prepared by and are the responsibility of the Company's management. These statements have not been reviewed by the Company's external auditors.

ARTHA RESOURCES CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF FINANCIAL POSITION
(Unaudited)
(Expressed in Canadian dollars)
AS AT

	June 30, 2014	December 31, 2013
ASSETS		
Current		
Cash	$ 300	$ 301
Receivables (Notes 3 and 5)	237,629	26,644
	237,929	26,945
Non-current		
Exploration and evaluation assets (Note 3)	500,000	700,000
	$ 737,929	$ 726,945
LIABILITIES AND DEFICIENCY		
Current		
Accounts payable and accrued liabilities (Notes 5)	$ 908,141	$ 912,338
Loan from related party (Note 5)	10,000	10,000
	918,141	922,338
Deficiency		
Share capital (Note 4)	9,310,100	9,310,100
Reserves (Note 4)	807,611	807,611
Deficit	(10,297,923)	(10,313,104)
	(180,212)	(195,393)
	$ 737,929	$ 726,945

Nature and continuance of operations (Note 1)
Subsequent events (Note 3)

Approved and authorized by the Board of Directors on September 26, 2014:

"W. Todd McMurray" Director *"Charles Straw"* Director

ARTHA RESOURCES CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS) AND COMPREHENSIVE INCOME (LOSS)
(Unaudited)
(Expressed in Canadian dollars)

	For the three months ended June 30, 2014	For the three months ended June 30, 2013	For the six months ended June 30, 2014	For the six months ended June 30, 2013
OPERATING EXPENSES				
Bank charges	$ 188	$ 382	$ 537	$ 684
Consulting fees (Note 5)	-	79,745	-	167,445
Impairment of exploration and evaluation assets (Note 3)	-	-	(34,918)	-
Property costs	6,800	-	6,800	-
Investor relations and promotion	110	1,068	390	1,994
Office and general	(320)	1,709	72	14,747
Professional fees (Note 5)	-	2,245	-	23,745
Regulatory and transfer agent	3,971	4,533	10,981	11,934
Total operating income (expenses)	(10,749)	(89,682)	16,138	(220,549)
NON-OPERATING ITEMS				
Foreign exchange gain (loss)	8,953	(11,104)	(957)	(15,275)
Net income (loss) and comprehensive income (loss) for the period	$ (1,796)	$ (100,786)	$ 15,181	$ (235,824)
Basic and diluted income (loss) per common share	$ (0.00)	$ (0.00)	$ 0.00	$ (0.01)
Weighted average number of common shares outstanding	71,479,272	71,479,272	71,479,272	71,330,266

ARTHA RESOURCES CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY (DEFICIENCY)
(Unaudited)
(Expressed in Canadian dollars)

	Share capital			Reserves			
	Number of Shares	Amount	Subscriptions Received in Advance	Stock Option Reserve	Warrant Reserve	Deficit	Total
Balance at December 31, 2012	70,549,272	$ 9,263,600	$ 34,500	$ 874,811	$ 13,651	$ (5,222,086)	$ 4,964,476
Private placement	930,000	46,500	(34,500)	-	-	-	22,000
Net loss for the period	-	-		-	-	(235,824)	(235,824)
Balance at June 30, 2013	71,479,272	9,310,100	-	874,811	13,651	(5,457,910)	4,740,652
Expiration and forfeiture of stock options	-	-	-	(80,851)	-	80,851	-
Net loss for the period	-	-	-	-	-	(4,936,045)	(4,936,045)
Balance at December 31, 2013	71,479,272	9,310,100	-	793,960	13,651	(10,313,104)	(195,393)
Net income for the period	-	-	-	-	-	15,181	15,181
Balance at June 30, 2014	71,479,272	$ 9,310,100	$ -	$ 793,960	$ 13,651	$ (10,297,923)	$ (180,212)

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

ARTHA RESOURCES CORPORATION
CONDENSED CONSOLIDATED INTERIM STATEMENTS OF CASH FLOWS
(Unaudited)
(Expressed in Canadian dollars)
FOR THE SIX MONTHS ENDED JUNE 30

	2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Income (loss) for the period	$ 15,181	$ (235,824)
Items not affecting cash:		
Recovery on exploration and evaluation assets	(34,918)	-
Changes in non-cash working capital items:		
Receivables	23,933	2,434
Accounts payable and accrued liabilities	(4,197)	208,839
Net cash outflow from operating activities	(1)	(24,551)
CASH FLOWS FROM FINANCING ACTIVITIES		
Repay loan from related party	-	(12,000)
Proceeds from the issuance of share capital	-	12,000
Net cash flow from financing activities	-	-
Change in cash for the period	(1)	(24,551)
Cash, beginning of period	301	26,536
Cash, ending of period	$ 300	$ 1,985

Supplemental disclosure with respect to cash flows (Note 6)

1. NATURE AND CONTINUANCE OF OPERATIONS

Artha Resources Corporation (the "Company") was incorporated under the laws of the Province of British Columbia, Canada on January 9, 2006. The Company's principal business activity is the exploration and evaluation of mineral properties located in various provinces in Argentina. The Company is listed on the TSX Venture Exchange ("TSX-V") under the symbol "AHC".

The registered address, head office, principal address and records office of the Company is Suite 355-1350 Burrard Street, Vancouver, British Columbia, Canada, V6Z 0C2.

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 exploration and evaluation assets 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.

These condensed consolidated interim financial statements have been prepared under the assumption that the Company will be able to realize its assets and discharge its liabilities in the normal course of business rather than through a process of forced liquidation. The Company has incurred losses from inception and does not currently have financial resources to sustain operations in the long-term. While the Company has been successful in obtaining required funding in the past, there is no assurance that such future financing will be available on favourable terms. An inability to raise additional financing may impact the future assessment of the Company as a going concern. As at June 30, 2014, the Company has a working capital deficit of $680,212 (December 31, 2013 - $895,393). These material uncertainties may cast significant doubt about the Company's ability to continue as a going concern.

2. BASIS OF PREPARATION

Basis of Presentation

These condensed consolidated interim financial statements, including comparatives, have been prepared in accordance with International Accounting Standard ("IAS") 34 'Interim Financial Reporting' ("IAS 34") using accounting policies consistent with the International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and Interpretations of the International Financial Reporting Interpretations Committee ("IFRIC").

The condensed consolidated interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements for the year ended December 31, 2013.

The financial statements of the Company are presented in Canadian dollars, which is the financial currency of the parent company and its subsidiaries.

2. BASIS OF PREPARATION *(Cont'd…)*

New standards, interpretations and amendments adopted

As of January 1, 2014, the Company adopted the new and amended IFRS pronouncements in accordance with transitional provisions outlined in the respective standards. The Company has adopted these new and amended standards without any significant effect on its financial statements.

- IAS 32 (Amendment) — New standard that clarifies requirements for offsetting financial assets and financial liabilities.
- IAS 36 (Amendment) — This amendment addresses the disclosure of information regarding the recoverable amount of impairment assets as the amount is based on fair value less costs of disposal.
- IFRIC 21 — This is an interpretation of IAS 37, *Provisions, contingent liabilities and contingent assets*. IAS 37 sets out criteria for the recognition of a liability, one of which is the requirement for the entity to have a present obligation as a result of a past event, known as an obligating event. The interpretation clarifies that the obligation event that gives rise to a liability to pay a levy is the activity described in the relevant legislation that triggers the payment of the levy.

New standards not yet adopted

IFRS 9 *Financial Instruments (Revised)*

IFRS 9 was issued by the IASB in October 2010. It incorporates revised requirements for the classification and measurement of financial liabilities and carrying over the existing recognition requirements from IAS 39 *Financial instruments: recognition and measurement*. The revised financial liability provisions maintain the existing amortised cost measurement basis for most liabilities. New requirements apply where an entity chooses to measure a liability at fair value through profit or loss – in these cases, the portion of the change in fair value related to changes in the entity's own credit risk is presented in other comprehensive income rather than within profit or loss. IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The impact of IFRS 9 on the Company's financial instruments has not yet been determined.

Significant accounting judgments, estimates and assumptions

The preparation of these condensed consolidated interim financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of expenses during the period. Actual results could differ from these estimates.

These condensed consolidated interim financial statements include estimates which, by their nature, are uncertain. The impacts of such estimates are pervasive throughout the condensed consolidated interim financial statements, and may require accounting adjustments based on future occurrences. Revisions to accounting estimates are recognized in the period in which the estimate is revised and future periods if the revision affects both current and future periods. These estimates are based on historical experience, current and future economic conditions and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

2. BASIS OF PREPARATION *(Cont'd…)*

Significant accounting judgments, estimates and assumptions *(Cont'd…)*

The most significant estimates relate to the valuation of deferred income tax amounts, impairment testing and the calculation of share-based compensation. Share-based compensation, as measured with respect to stock options granted, are estimated by reference to the Black-Scholes pricing model. The Company has reviewed its exploration and evaluation assets for indications of impairment and determined that indications did exist and recorded impairment losses as disclosed in note 3. The value of deferred tax assets is evaluated based on the probability of realization; the Company has assessed that it is improbable that such assets will be realized and has accordingly not recognized a value for deferred taxes.

The most significant judgments relate to the recoverability of capitalized amounts, the determination of the economic viability of a project and whether the going concern assumption is appropriate.

3. EXPLORATION AND EVALUATION ASSETS

Title to mineral property interests

Title to mineral property interests involves certain inherent risks due to the difficulties of determining the validity of certain claims as well as the potential for problems arising from the frequently ambiguous conveyancing history characteristic of many mineral claims. 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.

Gold, 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").

Upon signing the Letter of Intent 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 as follows:

	Obligation Date	Shares
a)	Upon the Acceptance Date for filing of formal option agreement *(issued at a value of $255,000)*	1,700,000
b)	One year after the Acceptance Date *(issued at a value of $544,000)*	1,700,000
c)	Two years after the Acceptance Date *(issued at a value of $144,500)*	1,700,000
d)	Three years after the Acceptance Date *(issued at a value of $76,500)*	1,700,000
e)	Four years after the Acceptance Date [(1)]	1,700,000
f)	Upon the Company receiving a bankable feasibility report ("BFR") on one of the Properties within eight years of 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
	Total	9,500,000

(1) Issued subsequent to June 30, 2014

3. EXPLORATION AND EVALUATION ASSETS *(Cont'd…)*

Gold, Silver and Base Metal Properties *(Cont'd…)*

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.

On October 24, 2013 the Company and the optionor agreed that the optionor would proceed to negotiate and complete the sale of the Pirquitas North property to a third party and that the Company would receive 25% of the net proceeds in consideration for allowing the property option agreement to be terminated by the optionor. In the event that there was not an agreement in place to sell the property by April 24, 2014, the Company would have the right to earn their 55% interest by incurring US$464,008 which is the balance of the required exploration expenditures.

On April 23, 2014, the optionor entered into an agreement to sell 100% of the Pirquitas North property to a third party. At December 31, 2013, the Company wrote down the carrying value to $200,000, being the Company's anticipated proceeds from the termination of the property option agreement. The proceeds from the termination were subsequently confirmed to be $234,918 (USD$212,942), which is included in receivables as at June 30, 2014. The carrying value of Pirquitas North has been adjusted in the current period to reflect proceeds received subsequent to June 30, 2014 resulting in a recovery on exploration and evaluation assets of $34,918.

Crosby

The Company assumed and subsequently earned DRI's option to acquire a 94% interest in this property, subject to a 2% net smelter royalty, 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.

At December 31, 2013, the Company wrote down the carrying value of the Crosby property to its estimated recoverable value of $500,000.

Vallecito, Rosario and Ichaca Properties

The three other properties, Vallecito, Rosario and Ichaca are 100% owned by DRI. During the year ended December 31, 2013, the Company determined that it would not pursue these properties and wrote down the carrying value to $Nil.

Organullo

On September 9, 2011, the Company entered into a property option agreement with Cardero Resource Corp. and Cardero Argentina, S.A. (the "Cardero Group") dated September 1, 2011 in which the Cardero Group granted the Company an exclusive right and option to earn an undivided 55% working interest in and to the Organullo Property and, thereafter, form an association in the nature of a joint venture with Cardero Argentina, S.A. This transaction was accepted by the TSX Venture Exchange on September 27, 2011.

3. EXPLORATION AND EVALUATION ASSETS *(Cont'd…)*

Gold, Silver and Base Metal Properties *(Cont'd…)*

Organullo (Cont'd…)

To earn the 55% interest, the Company was required to incur exploration expenditures of US $1,500,000 and issue 350,000 common shares over a period of 3 years.

On September 11, 2013, the Company provided Cardero Resources Corp. and Cardero Argentina S.A. notice that it had dropped its option to acquire any interest in the property, as it had not completed the required expenditures and therefore wrote down the carrying value to $Nil.

Aguilar

During the year ended December 31, 2012, the Company signed an option agreement with Teck Argentina Ltd. ("Teck") to acquire a 100% interest in the Aguilar property located in Jujuy Province, NW Argentina. Under the terms of the agreement, the Company may exercise the option by:

1. Issuing to Teck 2,500,000 units at a value of $125,000 (issued). Each unit is comprised of one common share and one common share purchase warrant. Each warrant entitles Teck to purchase one common share at a price of $0.125 for a period of two years.; and

2. Incurring exploration expenditures of at least US$2,875,000 by October 31, 2015, which includes incurring US$100,000 on or before October 1, 2013 and US$500,000 on or before October 1, 2014. The Company must complete a minimum of 4,000 meters of diamond drilling or combination RC/diamond drilling on the property prior to October 31, 2015.

At December 31, 2013, the Company had not met the terms of the option agreement and therefore wrote down the carrying value to $Nil.

Rare Earth Properties

The Company has acquired land permits for 60,000 hectares located in the Jujuy and Salta provinces of northwest Argentina from the Argentinian Land Authority via staking. During fiscal 2011, additional land permits were staked in the Jasimampa area in the Sierra Norte de Córdoba, Santiago del Estero Province.

During the year ended December 31, 2013, the Company determined that it would not pursue these properties and wrote down the carrying value to $Nil.

3. EXPLORATION AND EVALUATION ASSETS *(Cont'd…)*

Schedule of exploration and evaluation expenditures:

Gold, Silver and Base Metal Properties	Balance December 31, 2012	Additions	Impairment	Balance December 31, 2013	Additions	Recoveries	Balance June 30, 2014
	$	$	$	$	$	$	$
Pirquitas North							
Acquisition	210,596	-	(10,596)	200,000	34,918	(234,918)	-
Assays	24,140	-	(24,140)	-	-	-	-
Geology Consulting	239,216	5,118	(244,334)	-	-	-	-
Office & Sundry	62,424	3,294	(65,718)	-	-	-	-
Satellite Imagery	7,146	-	(7,146)	-	-	-	-
Surface Geochemistry	27,040	-	(27,040)	-	-	-	-
Surface Geophysics	92,068	-	(92,068)	-	-	-	-
Travel	110,459	-	(110,459)	-	-	-	-
	773,089	8,412	(581,501)	200,000	34,918	(234,918)	-
Crosby							
Acquisition	598,214	-	(98,214)	500,000	-	-	500,000
Assays	23,375	-	(23,375)	-	-	-	-
Geology Consulting	180,961	5,000	(185,961)	-	-	-	-
Office & Sundry	46,860	3,294	(50,154)	-	-	-	-
Satellite Imagery	2,015	-	(2,015)	-	-	-	-
Surface Geochemistry	11,588	-	(11,588)	-	-	-	-
Travel	63,939	-	(63,939)	-	-	-	-
	926,952	8,294	(435,246)	500,000	-	-	500,000
Vallecito							
Acquisition	332,080	-	(332,080)	-	-	-	-
Assays	111,591	-	(111,591)	-	-	-	-
Drilling	1,688,232	-	(1,688,232)	-	-	-	-
Environmental Report	1,320	-	(1,320)	-	-	-	-
Geology Consulting	220,149	5,118	(225,267)	-	-	-	-
Office & Sundry	45,207	3,294	(48,501)	-	-	-	-
Satellite Imagery	4,502	-	(4,502)	-	-	-	-
Travel	154,020	-	(154,020)	-	-	-	-
	2,557,101	8,412	(2,565,513)	-	-	-	-
Rosario							
Acquisition	210,596	-	(210,596)	-	-	-	-
Assays	7,260	-	(7,260)	-	-	-	-
Geology Consulting	107,098	5,118	(112,216)	-	-	-	-
Office & Sundry	38,934	3,294	(42,228)	-	-	-	-
Satellite Imagery	1,706	-	(1,706)	-	-	-	-
Travel	22,240	-	(22,240)	-	-	-	-
	387,834	8,412	(396,246)	-	-	-	-
Ichaca							
Acquisition	210,596	-	(210,596)	-	-	-	-
Assays	17,946	-	(17,946)	-	-	-	-
Geology Consulting	108,954	5,184	(114,138)	-	-	-	-
Office & Sundry	38,802	3,298	(42,100)	-	-	-	-
Satellite Imagery	1,706	-	(1,706)	-	-	-	-
Travel	21,458	-	(21,458)	-	-	-	-
	399,462	8,482	(407,944)	-	-	-	-
Organullo							
Acquisition	8,305	25	(8,330)	-	-	-	-
Assays	28,705	-	(28,705)	-	-	-	-
Geology Consulting	176,322	-	(176,322)	-	-	-	-
Travel	10,559	-	(10,559)	-	-	-	-
	223,891	25	(223,916)	-	-	-	-
Subtotal Gold, Silver and Base Metal Properties	5,268,329	42,037	(4,735,366)	700,000	34,918	(234,918)	500,000

3. EXPLORATION AND EVALUATION ASSETS *(Cont'd...)*

Schedule of exploration and evaluation expenditures *(cont'd...)*:

Rare Earth Elements	Balance December 31, 2012	Additions	Impairment	Balance December 31, 2013	Additions	Recoveries	Balance June 30, 2014
	$	$	$	$	$	$	$
Aguilar							
Acquisition	125,000	-	(125,000)	-	-	-	-
	125,000	-	(125,000)	-	-	-	-
Jujuy							
Acquisition	5,608	-	(5,608)	-	-	-	-
Environmental Report	3,645	-	(3,645)	-	-	-	-
Geology Consulting	903	-	(903)	-	-	-	-
	10,156	-	(10,156)	-	-	-	-
Salta							
Acquisition	43,100	-	(43,100)	-	-	-	-
Assays	19,639	-	(19,639)	-	-	-	-
Environmental Report	9,028	-	(9,028)	-	-	-	-
Geology Consulting	85,175	-	(85,175)	-	-	-	-
Office & Sundry	7,225	-	(7,225)	-	-	-	-
Travel	14,205	-	(14,205)	-	-	-	-
	178,372	-	(178,372)	-	-	-	-
Santiago Del Estero Minas							
Acquisition	16,340	-	(16,340)	-	-	-	-
Assays	3,331	-	(3,331)	-	-	-	-
Office & Sundry	3,744	-	(3,744)	-	-	-	-
Travel	1,928	-	(1,928)	-	-	-	-
	25,343	-	(25,343)	-	-	-	-
Subtotal Rare Earth Elements	338,871	-	(213,871)	-	-	-	-
Total Exploration and Evaluation Assets	**5,607,200**	**42,037**	**(4,949,237)**	**700,000**	**34,918**	**(234,918)**	**500,000**

4. SHARE CAPITAL AND RESERVES

a. Authorized and issued

Unlimited number of voting common shares without nominal or par value. All issued common shares are fully paid.

b. Private placements

Six Months Ended June 30, 2014

The Company did not complete any private placements during the period ended June 30, 2014.

Year ended December 31, 2013

On January 29, 2013, the Company completed a non-brokered private placement by issuing 930,000 units at $0.05 per unit for gross proceeds of $46,500. Each unit consisted of one common share and one common share purchase warrant. Each whole warrant will be exercisable into one common share of the Company for a period of 24 month. Warrants are exercisable between $0.07 and $0.10 in the first year and $0.25 per share in the second year. 680,000 of the units issued were issued to directors of the Company or companies controlled by directors of the Company.

4. SHARE CAPITAL AND RESERVES *(Cont'd…)*

c. Stock options

The Company has adopted an incentive stock option plan, which provides that the Board of Directors of the Company may from time-to-time, in its discretion, and in accordance with the TSX-V requirements, grant to directors, officers, employees and technical consultants to the Company, non-transferable stock options to purchase common shares, provided that the number of common shares reserved for issuance will not exceed a rolling 10% of the Company's issued and outstanding common shares at the time the options are granted. Such options will be exercisable for a period of up to five years from the date of grant. Vesting of stock options is at the discretion of the Board of Directors.

Stock option transactions and the number of options outstanding are summarized as follows:

	June 30, 2014		December 31, 2013	
	Number of options	Weighted average exercise price	Number of options	Weighted average exercise price
Outstanding, beginning	3,720,000	$ 0.17	4,220,000	$ 0.18
Expired	-	-	(25,000)	0.35
Forfeited	-	-	(475,000)	0.21
Outstanding and exercisable, ending	3,720,000	$ 0.17	3,720,000	$ 0.17

At June 30, 2014, options were outstanding enabling holders to acquire common shares as follows:

Expiry Date	Number of options	Weighted average exercise price	Weighted average remaining life (years)
October 29, 2014	395,000	$ 0.20	0.33
December 8, 2015	2,325,000	0.20	1.44
February 22, 2016	25,000	0.27	1.65
March 1, 2017	975,000	0.10	2.63
Total	3,720,000	$ 0.17	1.64

4. SHARE CAPITAL AND RESERVES *(Cont'd...)*

d. Warrants

Share purchase warrant transactions and the number of warrants outstanding are summarized as follows:

	June 30, 2014		December 31, 2013	
	Number of warrants	Weighted average exercise price	Number of warrants	Weighted average exercise price
Outstanding, beginning	3,430,000	$ 0.16	2,500,000	$ 0.125
Issued	-	-	930,000	0.25
Outstanding and exercisable, ending	3,430,000	$ 0.16	3,430,000	$ 0.16

At June 30, 2014, warrants were outstanding enabling holders to acquire common shares as follows:

Expiry Date	Number of warrants	Weighted average exercise price	Weighted average remaining life (years)
November 17, 2014	2,500,000	$ 0.125	0.38
January 29, 2015	250,000	0.25	0.59
January 29, 2015	680,000	0.25	0.59
	3,430,000	$ 0.16	0.44

e. Reserves

Stock option reserve
The stock option reserve records items recognized as share-based compensation expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital. If stock options expire unexercised, the amount recorded will be reclassified to deficit.

Warrant reserve
The warrant reserve records the fair value of warrants granted until such time that the warrants are exercised, at which time the corresponding amount will be transferred to share capital.

5. RELATED PARTY TRANSACTIONS

Transactions with related parties

There were no related party transactions in the six months ended June 30, 2014.

During the period ended June 30, 2013, the Company accrued $60,000 for consulting fees provided by a director also serving as Chief Executive Officer, and $99,000 for professional services provided by a company of which two directors are controlling shareholders. These transactions are included in the operating expenses for the six months ended June 30, 2013 and were forgiven later in the fiscal year ended December 31, 2013.

5. RELATED PARTY TRANSACTIONS *(Cont'd…)*

Due to related parties

As at June 30, 2014, amounts due to related parties was $310,186 (December 31, 2013 - $320,186) for services detailed above and are included in accounts payable and accrued liabilities.

Loan from related party

During the year ended December 31, 2013, the Company received an unsecured, non-interest bearing loan of $10,000 from a company with common directors. The loan has no fixed repayment terms.

During the year ended December 31, 2012, the Company received a short-term, unsecured, non-interest bearing loan of $12,000 from a private company with common directors. The loan had no fixed repayment terms, and was repaid during the year ended December 31, 2013.

Due from related party

During the year ended December 31, 2013, Company recovered $6,102 in shared office cost from a company with directors in common. The related company is in the exploration stage and the timing of full repayment is uncertain. Therefore, at December 31, 2013, the Company recorded an impairment of $16,801 reducing the carrying value to $25,000, which was received in the six months ended June 30, 2014.

6. SUPPLEMENTAL DISCLOSURE WITHRESPECT TO CASHFLOWS

The significant non-cash investing and financing transactions during the period ended June 30, 2014 consisted of the company accruing a receivable of $234,918 against explanation and evaluation assets on the sale of Pirquitas North (Note 3).

The significant non-cash investing and financing transactions during the period ended June 30, 2013 consisted of the Company incurring exploration and evaluation expenditures of $42,012 through accounts payable and accrued liabilities.

7. FINANCIAL RISK MANAGEMENT AND MANAGEMENT OF CAPITAL

Fair value

The fair value of the Company's financial instruments approximates the carrying amount due to their short term nature and capacity for prompt liquidation.

Financial risk management

The Company is exposed in varying degrees to a variety of financial instrument related risks. The Board of Directors approves and monitors the risk management processes, inclusive of documented investment policies, counterparty limits, and controlling and reporting structures. The type of risk exposure and the way in which such exposure is managed is provided as follows:

7. FINANCIAL RISK MANAGEMENT AND MANAGEMENT OF CAPITAL *(Cont'd...)*

Financial risk management *(cont'd...)*

Credit risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss. Financial instruments that potentially subject the Company to credit risk consist of cash and cash equivalents and receivables. Cash deposits are maintained with Canadian, United States and Australian financial institutions of reputable credit and are redeemable on demand. Receivables consist primarily of amounts due from related companies that are in the exploration stage increasing credit risk.

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. The Company is engaged in ongoing evaluation of opportunities to improve its financial position which includes, but is not limited to, additional equity financings, obtaining exploration partners and/or the sale of assets. At June 30, 2014, the Company had a working capital deficiency of $680,212.

Market risk

Market risk is the risk of loss that may arise from changes in market factors such as interest rates, foreign exchange rates, and commodity and equity prices.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Included in the results of operations of the Company is interest income earned on the Canadian and United States dollars derived from cash equivalents. Interest income is not material to the Company. The Company has no outstanding debt subject to interest. Accordingly, the Company does not believe it is exposed to significant interest rate risk.

Foreign exchange risk

The Company's exploration work is conducted in Argentina. The international nature of the Company's operations results in foreign exchange risk as transactions are denominated in foreign currency.

The Company's operating expenses are incurred primarily in Canadian dollars; its exploration programs are primarily in Argentina and are denominated in either United States dollars or Argentine Pesos. Additionally, option payments on mineral properties are payable in United States dollars. The fluctuation of the Canadian dollar will, consequently, have an impact upon the reported profitability of the Company and may also affect the value of the Company's assets and liabilities. The Company continuously monitors this exposure to determine if any mitigation strategies become necessary.

Price risk

The Company is exposed to price risk with respect to commodity prices, particularly those included in its exploration and evaluation asset portfolio. The Company closely monitors commodity prices to determine the appropriate course of action to be taken by the Company.

7. FINANCIAL RISK MANAGEMENT AND MANAGEMENT OF CAPITAL *(Cont'd...)*

Management of capital

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

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

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 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, 2014 and December 31, 2013, the Company had no bank indebtedness or long-term debt. The Company is not subject to any externally imposed capital requirements or restrictions.

8. SEGMENTED INFORMATION

The Company operates in a single reportable operating segment which is the acquisition, exploration and development of mineral properties. As at June 30, 2014 and December 31, 2013, all capitalized exploration and evaluation assets are located in Argentina (Note 3).