FINANCIAL STATEMENTS

March 31, 2008 and 2007



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### **AUDITORS' REPORT**

To the Shareholders, Hudson Resources Inc.

We have audited the balance sheets of Hudson Resources Inc. as at March 31, 2008 and 2007 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, 2008 and 2007 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(signed) "BDO Dunwoody LLP"

**Chartered Accountants** 

Vancouver, Canada July 18, 2008

## BALANCE SHEETS March 31, 2008 and 2007

<u>.</u>	758,250 19,656 64,459
Accrued interest and amounts receivable Goods and services tax receivable Prepaid expenses and deposits  4,705 88,445 11,239 2,418,823 1,8	20,564
Equipment – Note 4 2,991 Resource properties – Note 5 and Schedule 1 11,880,903 6,3	862,929 4,272 360,236 227,437
LIABILITIES	
Current	
Accounts payable and accrued liabilities – Note 7 <u>\$ 412,640</u> <u>\$ 2</u>	254,618
SHAREHOLDERS' EQUITY	
Share subscription receivable  Contributed surplus – Note 6  1,240,991	285,015 (20,000) 623,731 915,927)
<u> 13,890,077</u> <u> 7,9</u>	972,819
<u>\$14,302,717</u> <u>\$ 8,2</u>	227,437
Nature of Operations and Ability to Continue as a Going Concern – Note 1 Commitments – Notes 6 and 10 Subsequent Events – Notes 6 and 9	
APPROVED BY THE DIRECTORS:	
"James Tuer"Director"Robert Chase"IJames TuerRobert Chase	Director

# STATEMENTS OF OPERATIONS AND DEFICIT for the years ended March 31, 2008 and 2007

		<u>2008</u>		<u>2007</u>
Administrative expenses				
Amortization	\$	1,282	\$	754
Audit and legal fees		63,906		23,968
Bank charges and interest		2,943		1,247
Directors' fees – Note 7		44,000		11,000
Filing fees		6,716		6,776
Foreign exchange		16,007		-
Management fees – Note 7		365,869		314,834
Office		45,689		16,231
Rent		64,404		44,861
Shareholder communication		8,212		25,544
Stock-based compensation – Note 6		455,410		261,098
Telephone		8,895		10,939
Transfer agent fees		10,170		11,048
Travel and promotion		16,832		34,393
Loss before other item	(	1,110,335)		(762,693)
Other item:				
Interest income		152,502		68,784
Net loss and comprehensive loss for the year		(957,833)		(693,909)
Deficit, beginning of the year		1,915,927)	(	1,222,018)
Deficit, end of the year	\$ (2	2,873,760)	<u>\$ (</u>	(1,915,927)
Basic and diluted loss per share	<u>\$</u>	(0.03)	\$	(0.03)
Weighted average number of shares outstanding	2	29,282,601		21,157,021

## STATEMENTS OF CASH FLOWS

# for the years ended March 31, 2008 and 2007

Operating Activities Net loss for the year \$ (957,833) \$ (6957,833) \$ (6957,833) \$	93,909)
Net loss for the year \$ (957,833) \$ (69	93,909)
	-
Items not involving cash:	754
Amortization 1,282 Stock-based compensation 455,410 20	754 61,098
(501,141) (43) Changes in non-cash working capital items related to operations:	32,057)
	19,456)
,	32,457)
	14,398)
Accounts payable and accrued liabilities 158,021 1	70,803
(342,830) (32	<u>27,565</u> )
Investing Activities	
	(5,026)
* *	45,199)
(5,520,667)(3,45	50,225)
Financing Activities	30,000
<u>-</u>	20,000)
Issuance of common shares $6,419,681$ $5,0$	76,295
<u>6,419,681</u> <u>5,09</u>	<u>56,295</u>
Increase in cash during the year 556,184 1,2	78,505
Cash and cash equivalents, beginning of the year 1,758,250 4	79,745
Cash and cash equivalents, end of the year \$\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\\	58,250
Cash and cash equivalents consists of:	
	42,911
	15,339
<u>\$ 2,314,434</u> <u>\$ 1,75</u>	58,250
Cumplemental disclosure of each flow information:	
Supplemental disclosure of cash flow information:  Cash paid for:	
Interest \$ - \$	_
$\frac{\psi}{}$	
Income taxes \$ \$	

Non-Cash Transaction – Note 10

## Schedule 1

# **HUDSON RESOURCES INC.** SCHEDULE OF RESOURCE PROPERTIES

for the years ended March 31, 2008 and 2007

Greenland, Sarfartoq Exploration Licenses	Balance March 31, 2006	Additions	Balance March 31, 2007	Additions	Balance March 31, 2008
Acquisition costs	\$ 50,129	\$ 542,398	\$ 592,527	\$ 21,230	\$ 613,757
Deferred exploration costs					
Assay and analysis	175,049	108,726	283,775	-	283,775
Camp and portable shelters	-	-	-	356,178	356,178
Consulting	258,283	342,462	600,745	390,618	991,363
Data processing	49,811	2,465	52,276	-	52,276
Diamond recovery plant and operations	-	146,000	146,000	1,269,262	1,415,262
Drilling	432,732	815,025	1,247,757	823,624	2,071,381
Equipment	33,583	14,446	48,029	272,614	320,643
Explosives	13,568	31,337	44,905	-	44,905
Fuel	15,761	20,687	36,448	45,021	81,469
Geophysical data	278,365	126,670	405,035	-	405,035
Helicopter	884,203	1,155,561	2,039,764	1,197,780	3,237,544
Insurance	11,143	11,794	22,937	13,400	36,337
Legal	6,018	-	6,018	-	6,018
Sample extraction and processing	-	380,196	380,196	657,566	1,037,762
Shipping	5,983	25,915	31,898	181,014	212,912
Supplies and sundry	16,029	24,477	40,506	37,978	78,484
Travel	234,380	147,040	381,420	254,382	635,802
	2,414,908	3,352,801	5,767,709	5,499,437	11,267,146
Total resource properties	\$ 2,465,037	\$ 3,895,199	\$ 6,360,236	\$ 5,520,667	\$11,880,903

## NOTES TO THE FINANCIAL STATEMENTS March 31, 2008 and 2007

### Note 1 Nature of Operations and Ability to Continue as a Going Concern

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, 2008, 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.

These financial statements have been prepared in accordance with generally accepted accounting principles applicable to a going concern, which assumes that the Company will be able to meet its obligations and continue its operations for its next fiscal year. Realization values may be substantially different from carrying values as shown and these financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. At March 31, 2008, the Company had not yet achieved profitable operations, has accumulated losses of \$2,873,760 since inception and expects to incur further losses in the development of its business, all of which casts substantial doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate and maintain future profitable operations and/or to obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due.

#### Note 2 Changes in Accounting Policies

#### Financial Instruments and Comprehensive Income

On April 1, 2007, The Company adopted CICA Section 1530 "Comprehensive Income", Section 3251 "Equity", Section 3855 "Financial Instruments – Recognition and Measurement", Section 3861 "Financial Instruments – Disclosure and Presentation", and Section 3865 "Hedges". Section 1530 establishes standards for reporting and presenting comprehensive income, which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net income calculated in accordance with Canadian generally accepted accounting principles.

## Note 2 <u>Changes in Accounting Policies</u> – (cont'd)

#### Financial Instruments and Comprehensive Income – (cont'd)

Section 3861 establishes standards for presentation of financial instruments and non-financial derivatives and identifies the information that should be disclosed about them. Under the new standards, policies followed for the periods prior to the effective date generally are not reversed and, therefore, the comparative figures have not been restated. Section 3865 describes when and how hedge accounting can be applied as well as the disclosure requirements. Hedge accounting enables the recording of gains, losses, revenues and expenses from derivative financial instruments in the same period as for those related to the hedged item.

Section 3855 prescribes when a financial asset, financial liability or non-financial derivative is to be recognized on the balance sheet and at what amount, requiring fair value or cost-based measures under different circumstances. Under Section 3855, financial instruments must be classified into one of these five categories: held-for-trading, held-to-maturity, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments, including derivatives, are measured in the balance sheet at fair value except for loans and receivables, held-to-maturity investments and other financial liabilities which are measured at amortized cost. Subsequent measurement and changes in fair value will depend on their initial classification, as follows: held-for-trading financial assets are measured at fair value and changes in fair value are recognized in net earnings; available-for-sale financial instruments are measured at fair value with changes in fair value recorded in other comprehensive income until the investment is derecognized or impaired at which time the amounts would be recorded in net earnings.

Under adoption of these new standards, the Company classified accrued interest and amounts receivable as loans and receivables which are measured at amortized cost. Accounts payable and accrued liabilities are classified as other financial liabilities, which are measured at amortized cost.

#### Accounting Policy Choice for Transaction Costs

On June 1, 2007, the Emerging Issues Committee of the CICA issued Abstract No. 166, Accounting Policy Choice for Transaction Costs ("EIC-166). This EIC addresses the accounting policy choice of expensing or adding transaction costs related to the acquisition of financial assets and financial liabilities that are classified as other than held-for-trading. Specifically, it requires that the same accounting policy choice be applied to all similar financial instruments classified as other than held-for-trading, but permits a different policy choice for financial instruments that are not similar. The Company has adopted EIC-166 effective March 31, 2008 and requires retroactive application to all transaction costs accounted for in accordance with CICA Handbook Section 3855, Financial Instruments – Recognition and Measurement. The Company has evaluated the impact of EIC-166 and determined that no adjustments are currently required.

### Note 2 <u>Changes in Accounting Policies</u> – (cont'd)

### Future Accounting Changes

Capital Disclosures and Financial Instruments – Disclosures and Presentation

On December 1, 2006, the CICA issued three new accounting standards: Handbook Section 1535, Capital Disclosures, Handbook Section 3862, Financial Instruments – Disclosures, and Handbook Section 3863, Financial instruments – Presentation. These standards are effective for interim and annual financial statements for the Company's reporting period beginning on April 1, 2008.

Section 1535 specifies the disclosure of (i) an entity's objectives, policies and processes for managing capital; (ii) quantitative data about what the entity regards as capital; (iii) whether the entity has complied with any capital requirements; and (iv) if it has not complied, the consequences of such non-compliance.

The new Sections 3862 and 3863 replace Handbook Section 3861, Financial Instruments – Disclosure and Presentation, revising and enhancing its disclosure requirements, and carrying forward unchanged its presentation requirements. These new sections place increased emphasis on disclosures about the nature and extent of risks arising from financial instruments and how the entity manages those risks.

The Company is currently assessing the impact of these new accounting standards on its financial statements.

#### **Accounting Changes**

In July 2006, the Accounting Standards Board ("AcSB") issued a replacement of The Canadian Institute of Chartered Accountants' Handbook ("CICA Handbook") Section 1506, Accounting Changes. The new standard allows for voluntary changes in accounting policy only when they result in the financial statements providing reliable and more relevant information, requires changes in accounting policy to be applied retrospectively unless doing so is impracticable, requires prior period errors to be corrected retrospectively and calls for enhanced disclosures about the effects of changes in accounting policies, estimates and errors on the financial statements. The impact that the adoption of Section 1506 will have on the Company's results of operations and financial condition will depend on the nature of future accounting changes.

## Note 2 <u>Changes in Accounting Policies</u> – (cont'd)

Accounting Changes – (cont'd)

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP and IFRS over an expected five year transitional period. In February 2008 the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ended March 31, 2010. While the Company has begun assessing the adoption of IFRS for 2011, the financial reporting impact of the transition to IFRS cannot be reasonably estimated at this time.

The AcSB amended CICA Handbook Section 1400, to include requirements for management to assess and disclose an entity's ability to continue as a going concern. This section applies to interim and annual financial statements relating to fiscal years beginning on or after January 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning April 1, 2008.

The AcSB issued CICA Handbook Section 3064 which replaces Section 3062, Goodwill and Other Intangible Assets, and Section 3450, Research and Development Costs. This new section establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition, and of intangible assets. Standards concerning goodwill remain unchanged from the standards included in the previous Section 3062. The section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2008. Accordingly, the Company will adopt the new standards for its fiscal year beginning April 1, 2009.

## Note 3 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 reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

## Note 3 <u>Significant Accounting Policies</u> – (cont'd)

#### a) Basic and Diluted Loss Per Share

Basic loss per share is calculated by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity. In a loss year, potentially dilutive common shares are excluded from the loss per share calculation, as the effect would be anti-dilutive. Basic and diluted loss per share are the same for the years presented.

For the years ended March 31, 2008 and 2007, potentially dilutive common shares (relating to options and warrants outstanding at year-end) totalling 6,769,736 (2007: 3,587,178) were not included in the computation of loss per share because their effect was anti-dilutive.

#### b) 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.

#### c) 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 a plan of action based on the then known facts.

## Note 3 <u>Significant Accounting Policies</u> – (cont'd)

#### d) 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.

#### e) 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.

## f) 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.

#### g) Asset Retirement Obligations

The fair values of obligations associated with the retirement of tangible long-lived assets are recorded in the period it is incurred, 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, 2008, the fair values of the mineral properties site restoration costs are not significant.

#### h) Stock-based Compensation Plan

The Company has a stock-based compensation plan as disclosed in Note 6, 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.

## Note 3 <u>Significant Accounting Policies</u> – (cont'd)

#### h) Stock-based Compensation Plan – (cont'd)

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.

## i) 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.

## j) Impairment of Long-lived Assets

Canadian generally accepted accounting principles require that long-lived assets and intangibles to be held and used by the Company be reviewed for possible impairment whenever events or changes in circumstances indicate that the asset may not be recoverable. If changes in circumstances indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated. If the undiscounted value of the future cash flows is less that the carrying amount of the asset, impairment is recognized. Management believes there has been no impairment of the Company's long-lived assets as at March 31, 2008.

#### Note 4 Equipment

	<u>Cost</u>	2008 Accumulated Amortization	<u>Net</u>
Computers	<u>\$ 5,026</u>	\$ 2,035	\$ 2,991
	<u>Cost</u>	2007 Accumulated Amortization	<u>Net</u>
Computers	\$ 5,026	<u>\$ 754</u>	<u>\$ 4,272</u>

## Note 5 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 1<sup>st</sup> of each year. In December, 2003, the Company reduced the area to 325 square kilometres based on the results of the 2003 exploration program. In December, 2004, the Company reduced the area to 243 square kilometres. In December, 2006, the company applied to extend the licence for an additional five year period and the licence area was reduced to 190 square kilometres. Subject to BMP approval in 2008, the Company has met its 2007 exploration commitments required to maintain the Naajat claim.

#### Nalussivik Mineral Claim, Greenland

On May 1, 2003, the Company's application for the Nalussivik mineral claim (EL 2003/04) comprising 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. Subject to BMP approval in 2008, the Company has met the 2007 exploration commitments required to maintain the Nalussivik claim.

#### 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. Subject to BMP approval in 2008, the Company has met the 2007 exploration commitments required to maintain the Sarfartuup Qulaa claim.

## Sarfartoq Mineral Claim (New Millennium Resources NL JV, 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 in 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 percent interest (including 100% of previously excluded mineral rights) in the Safartoq exploration licence in West Greenland from New Millennium 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 became free trading on July 7, 2007 and the balance will become free trading on July 7, 2008.

### Note 5 Resource Properties – (cont'd)

Sarfartoq Mineral Claim (New Millennium Resources NL JV, Greenland) - (cont'd)

Subject to BMP approval in 2008, the Company has met the 2007 exploration commitments required to maintain the Sarfartoq claim. Application has been approved the extend the licence for a further 2 year period ending December 31, 2009 at which time the licence can be extended for an additional 2 year period.

## 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. In December 2007, the Company reduced the area to 374 square kilometres. Subject to BMP approval in 2008, the Company has met the 2007 exploration commitments required to maintain the Sarfartoq Øst claim.

## Arnanganeq Mineral Claim, Greenland

In July 2007, the Company's application for the Arnanganeq mineral claim (EL 2007/28) comprising 236 square kilometres in Western Greenland was approved by the Greenland mining authorities. Subject to BMP approval in 2008, the Company has met the 2007 exploration commitments required to maintain the Arnanganeq claim.

#### Note 6 Share Capital

#### a) Authorized:

Unlimited number of common shares without par value

## Note 6 Share Capital – (cont'd)

#### b) <u>Issued</u>:

	<u>Number</u>	<u>Amount</u>	Contributed Surplus
Balance as at March 31, 2006 For cash:	14,801,023	\$ 3,753,371	\$ 367,982
<ul> <li>Pursuant to a private placement - at \$0.60</li> <li>Pursuant to the exercise of share purchase warrants</li> </ul>	5,378,333	3,226,999	-
- at \$0.80	1,015,000	812,000	-
- at \$0.85	1,238,120	1,052,402	-
<ul><li>Pursuant to the exercise of agents' warrants- at \$0.60</li><li>Pursuant to the exercise of share purchase options</li></ul>	486,323	291,794	-
- at \$0.35	50,000	17,500	=
- at \$0.60	5,000	3,000	-
Share issue costs	-	(437,510)	110,110
Pursuant to acquisition of exploration licences	600,000	450,000	-
Transfer from contributed surplus on exercise of			
options and warrants	-	115,459	(115,459)
Stock-based compensation			261,098
Balance as at March 31, 2007 For cash:	23,573,799	9,285,015	623,731
- Pursuant to a private placement - at \$1.00	6,000,000	6,000,000	-
<ul> <li>Pursuant to the exercise of agents' warrants - at \$0.60</li> <li>Pursuant to the exercise of share purchase warrants</li> </ul>	38,010	22,806	-
- at \$0.80	879,167	703.334	_
Share issue costs	80,290	(496,291)	169,832
Transfer from contributed surplus on exercise of		(15 3,25 2)	,
options	-	7,982	(7,982)
Stock-based compensation			455,410
Balance as at March 31, 2008	30,571,266	\$ 15,522,846	\$ 1,240,991

During the year ended March 31, 2007, the Company issued 5,378,333 units at \$0.60 per unit. Each unit consists of one common share and one-half transferable share purchase warrant. Each full warrant entitles the holders thereof to purchase one common share of the Company at \$0.80 until April 20, 2007 and at \$1.00 until April 20, 2008.

During the year ended March 31, 2008, the Company issued 6,000,000 units at \$1.00 per unit. Each unit consists of one common share and one-half transferable share purchase warrant. Each full warrant entitles the holders thereof to purchase one common share of the Company at \$1.30 until June 14, 2008.

## Note 6 Share Capital – (cont'd)

#### c) Commitments:

Stock-based Compensation Plan

The Company has a stock option plan whereby the maximum number of shares reserved for issue shall not exceed 10% of the issued and outstanding common shares of the Company as at the date of the grant. The maximum number of common shares reserved for issue to any one optionee under the plan cannot exceed 5% of the total issued and outstanding number of common shares on a non-diluted basis. maximum number of common shares reserved for issue to any insiders as a group shall not exceed 10% of the total number of issued and outstanding shares on a non-diluted The maximum number of common shares reserved for issue to any one consultant shall not exceed 2% of the total number of issued and outstanding shares on a non-diluted basis. The maximum number of common shares reserved for issue to all eligible persons who undertake investor relation activities shall not exceed 2% in the aggregate of the total number of issued and outstanding shares on a non-diluted basis. 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. As at March 31, 2008, 3,057,126 shares are available for issuance under the new plan.

A summary of the status of the stock option plan as at March 31, 2008 and 2007 and the changes during the years then ended is presented below:

	2008		2007	
		Weighted		Weighted
		Average		Average
		Exercise		Exercise
	<u>Shares</u>	<u>Price</u>	<u>Shares</u>	<u>Price</u>
Options outstanding, beginning of				
period	1,875,000	\$0.56	1,830,000	\$0.54
Granted	700,000	\$1.00	100,000	\$0.80
Exercised		-	(55,000)	\$0.37
Options outstanding, end of year	2,575,000	<u>\$0.68</u>	1,875,000	<u>\$0.56</u>
Options exercisable, end of year	2,312,500	<u>\$0.64</u>	1,559,545	<u>\$0.54</u>

## Note 6 Share Capital – (cont'd)

#### c) <u>Commitments</u>: – (cont'd)

Stock-based Compensation Plan – (cont'd)

As at March 31, 2008, there are 2,575,000 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	Average Remaining Contractual Life in Years
<u>rtuinoer</u>	11100	<u>DAPHY Dute</u>	<u>Ene in Tears</u>
50,000	\$0.20	December 5, 2008	0.68
613,167	\$0.60	December 1, 2009	1.67
953,333	\$0.50	January 4, 2011	2.76
58,500	\$0.60	January 4, 2011	2.76
100,000	\$0.80	February 3, 2011	2.85
100,000	\$0.80	April 26, 2011	3.07
700,000	\$1.00	June 15, 2012	4.21
2,575,000			

During the year ended March 31, 2008, stock-based compensation expense of \$625,242 (2007: \$371,208) was recorded of which \$169,832 (2007: \$110,110) 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:

	<u>2008</u>	<u>2007</u>
Weighted average fair value of options granted	\$0.38-\$0.88	\$0.24
Expected dividend yield	0.0%	0.0%
Expected volatility	119%-135%	70%
Risk-free interest rate	4.6%	4.11%-4.19%
Expected term in years	1 - 5	1 - 5

## Note 6 Share Capital – (cont'd)

c) <u>Commitments</u>: – (cont'd)

**Share Purchase Warrants** 

Share purchase warrant transactions are summarized as follows:

	2008		2007	<u>'                                      </u>	
		Weighted		Weighted	
		Average		Average	
		Exercise		Exercise	
	<u>Shares</u>	<u>Price</u>	<u>Shares</u>	<u>Price</u>	
Balance, beginning of the year	1,712,178	\$0.80	1,490,343	\$0.85	
Issued	3,399,735	\$1.27	3,213,501	\$0.77	
Exercised	(917,177)	\$0.79	(2,739,443)	\$0.79	
Expired		-	(252,223)	\$0.85	
Balance, end of the year	4,194,736	<u>\$1.20</u>	1,712,178	<u>\$0.80</u>	

As at March 31, 2008, there were 4,194,736 share purchase warrants outstanding as follows:

	Exercise		Early Conversion	Average Remaining Contractual
<u>Number</u>	<u>Price</u>	Expiry Date	<u>Price</u>	Life in Years
461,668	\$0.80	April 20, 2008	\$1.50	0.05
333,333	\$1.00	April 25, 2008	\$1.50	0.07
359,590	\$1.00	June 14, 2008	N/A	0.21
3,040,145	\$1.30	June 14, 2008	N/A	0.21
4,194,736				

795,001 of the 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. Subsequent to March 31, 2008, 4,194,736 share purchase warrants expired unexercised.

## Note 7 Related Party Transactions

During the years ended March 31, 2008 and 2007, the Company incurred the following expenses with a company with a common director and with directors and an officer of the Company.

		<u>2008</u>	<u>2007</u>
Audit and legal fees Directors' fees Management fees	\$	29,460 44,000 365,869	\$ 11,000 201,000
	<u>\$</u>	439,329	\$ 212,000

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

Accounts payable and accrued liabilities include \$113,571 (2007: \$11,887) in management and directors' fees and travel and other expenses due to directors, officers and a company with a common director.

## Note 8 <u>Corporation Income Taxes</u>

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

	<u>2008</u>		<u>2007</u>
Statutory rate	 33.47%	_	34.12%
Loss before income taxes	\$ (957,833)	\$	(693,909)
Expected income tax recovery (Increase) decrease in income tax recovery resulting from:	\$ (321,000)	\$	(237,000)
Permanent differences	154,000		90,000
Effect of reduction in statutory rates	197,000		-
Change in valuation allowance for future income tax assets	 (30,000)	_	147,000
Income tax provision	\$ 	\$	

## Note 8 <u>Corporation Income Taxes</u> – (cont'd)

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

		<u>2008</u>	<u>2007</u>
Future income tax assets			
Non-capital losses carried forward	\$	411,000	\$ 308,000
Equipment		4,000	5,000
Resource properties and deferred exploration		160,000	210,000
Unused share issuance costs		145,000	146,000
Valuation allowance for future income tax assets		(720,000)	 (669,000)
Net future income tax assets	<u>\$</u>		\$ <u>-</u>

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

At March 31, 2008, the Company has accumulated foreign exploration costs of approximately \$12,500,000 and non-capital losses of approximately \$1,580,000 that may be applied against future income for tax purposes. The non-capital losses expire as follows:

2009	\$ 28,000
2026	300,000
2027	559,000
2028	 693,000
	\$ 1,580,000

### Note 9 <u>Subsequent Events</u>

Subsequent to March 31, 2008,

- a) the Company granted stock options to directors, employees and consultants to purchase a total of 480,000 common shares at a price of \$0.51 per share. The options were granted on April 23, 2008 and are exercisable for a period of five years.
- b) the Company cancelled 300,000 options held by a former employee of the Company, effective April 30, 2008.
- c) The Company entered into an agreement with a mining house to obtain interim financing for its Greenland diamond project. The agreement allows the Company to draw up to \$2 million at a rate of prime plus 2%. The loan matures January 4, 2009.

## Note 9 Subsequent Events – (cont'd)

d) The Company entered into an office premise lease for the one year period commencing July 1, 2008 and ending on June 30, 2009. A total of \$72,000 will be payable during the term of the lease.

## Note 10 Non-Cash Transaction

Investing and financing activities that do not 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 licenses.

#### Note 11 Comparative Figures

Certain of the March 31, 2007 comparative figures have been reclassified to conform with the current year's presentation.