HUDSON RESOURCES INC

HUDSON RESOURCES INC.

(An Exploration Stage Company)

FINANCIAL STATEMENTS

March 31, 2009 and 2008

BDO Dunwoody LLP
Chartered Accountants

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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, 2009 and 2008 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, 2009 and 2008 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 22, 2009

HUDSON RESOURCES INC.
(An Exploration Stage Company)
BALANCE SHEETS

		March 31, 2009		March 31, 2008
ASSETS				
Current				
Cash and cash equivalents	$	712,877	$	2,314,434
Accrued interest and amounts receivable		1,687		4,705
Goods and services tax receivable		64,630		88,445
Prepaid expenses		9,928		11,239
		789,122		2,418,823
Equipment – Note 4		2,175		2,991
Resource properties – Note 5		15,413,713		11,880,903
	$	16,205,010	$	14,302,717
LIABILITIES				
Current				
Accounts payable and accrued liabilities – Note 8	$	309,398	$	412,640
SHAREHOLDERS' EQUITY				
Share capital – Note 6		18,047,539		15,522,846
Contributed surplus – Note 6		1,561,625		1,240,991
Deficit		(3,713,552)		(2,873,760)
		15,895,612		13,890,077
	$	16,205,010	$	14,302,717

Nature of Operations and Ability to Continue as a Going Concern – Note 1
Commitment – Note 9
Subsequent Event – Note 13

APPROVED BY THE DIRECTORS:

"James Tuer", Director
JAMES TUER

"Robert Chase", Director
ROBERT CHASE

SEE ACCOMPANYING NOTES

HUDSON RESOURCES INC.
(An Exploration Stage Company)
STATEMENTS OF OPERATIONS AND DEFICIT

	Years Ended March 31, 2009	2008
Administrative Expenses		
Amortization	$ 816	$ 1,282
Audit and legal fees – Note 8	48,127	63,906
Bank charges and interest	3,330	2,943
Directors' fees – Note 8	11,000	44,000
Filing fees	10,176	6,716
Foreign exchange	1,852	16,007
Management fees – Note 8	325,201	365,869
Non-cash compensation – Note 6	320,634	455,410
Office	36,013	45,689
Rent	58,998	64,404
Shareholder/corporate communications	13,662	8,212
Telephone	10,539	8,895
Travel and accommodation	9,435	16,832
Transfer agent fees	6,270	10,170
Loss before other items	(856,053)	(1,110,335)
Other items:		
Bad debt expense recovery	2,650	-
Interest income	13,611	152,502
Net loss and comprehensive loss for the year	(839,792)	(957,833)
Deficit, beginning of the year	(2,873,760)	(1,915,927)
Deficit, end of the year	$ (3,713,552)	$ (2,873,760)
Basic and diluted loss per share	$ (0.02)	$ (0.03)
Weighted average number of shares outstanding	33,226,389	29,282,601

HUDSON RESOURCES INC.
(An Exploration Stage Company)
STATEMENTS OF CASH FLOWS

	Years Ended March 31, 2009	2008
Operating Activities		
Net loss for the year	$ (839,792)	$ (957,833)
Items not involving cash:		
Amortization	816	1,282
Non-cash compensation	320,634	455,410
	(518,342)	(501,141)
Changes in non-cash working capital items related to operations		
Accrued interest and amount receivable	3,018	14,951
Goods and services tax receivable	23,815	(23,986)
Prepaid expenses	1,311	9,325
Accounts payable and accrued liabilities	(385,202)	158,021
	(875,400)	(342,830)
Investing Activity		
Resource properties expenditures	(3,250,850)	(5,520,667)
	(3,250,850)	(5,520,667)
Financing Activities		
Loan proceeds – Notes 6 and 12	2,000,000	-
Issuance of common shares	524,693	6,419,681
	2,524,693	6,419,681
Increase (decrease) in cash during the year	(1,601,557)	556,184
Cash and cash equivalents, beginning of the year	2,314,434	1,758,250
Cash and cash equivalents, end of the year	$ 712,877	$ 2,314,434
Supplemental disclosure of cash flows information:		
Cash paid for:		
Interest	$ -	$ -
Income taxes	$ -	$ -

Non-cash Transaction – Note 12

SEE ACCOMPANYING NOTES

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, 2009, 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, 2009, the Company had not yet achieved profitable operations, had accumulated losses of $3,713,552 since inception and expects to incur further losses in the development of its business. 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

Adoption of New Accounting Policies

Assessing Going Concern
The Canadian Accountability Standards Board ("AcSB") 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.

Cash Distributions
CICA Handbook Section 1540, Cash Flow Statements, has been amended to require additional disclosures where cash distributions are made in accordance with a contractual obligation for cash distributions. The revised requirements are effective for interim and annual financial statements for fiscal years ending on or after March 31, 2008. The adoption of this Section did not result in any changes on the disclosure within the financial statements.

Note 2 Changes in Accounting Policies – (cont'd)

Adoption of New Accounting Policies – (cont'd)

Capital Disclosures
The AcSB issued CICA Handbook Section 1535 "Capital Disclosures" The section 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 capital requirements; and (iv) if it has not complied, the consequences of such non-compliance. This new Section relates to disclosures which did not have an impact on the Company's financial results. This section applies to interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. (See Note 7 for related disclosure)

Goodwill and Intangible Assets
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. It establishes standards for the recognition, measurement, presentation and disclosure of goodwill subsequent to its initial recognition and of intangible assets by profit-oriented enterprises. Standards concerning goodwill are unchanged from the standards included in the previous Section 3062.

Financial instruments
CICA Handbook Section 3862, Financial Instruments - Disclosure, increases the disclosures currently required to enable users to evaluate the significance of financial instruments for an entity's financial position and performance, including disclosures about fair value. CICA Handbook Section 3863, Financial Instruments – Presentation, replaces the existing requirements on the presentation of financial instruments, which have been carried forward unchanged. These standards are effective for interim and annual financial statements relating to fiscal years beginning on or after October 1, 2007. The adoption of these new accounting standards did not impact the amounts reported in the financial statements of the Company; however, it did result in expanded note disclosure (See Note 11)

Recent Accounting Pronouncements

Financial Statement Concepts
CICA Handbook Section 1000 has been amended to focus on the capitalization of costs that meet the definition of an asset and de-emphasizes the matching principle. The revised requirements are effective for annual and interim financial statements relating to fiscal years beginning on or after October 1, 2008. The Company is currently evaluating the impact of the adoption of this change on its financial statements.

Note 2 Changes in Accounting Policies – (cont'd)

Recent Accounting Pronouncements – (cont'd

International financial reporting standards ("IFRS")
In 2006, 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 with 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, 2011. 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.

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:

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, 2009 and 2008, potentially dilutive common shares (relating to options and warrants outstanding at the end of each period) totalling 5,355,000 at March 31, 2009 and 6,769,736 at March 31, 2008 were not included in the computation of loss per share because their effect was anti-dilutive.

Note 3 Significant Accounting Policies – (cont'd)

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.

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.

Note 3 Significant Accounting Policies – (cont'd)

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, 2009, 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.

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 than 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, 2009.

Note 3 Significant Accounting Policies – (cont'd)

k) Financial Instruments

All financial instruments are classified into one of these five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured on the trade date at fair value upon initial recognition. Subsequent measurement depends on the initial classification of the instrument. Held-for trading financial assets are measured at fair value, with changes in fair value recognized in net earnings (loss). Available-for-sale financial instruments are measured at fair value, with changes in fair value recorded in OCI until the instrument is derecognized or impaired. Loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost. All derivative instruments, including embedded derivatives, are recorded in the balance sheet at fair value unless they qualify for the normal sales and purchases exemption. Changes in the fair value of derivatives that are not exempt are recorded in the statement of operations. Transaction costs on the acquisition of financial assets and liabilities that are classified as other than held-for-trading are expensed.

The Company has made the following designations of its financial instruments: cash and cash equivalents as held-for trading; accrued interest and amounts receivables as loans and receivables; accounts payable and accrued liabilities as other financial liabilities. At March 31, 2009 and March 31, 2008, the Company had neither available-for-sale nor held-to maturity financial instruments.

l) Comprehensive Income

This standard requires the presentation of a statement of comprehensive income and its components. Comprehensive income includes both net earnings and other comprehensive income. Other comprehensive income includes holding gains and losses on available for sale investments, gains and losses on certain derivative financial instruments and foreign currency gains and losses relating to self-sustaining foreign operations, all of which are not included in the calculation of net earnings until realized. The adoption of this section had no impact upon the Company's financial statements.

Note 4 Equipment

	March 31,2009		
	Cost	Accumulated Amortization	Net
Computers	$ 5,026	$ 2,851	$ 2,175

	March 31,2008		
	Cost	Accumulated Amortization	Net
Computers	$ 5,026	$ 2,035	$ 2,991

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 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. 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.

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.

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.

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 became free trading on July 7, 2008.

The Company has met its exploration commitments required to maintain the Sarfartoq claim. Application has been approved to 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.

Note 5 Resources Properties – (cont'd)

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.

Note 6 Share Capital

a) Authorized:

Unlimited number of common shares without par value

b) Issued common shares and contributed surplus :

		Number	Amount	Contributed Surplus
Balance as at March 31, 2007		23,573,799	$ 9,285,015	$ 623,731
For cash:				
- Pursuant to a private placement	- at $1.00	6,000,000	6,000,000	-
- Pursuant to the exercise of agents' warrants	- at $0.60	38,010	22,806	-
- Pursuant to the exercise of share purchase warrants	- at $0.80	879,167	703,334	-
Share issue costs		80,290	(496,291)	169,832
Transfer from contributed surplus on exercise of 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
- Pursuant to a debt conversion	- at $0.40	5,000,000	2,000,000	-
- Pursuant to a private placement	- at $0.10	5,520,000	552,000	-
Share issue costs		-	(27,307)	-
Stock-based compensation		-	-	320,634
Balance as at March 31, 2009		41,091,266	$ 18,047,539	$ 1,561,625

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. In connection with the private placement, the Company issued 399,735 compensation warrants. Each full warrant entitles the holders thereof to purchase one common share of the Company at $1.30 until June 14, 2008.

During the year ended March 31, 2009, the Company received cash proceeds of $2,000,000 from Teck Cominco and then extinguished this $2,000,000 note payable to Teck Cominco by issuing 5,000,000 common shares at $0.40 per share. As well, the Company issued 5,520,000 units at $0.10 per unit. Each unit consisted 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 $0.20 until August 3, 2010. The Company applied the residual approach and allocated the total proceeds to the common shares and $nil to the attached warrants.

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. The 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 basis. 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, management has the option of determining vesting periods. As at March 31, 2009, 4,109,126 shares are available for issuance under the plan.

A summary of the status of the stock option plan as at March 31, 2009 and March 31, 2008 and the changes during the periods ended on those dates is presented below:

	Year ended March 31, 2009		Year ended March 31, 2008	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding, beginning of period	2,575,000	$0.68	1,875,000	$0.56
Granted	480,000*	$0.51	700,000	$1.00
Expired	(50,000)	$0.20	-	
Cancelled	(355,000)	$0.84	-	-
Forfeited	(55,000)	$0.96	-	-
Options outstanding, end of period	2,595,000	$0.63	2,575,000	$0.68
Options exercisable, end of period	2,130,000	$0.63	2,312,500	$0.64

* The share purchase options for the purchase of 480,000 shares at $0.51 per share vest as to 25% on the date granted and 12.5% every three months thereafter.

As at March 31, 2009, there were 2,595,000 (March 31, 2008 – 2,575,000) share purchase options outstanding entitling the holders thereof the right to purchase one common share for each option held as follows:

Note 6 Share Capital – (cont'd)

c) Commitments: – (cont'd)

Stock-based Compensation Plan – (cont'd)

Number	Exercise Price	Expiry Date	Average Remaining Contractual Life in Years
543,167	$0.60	December 1, 2009	0.67
923,333	$0.50	January 4, 2011	1.76
58,500	$0.60	January 4, 2011	1.76
100,000	$0.80	February 3, 2011	1.85
50,000	$0.80	April 26, 2011	2.07
450,000	$1.00	June 15, 2012	3.21
470,000	$0.51	April 23, 2013	4.07
2,595,000			

During the year ended March 31, 2009, stock-based compensation expense of $320,634 (2008: $455,410) was recorded. The fair value of the compensation expense has been determined using the Black-Scholes option valuation model with the following assumptions:

	Year ended March 31, 2009	Year ended March 31, 2008
Weighted average fair value of options granted	$0.45	$0.38-$0.88
Expected dividend yield	0.0%	0.0%
Expected volatility	135%	119%-135%
Risk-free interest rate	4.6%	4.6%
Expected term in years	5	1 - 5

Note 6 Share Capital – (cont'd)

c) Commitments: – (cont'd)

Share Purchase Warrants

Share purchase warrant transactions are summarized as follows:

	Year ended March 31, 2009		Year ended March 31, 2008	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Balance, beginning of the period	4,194,736	$1.20	1,712,178	$0.80
Issued	2,760,000	$0.20	3,399,735	$1.27
Exercised	-	-	(917,177)	$0.79
Expired	4,194,736	$1.20	-	-
Balance, end of the period	,760,000	$0.20	4,194,736	$1.20

As at March 31, 2008, there were 2,760,000 share purchase warrants outstanding as follows:

Number	Exercise Price	Expiry Date	*Early Conversion Price	Average Remaining Contractual Life in Years
2,760,000	$0.20	August 3, 2010	$0.40	$.21

* For early conversion, if the Company's shares trade on a weighted average trading price for 10 consecutive trading days at $0.40 per share or higher during the exercise period, the Company may accelerate the expiry time to 30 calendar days from the date written notice is provided by the Company to the warrant holder.

Note 7 Capital Disclosures

The Company manages its capital, consisting of shareholders' equity, in a manner consistent with the risk characteristics of the assets it holds. As disclosed in Note 6 – Share Capital, the Company recently extinguished its debt by completing an agreement with Teck Cominco Ltd to convert the $2 million interim financing arranged on July 4, 2008 into 5,000,000 common shares of the Company. As well, the Company completed a private placement of 5,520,000 Units, consisting of one share and one-half share purchase warrant at $0.10 per Unit. This raised gross funds of $552,000 for the Company. All sources of financing are analyzed by management and approved by the Board of Directors.

Note 7 Capital Disclosures – (cont'd)

The Company's objectives when managing capital are:

a) to safeguard the Company's ability to continue as a going concern;
b) to facilitate the ongoing exploration and evaluation of its mineral properties, located in Greenland.

The Company is not subject to externally imposed capital requirement. The Company is meeting its objective of managing capital through its detailed review and performance of due diligence on its diamond exploration and development activities, preparing cash flow analyses to ensure an adequate amount of liquidity and monthly review of financial results. The Company currently has net positive working capital and believes that it has the ability to maintain this based upon its previous success at raising capital and the option of operating at a minimum sustaining basis.

Note 8 Related Party Transactions

During the year ended March 31, 2009 and 2008, the Company incurred the following expenses with a company with a common director and with directors and officers and a former officer of the Company.

	2009	2008
Accounting and legal fees	$ 12,855	$ 29,460
Directors' fees	11,000	44,000
Management fees	325,200	365,870
	$ 349,055	$ 439,330

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

Accounts payable and accrued liabilities include $5,459 (2007: $113,571) in management and directors' fees and travel and other expenses due to directors, officers and a company with a common director.

Note 9 Office Lease Commitments

During the year ended March 31 2009, the Company entered into a two year lease agreement ending October 1, 2011 for office space in Vancouver, British Columbia. Total minimum lease payments are as follows:

	Amount
March 31, 2010	$ 19,556
March 31, 2011	39,113
March 31, 2012	19,556
	$ 78,225

Note 10 Corporation Income Taxes

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

	2009	2008
Statutory rate	30.63%	33.47%
Loss before income taxes	$ (839,792)	$ (957,833)
Expected income tax recovery	$ (257,000)	$ (321,000)
(Increase) decrease in income tax recovery resulting from:		
Permanent differences	85,000	154,000
Effect of reduction in statutory rates	26,000	197,000
Change in valuation allowance for future income tax assets	146,000	(30,000)
Income tax provision	$ -	$ -

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

	2009	2008
Future income tax assets		
Non-capital losses carried forward	$ 600,000	$ 411,000
Equipment	110,000	4,000
Resource properties and deferred exploration	54,000	160,000
Unused share issuance costs	102,000	145,000
Valuation allowance for future income tax assets	(866,000)	(720,000)
Net future income tax assets	$ -	$ -

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, 2009, the Company has accumulated foreign exploration costs of approximately $15,621,000 and non-capital losses of approximately $2,308,000 that may be applied against future income for tax purposes. The non-capital losses expire as follows:

2026	$ 300,000
2027	559,000
2028	693,000
2029	756,000
	$ 2,308,000

Note 11 Financial Risk Management

a) Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash and cash equivalents and receivables are exposed to credit risk. The Company reduces its credit risk on cash and cash equivalents by placing these instruments with institutions of high credit worthiness. As at March 31, 2009 the Company is not exposed to any significant credit risk.

b) Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining sufficient cash balance to enable settlement of transactions on the due date. Accounts payable and accrued liabilities are current.

c) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Included in the loss for the year in the financial statements is interest income on Canadian dollar cash and cash equivalents. As at March 31, 2009, the Company's cash is subject to or exposed to interest rate risk. However, this risk is not significant.

d) Foreign Currency Risk

The Company has operations in Canada and Greenland subject to foreign currency fluctuations. The Company's operating expenses are incurred in Canadian dollars and Greenland dollars ("DDK") and the fluctuation of the Canadian dollar in relation to the other currency will have an impact upon the profitability of the Company and may also affect the value of the Company's assets and the amount of shareholders' equity. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks.

Note 12 Non Cash Transactions

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, 2009, the Company issued 5,000,000 common shares at $0.40 per share to settle a note payable of $2,000,000.

At March 31, 2009, accounts payable include $281,960 relating to resource properties.

Note 13 Subsequent Event

On April 6, 2009, the Company granted of 1,500,000 fully vested share purchase options exercisable at $0.10 per share to directors, officers and consultants to the Company. The options expire 5 years from the grant date.

Subsequent to March 31, 2009, the Company closed a private placement of 5,300,000 units at $0.20 per unit for gross proceeds of $1,060,000. Each unit was comprised of one common share and one common share purchase warrant. Each warrant will entitle the holder to purchase one additional common share at $0.30 for a period of 18 months from the date of share issuance. The proceeds on the sale of units are all allocated to share capital and none to warrants. The Company paid a broker cash commission of $ 15,250.

Schedule 1

HUDSON RESOURCES INC.
(An Exploration Stage Company)
SCHEDULE OF RESOURCE PROPERTY COSTS
for the years ended March 31, 2009 and 2008

	March 31, 2007	Additions	March 31, 2008	Additions	March 31, 2009
Greenland					
Sarfartoq Exploration Licences					
Acquisition costs / license fees	$ 592,527	$ 21,230	$ 613,757	$ 30,802	$ 644,559
Deferred exploration expenditures					
Assay and analysis	283,775		283,775	6,570	290,345
Camp and portable shelters	-	356,179	356,179	153,269	509,448
Consulting	600,745	390,618	991,363	298,576	1,289,939
Data processing	52,276	-	52,276	2,950	55,226
Diamond recovery plant and operations	146,000	1,269,262	1,415,262	256,807	1,672,069
Drilling	1,247,757	823,624	2,071,381	805,899	2,877,280
Equipment	48,029	272,614	320,643	134,806	455,449
Explosives	44,905	-	44,905	5,121	50,026
Fuel	36,448	45,021	81,469	91,447	172,916
Geophysical data	405,035	-	405,035	468	405,503
Helicopter	2,039,764	1,197,780	3,237,544	785,721	4,023,265
Insurance	22,937	13,400	36,337	11,096	47,433
Legal	6,018	-	6,018	-	6,018
Sample extraction and processing	380,196	657,566	1,037,762	550,051	1,587,813
Shipping	31,898	181,014	212,912	205,123	418,035
Supplies	40,506	37,978	78,484	32,973	111,457
Travel	381,420	254,382	635,802	161,130	796,932
	5,767,709	5,499,437	11,267,146	3,502,008	14,769,154
Total resource property costs	$ 6,360,236	$ 5,520,667	$ 11,880,903	$3,532,810	$ 15,413,713