HUDSON RESOURCES INC.

REPORT AND FINANCIAL STATEMENTS

March 31, 2007 and 2006

A PARTNERSHIP OF INCORPORATED PROFESSIONALS

AMISANO HANSON
CHARTERED ACCOUNTANTS

AUDITORS' REPORT

To the Shareholders,
Hudson Resources Inc.

We have audited the balance sheets of Hudson Resources Inc. as at March 31, 2007 and 2006 and the statements of operations and deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2007 and 2006 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

Vancouver, Canada
July 10, 2007

"AMISANO HANSON"
Chartered Accountants

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HUDSON RESOURCES INC.
BALANCE SHEETS
March 31, 2007 and 2006

ASSETS	2007	2006
Current		
Cash and cash equivalents	$ 1,758,250	$ 479,745
Accrued interest and amounts receivable	19,656	200
Goods and services tax receivable	64,459	32,002
Prepaid expenses and deposits	20,564	6,166
	1,862,929	518,113
Equipment – Note 3	4,272	-
Resource properties – Notes 4, 8 and Schedule 1	6,360,236	2,465,037
	$ 8,227,437	$ 2,983,150

LIABILITIES

Current		
Accounts payable and accrued liabilities – Note 6	$ 254,618	$ 83,815

SHAREHOLDERS' EQUITY

Share capital – Notes 5 and 8	9,285,015	3,753,371
Share subscription receivable – Note 8	(20,000)	-
Contributed surplus	623,731	367,982
Deficit	(1,915,927)	(1,222,018)
	7,972,819	2,899,335
	$ 8,227,437	$ 2,983,150

Commitments – Notes 4, 5 and 9
Subsequent Events – Notes 4, 5 and 8

APPROVED BY THE DIRECTORS:

"James Tuer"	Director	*"Robert Chase"*	Director
James Tuer		Robert Chase	

SEE ACCOMPANYING NOTES

HUDSON RESOURCES INC.
STATEMENTS OF OPERATIONS AND DEFICIT
for the years ended March 31, 2007 and 2006

	2007	2006
Administrative expenses		
Amortization	$ 754	$ -
Audit and legal fees	23,968	25,698
Bank charges and interest	1,247	1,290
Directors' fees	11,000	-
Filing fees	6,776	6,628
Management fees – Note 6	314,834	155,850
Office	16,231	12,491
Rent	44,861	18,441
Shareholder communication	25,544	26,964
Stock-based compensation – Note 5	261,098	237,166
Telephone	10,939	5,160
Transfer agent fees	11,048	5,283
Travel and promotion	34,393	22,288
Loss before other item	(762,693)	(517,259)
Other item:		
Interest income	68,784	20,380
Net loss for the year	(693,909)	(496,879)
Deficit, beginning of the year	(1,222,018)	(725,139)
Deficit, end of the year	$ (1,915,927)	$ (1,222,018)
Basic and diluted loss per share	$ (0.03)	$ (0.04)
Weighted average number of shares outstanding	21,157,021	14,113,513

SEE ACCOMPANYING NOTES

HUDSON RESOURCES INC.
STATEMENTS OF CASH FLOWS
for the years ended March 31, 2007 and 2006

	2007	2006
Operating Activities		
Net loss for the year	$ (693,909)	$ (496,879)
Items not involving cash:		
Amortization	754	-
Stock-based compensation	261,098	237,166
	(432,057)	(259,713)
Changes in non-cash working capital items related to operations:		
Accrued interest and amounts receivable	(19,456)	13,869
Goods and services tax receivable	(32,457)	6,532
Prepaid expenses	(14,398)	11,688
Accounts payable and accrued liabilities	170,803	(188,048)
	(327,565)	(415,672)
Investing Activities		
Equipment	(5,026)	-
Resource properties expenditures	(3,445,199)	(1,203,378)
	(3,450,225)	(1,203,378)
Financing Activities		
Share subscriptions receivable	(20,000)	-
Issuance of common shares	5,076,295	301,691
	5,056,295	301,691
Increase (decrease) in cash during the year	1,278,505	(1,317,359)
Cash and cash equivalents, beginning of the year	479,745	1,797,104
Cash and cash equivalents, end of the year	$ 1,758,250	$ 479,745
Cash and cash equivalents consists of:		
Cash	$ 42,911	$ 207
Term deposits	1,715,339	479,538
	$ 1,758,250	$ 479,745
Supplemental disclosure of cash flow information:		
Cash paid for:		
Interest	$ -	$ -
Income taxes	$ -	$ -

Non-Cash Transaction – Note 10

SEE ACCOMPANYING NOTES

HUDSON RESOURCES INC.

Schedule 1

SCHEDULE OF RESOURCE PROPERTIES

for the years ended March 31, 2007 and 2006

Greenland, Sarfartoq Exploration Licenses	Balance March 31, 2005	Additions	Balance March 31, 2006	Additions	Balance March 31, 2007
Acquisition costs					
Cash and shares	$ 42,949	$ 7,180	$ 50,129	$ 542,398	$ 592,527
Deferred exploration costs					
Assay and analysis	103,024	72,025	175,049	108,726	283,775
Bulk sample	-	-	-	380,196	380,196
Consulting	151,477	106,806	258,283	342,462	600,745
Data processing	41,122	8,689	49,811	2,465	52,276
Diamond recovery plant	-	-	-	146,000	146,000
Drilling	155,646	277,086	432,732	815,025	1,247,757
Equipment	26,885	6,698	33,583	14,446	48,029
Explosives	-	13,568	13,568	31,337	44,905
Fuel	8,550	7,211	15,761	20,687	36,448
Geophysical data	188,207	90,158	278,365	126,670	405,035
Helicopter	419,836	464,367	884,203	1,155,561	2,039,764
Insurance	-	11,143	11,143	11,794	22,937
Legal	6,018	-	6,018	-	6,018
Shipping	4,566	1,417	5,983	25,915	31,898
Software	2,526	-	2,526	-	2,526
Supplies and sundry	10,030	3,473	13,503	24,477	37,980
Travel	100,823	133,557	234,380	147,040	381,420
	1,218,710	1,196,198	2,414,908	3,352,801	5,767,709
Total resource properties	$ 1,261,659	$ 1,203,378	$ 2,465,037	$ 3,895,199	$ 6,360,236

Note 1 Nature of Operations

The Company was incorporated on March 7, 2000 under the Company Act of the Province of British Columbia as Evolution Networking Corp. and changed its name on September 25, 2000 to Tekwerks Solutions Inc. and on December 6, 2002 to Hudson Resources Inc.

The Company is in the business of acquiring, exploring and evaluating resource properties, and either joint venturing or developing these properties further or disposing of them when the evaluation is completed. At March 31, 2007, the Company was in the exploration stage and had interests in properties located in Greenland.

The recoverability of amounts shown for resource properties is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain financing to complete their exploration, and future profitable production or disposition thereof.

Note 2 Significant Accounting Policies

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in Canada and are stated in Canadian dollars. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgement. Actual results may differ from these estimates.

These financial statements have, in management's opinion, been properly prepared within the framework of the significant accounting policies summarized below:

a) Financial Instruments

The carrying value of the Company's financial instruments, consisting of cash and cash equivalents, accrued interest and amounts receivable and accounts payable and accrued liabilities approximate their fair value due to the short-term maturity of such instruments. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

b) Basic and Diluted Loss Per Share

Basic loss per share is computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted loss per share reflects the potential dilution that could occur if potentially dilutive securities were exercised or converted to common stock. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method and the effect of convertible securities by the "if converted" method. Fully diluted amounts are not presented when the effect of the computations are anti-dilutive due to the losses incurred. Accordingly, there is no difference in the amounts presented for basic and diluted loss per share.

Note 2 Significant Accounting Policies – (cont'd)

c) Resource Properties

The Company defers the cost of acquiring, maintaining its interest, exploring and developing resource properties until such time as the properties are placed into production, abandoned, sold or considered to be impaired in value. Costs of producing properties will be amortized on a unit of production basis and costs of abandoned properties are written-off. Proceeds received on the sale of interests in resource properties are credited to the carrying value of the resource properties, with any excess included in operations. Write-downs due to impairment in value are charged to operations.

The Company is in the process of exploring and developing its resource properties and has not yet determined the amount of reserves available. Management reviews the carrying value of resource properties on a periodic basis and will recognize impairment in value based upon current exploration results, the prospect of further work being carried out by the Company, the assessment of future probability of profitable revenues from the property or from the sale of the property. Amounts shown for resource properties represent costs incurred net of write-downs and recoveries, and are not intended to represent present or future values.

d) Environmental Costs

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations, and which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable, and the cost can be reasonably estimated. Generally, the timing of these accruals coincides with the earlier of completion of a feasibility study or the Company's commitments to plan of action based on the then known facts.

e) Equipment and Amortization

Equipment is recorded at cost. The Company provides for amortization using the declining balance method at the rate of 30% per annum. Additions during the year are amortized at one-half rates.

f) Income Taxes

The Company accounts for income taxes by the asset and liability method. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes only if it is more likely-than-not that they can be realized.

Note 2 Significant Accounting Policies – (cont'd)

g) Foreign Currency Translation

Monetary items denominated in a foreign currency are translated into Canadian dollars at exchange rates prevailing at the balance sheet date and non-monetary items are translated at exchange rates prevailing when the assets were acquired or obligations incurred. Foreign currency denominated revenue and expense items are translated at exchange rates prevailing at the transaction date. Gains or losses arising from the translations are included in operations.

h) Asset Retirement Obligations

The fair value of obligations associated with the retirement of tangible long-lived assets are recorded in the period the asset is put into use, with a corresponding increase to the carrying amount of the related asset. The obligations recognized are statutory, contractual or legal obligations. The liability is accreted over time for changes in the fair value of the liability through charges to accretion, which is included in depletion, depreciation and accretion expense. The costs capitalized to the related assets are amortized in a manner consistent with the depletion and depreciation of the related asset. At March 31, 2007, the fair values of the mineral properties site restoration costs are not significant.

i) Stock-based Compensation Plan

The Company has a stock-based compensation plan as disclosed in Note 5, whereby stock options are granted in accordance with the policies of regulatory authorities. The fair value of all share purchase options are expensed over their vesting period with a corresponding increase to contributed surplus. Upon exercise of share purchase options, the consideration paid by the option holder, together with amounts previously recognized in contributed surplus, is recorded as an increase to share capital.

The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of grant. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate and, therefore, the existing models do not necessarily provide a reliable single measure of the fair value of the Company's share purchase options.

j) Cash and Cash Equivalents

Cash and cash equivalents consist of all highly liquid investments that are readily convertible to cash and have maturities of three months or less when purchased.

(Stated in Canadian Dollars) – Page 4

Note 3 Equipment

	2007			2006
	Cost	Accumulated Amortization	Net	Net
Computers	$ 5,026	$ 754	$ 4,272	$ -

Note 4 Resource Properties

Naajat Mineral Claim, Greenland

On July 15, 2002, the Company's application for the Naajat mineral claim (EL 2002/06) comprising 851 square kilometres in Western Greenland was approved by the Greenland mining authorities. Work expenditures are approved each April by the Bureau of Minerals and Petroleum ("BMP") for Greenland based on Company submissions due April 1st of each year. In December, 2003, the Company reduced the area to 325 square kilometres, based on the results of the 2003 exploration program and reduced exploration commitments for 2003. In December, 2004, the Company reduced the area to 243 square kilometres. In December 2006, the Company applied to extend the license for an additional five year period and the license area was reduced to 190 square kilometres. Exploration commitments for 2007 are 3,095,840 DKK ($640,529), if the license area is maintained through to 2008.

Nalussivik Mineral Claim, Greenland

On May 1, 2003, the Company's application for the Nalussivik mineral claim (EL 2003/04), comprising of 208 square kilometres in Western Greenland, was approved by the Greenland mining authorities. In 2004, the Company applied for and was granted an additional 193 square kilometres under the Nalussivik EL bringing the total to 401 square kilometres. The exploration commitment for 2006 was 2,915,451 DKK ($553,644). In April 2007, Hudson submitted to the BMP an expense report allocating 3,865,677 DKK ($736,474) to the Nalussivik EL. Exploration commitments for 2007 are 2,967,950 DKK ($614,069), if the entire license area is maintained through to 2008.

Sarfartuup Qulaa Mineral Claim, Greenland

On January 31, 2005, the Company's application for the Sarfartuup Qulaa mineral claim (EL 2005/03) comprising 89 square kilometres in Western Greenland was approved by the Greenland mining authorities. The exploration commitment for 2006 was 249,878 DKK ($47,452). In April 2007, Hudson submitted to the BMP an expense report allocating 5,154,236 DKK ($981,965) to the Sarfartuup Qulaa EL. Exploration commitments for 2007 are 868,190 DKK ($179,628), if the entire license area is maintained through to 2008.

Note 4 Resource Properties – (cont'd)

New Millennium Resources NL Joint Venture, Greenland

On June 20, 2003, the Company entered into an agreement with a Perth, Australia-based company, New Millennium Resources NL, to acquire an 80% interest of the diamond mineral rights (including all other minerals, except for tantalum and niobium) on the Sarfartoq exploration license on property located in West Greenland. This property is contiguous to the southeast margin of the Company's Nalussivik exploration license.

The Company acquired the remaining 20% interest in the Sarfartoq exploration license for consideration of $89,000 (paid) and 600,000 common shares of the company (issued at the value of $450,000). 300,000 common shares become free trading on July 7, 2007 and the balance on July 7, 2008. During the year ended March 31, 2007, the exploration license (EL 2006/03) was transferred into the name of the Company.

In order to maintain the claim, Hudson was required to make exploration commitments of 2,500,000 DKK ($474,750) in 2006 and will be the same amount ($517,250) in 2007, and complete certain field work as submitted in the application. In April 2007, Hudson submitted to the BMP an expense report allocating 11,597,031 DKK ($2,209,420) to the Sarfartuup Qulaa EL.

Sarfartoq Øst Mineral Claim, Greenland

In July 2006, the Company's application for the Sarfartoq Øst mineral claim (EL 2006/02) comprising 1,117 square kilometres in Western Greenland was approved by the Greenland mining authorities. The Company was required to incur net exploration expenses of 1,638,092 DKK ($338,921) for 2007 in order to maintain ownership of the Sarfartoq Øst mineral claim. In April 2007, Hudson submitted to the BMP an expense report allocating 2,577,118 DKK ($490,983) to the Sarfartoq Øst EL.

Note 5 Share Capital

a) Authorized:

Unlimited number of common shares without par value

(Stated in Canadian Dollars) – Page 6

Note 5 Share Capital – (cont'd)

b) Issued:

		Number	Amount
Balance as at March 31, 2005		13,642,523	$ 3,410,430
For cash			
Pursuant to the exercise of share purchase warrants			
	- at $0.40	511,667	204,666
Pursuant to the exercise of share purchase options			
	- at $0.15	646,833	97,025
For contributed surplus on exercise of options		-	41,250
Balance as at March 31, 2006		14,801,023	3,753,371
For cash:			
Pursuant to a private placement	- at $0.60	5,378,333	3,226,999
Pursuant to the exercise of share purchase warrants			
	- at $0.80	1,015,000	812,000
	- at $0.85	1,238,120	1,052,402
Pursuant to the exercise of agents' warrants			
	- at $0.60	486,323	291,794
Pursuant to the exercise of share purchase options			
	- at $0.35	50,000	17,500
	- at $0.60	5,000	3,000
Share issue costs		-	(437,510)
Pursuant to the acquisition of exploration licenses		600,000	450,000
Transfer from contributed surplus on exercise of options and warrants		-	115,459
Balance as at March 31, 2007		23,573,799	$ 9,285,015

c) Commitments:

Stock-based Compensation Plan

The Company has granted directors, officers and consultants' common share purchase options. These options are granted with an exercise price equal to the market price of the Company's stock on the date of the grant. Under the stock option plan, 25% of the options vest when granted and 12-1/2% vest every three months thereafter. On August 24, 2006, at the Annual General Meeting, the Company adopted a 10% rolling stock option plan. As at March 31, 2007, 2,357,379 shares are available for issuance under the new plan.

(Stated in Canadian Dollars) – Page 7

Note 5 Share Capital – (cont'd)

c) Commitments: – (cont'd)

Stock-based Compensation Plan – (cont'd)

A summary of the status of the stock option plan as at March 31, 2007 and 2006 and the changes during the years then ended is presented below:

	2007		2006	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding, beginning of year	1,830,000	$0.54	1,465,000	$0.36
Cancelled	-	-	(100,000)	(0.35)
Granted	100,000	$0.80	1,111,833	$0.53
Exercised	(55,000)	$0.37	(646,833)	$0.15
Options outstanding, end of year	1,875,000	$0.56	1,830,000	$0.54
Options exercisable, end of year	1,559,545	$0.54	918,854	$0.54

As at March 31, 2007, there are 1,875,000 share purchase options outstanding entitling the holders thereof the right to purchase one common share for each option held as follows:

Number	Exercise Price	Expiry Date
50,000	$0.20	December 5, 2008
613,167	$0.60	December 1, 2009
953,333	$0.50	January 4, 2011
58,500	$0.60	January 4, 2011
100,000	$0.80	February 3, 2011
100,000	$0.80	April 26, 2011
1,875,000		

Subsequent to March 31, 2007, the Company granted 700,000 common share purchase options exercisable at $1.00 per share until June 15, 2012.

(Stated in Canadian Dollars) – Page 8

Note 5 Share Capital – (cont'd)

c) Commitments: - (cont'd)

Stock-based Compensation Plan – (cont'd)

During the year ended March 31, 2007, stock-based compensation expense of $371,206 (2006: $237,166) was recorded of which $110,110 (2006: $Nil) related to share issue costs. The fair value of the compensation expense has been determined using the Black-Scholes option valuation model with the following assumptions:

	2007	2006
Weighted average fair value of options granted	$0.24	$0.38
Expected dividend yield	0.0%	0.0%
Expected volatility	70%	85.8% - 89%
Risk-free interest rate	4.11% - 4.19%	3.75%
Expected term in years	1 and 5	5

Share Purchase Warrants

Share purchase warrant transactions are summarized as follows:

	2007		2006	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Balance, beginning of the year	1,490,343	$0.85	2,460,343	$0.69
Issued	3,213,501	$0.77	-	$ -
Exercised	(2,739,443)	$0.79	(511,667)	$0.40
Expired	(252,223)	$0.85	(458,333)	$0.49
Balance, end of the year	1,712,178	$0.80	1,490,343	$0.85

As at March 31, 2007, there were 1,712,178 share purchase warrants outstanding. 1,674,168 of these warrants have acceleration provisions that allow the Company to call for the early conversion of the warrants if the shares trade above the Early Conversion Price for a set number of trading days.

Number	Exercise Price	Expiry Date	Early Conversion Price
981,502	$0.80/$1.00	April 20, 2007/2008	$1.50
692,666	$0.80/$1.00	April 25, 2007/2008	$1.50
38,010	$0.60	April 25, 2007	N/A
1,712,178			

(Stated in Canadian Dollars) – Page 9

Note 5 Share Capital – (cont'd)

c) Commitments: - (cont'd)

Share Purchase Warrants – (cont'd)

Subsequent to March 31, 2007, 879,167 share purchase warrants at $0.80 per share and 38,010 share purchase warrants at $0.60 per share were exercised for total proceeds of $726,140.

Note 6 Related Party Transactions

During the years ended March 31, 2007 and 2006, the Company incurred the following expenses with a company with a common director and an officer of the Company.

	2007	2006
Management fees	$ 201,000	$ 144,800

These transactions were measured by the exchange amount, which is the amount agreed upon by the transacting parties.

Accounts payable and accrued liabilities include $11,887 (2006: $Nil) due to a company with a common director.

Note 7 Corporation Income Taxes

Significant components of the Company's future tax assets and liabilities, after applying enacted corporate income tax rates, are as follows:

	2007	2006
Future income tax assets		
Net tax losses carried forward	$ 300,136	$ 15,054
Exploration and development expenses	214,805	321,286
Unused share issue costs	115,664	41,140
	630,605	377,480
Less: valuation allowance	(630,605)	(377,480)
	$ -	$ -

(Stated in Canadian Dollars) – Page 10

Note 7 Corporation Income Taxes – (cont'd)

The Company recorded a valuation allowance against its future income tax assets based on the extent to which it is more-likely-than-not that sufficient taxable income will be realized during the carry-forward periods to utilize all the future tax assets.

At March 31, 2007, the Company has accumulated non-capital losses of $879,646 and Foreign Exploration and Development Expenses of $7,097,793 which may be applied against future years taxable income. The non-capital losses expire as follows:

2008	$ 15,771
2009	27,865
2016	299,815
2027	536,195
	$ 879,646

Note 8 Subsequent Events – Notes 4 and 5

Subsequent to March 31, 2007, the Company

a) issued 6,000,000 units at $1.00 per unit for total gross proceeds of $6,000,000 pursuant to a private placement with each unit consisting of one common share and one half of a common share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of the Company at $1.30 per share for a period of one year from June 24, 2007. A commission of $279,300 was paid and 80,290 units were issued as finders' fees relating to this private placement. In addition, 359,590 warrants were issued to the finders to purchase common shares of the Company at $1.00 per share for a one year period.

b) collected share subscription receivable of $20,000

c) obtained a new exploration license (EL 2007/28) for an area at Arnanganeg in West Greenland by paying the fee of 33,653 DKK ($6,963).

Note 9 Commitment

In December 2006, the Company entered into an office premise lease for sixteen months expiring May 31, 2008. $59,648 will be payable within the next twelve months from March 31, 2007 and $9,941 for the last two months to May 31, 2008.

Note 10 Non-Cash Transaction

Investing and financing activities that do no have a direct impact on current cash flows are excluded from the statements of cash flows. The following transaction was excluded from the statements of cash flows:

- During the year ended March 31, 2007, the Company issued 600,000 common shares at $0.75 per share totalling $450,000 pursuant to the acquisition of mineral licences.