

HUDSON RESOURCES INC.

(An Exploration Stage Company)
FINANCIAL STATEMENTS
March 31, 2010 and 2009



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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, 2010 and 2009 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 Those standards require that we plan and perform an audit to obtain standards. 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, 2010 and 2009 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 Canada LLP"

Chartered Accountants

Vancouver, Canada July 23, 2010

sat March 31, 2010			March 31, 2009		
ASSETS					
CURRENT					
Cash and cash equivalents (note 6)	\$	1,981,878	\$	712,877	
Accrued interest and amounts receivable		-		1,687	
Goods and services tax receivable		38,119		64,630	
Deposits		4,365		-	
Prepaid expens es		28,385		9,928	
		2,052,747		789,122	
Equipment (note 7)		3,842		2,175	
Resource properties (note 8 and schedule 1)		16,921,437		15,413,713	
	\$	18,978,026	\$	16,205,010	
LIABILITIES					
CURRENT					
Accounts payable and accrued liabilities (note 10)	\$	184,023	\$	309,398	
SHAREHOLDERS'EQUITY					
Share capital (note 9)		21,276,946		18,047,539	
Share subscription received (note 9)		240,800		-	
Contributed surplus (note 9)		1,761,837		1,561,625	
Deficit		(4,485,580)		(3,713,552)	
		18,794,003		15,895,612	
	\$	18,978,026	\$	16,205,010	

Nature of operations and ability to continue as a going concern (note 1) Commitment (notes 11)

Subsequent events (notes 14)

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

Approved on behalf of the Board:

<u>/s/James Tuer</u> Director <u>/s/John Hick</u> Director

For the years ended

	Ma	orch 31,2010	March 31, 2009	
EXPENSES				
Amortization	\$	1,062 \$	816	
Legal, audit and accounting fees (note 10)		53,210	48,127	
Bank charges and interest		1,977	3,330	
Directors' fees (note 10)		-	11,000	
Filing fees		18,747	10,176	
Foreign exchange		(3,284)	1,852	
Management fees (note 10)		325,200	325,201	
Non-cash compensation (note 9(e))		222,733	320,634	
Office		35,604	36,013	
Rent		36,231	58,998	
Shareholder/corporate communications		48,015	13,662	
Telephone		6,376	10,539	
Travel and accommodation		17,123	9,435	
Transfer agent fees		9,156	6,270	
		(772 <i>,</i> 150)	(856,053)	
OTHER INCOME				
Bad debt expense recovery		-	2,650	
Interestincome		122	13,611	
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR		(772,028)	(839,792)	
OPENING DEFICIT		(3,713,552)	(2,873,760)	
CLOSING DEFICIT	\$	(4,485,580) \$	(3,713,552)	
Pacie and diluted loss now share	Ś	(0.03) ć	(0.02)	
Basicand diluted loss per share		(0.02) \$	(0.03)	
Weighted average number of common			00.000	
shares outstanding		47,903,759	33,226,389	

 $\label{thm:company:equation:company:eq$

For the years ended

March 31, 2010		March 31,2009		
OPERATING ACTIVITIES				
Net loss for the year	\$	(772,028)	\$	(839,792)
Adjustments for items not affecting cash:				
Amortization		1,062		816
Non-cash compensation		222,733		320,634
		(548,233)		(518,342)
Net changes in non-cash working capital items:				
Accrued interest and amounts receivable		1,687		3,018
Goods and services tax receivable		26,511		23,815
Deposits		(4,365)		-
Prepai d expens es		(18,457)		1,311
Accounts payable and accrued liabilities		49,106		(385,202)
		(493,751)		(875,400)
FINANCING ACTIVITIES				
Loan proceeds		_		2,000,000
Issuance of common shares		3,206,886		524,693
Share subscription received		240,800		_
		3,447,686		2,524,693
INVESTING ACTIVITIES				
Resource properties expenditures		(1,682,205)		(3,250,850)
Equipment		(2,729)		(3,230,830)
Equipment		(1,684,934)		(3,250,850)
Not in second (do second) in section and each court release.		1 200 001		(4 CO4 FF7)
Net increase (decrease) in cash and cash equivalents		1,269,001		(1,601,557)
Cash and cash equivalents, beginning of year Cash and cash equivalents, end of year	<u> </u>	712,877 1,981,878	Ś	2,314,434 712,877
cast and astrequivalents, end of year	<u> </u>	1,501,670		712,077
Cash and cash equivalents consist of :				
Cash		1,855,697		586,831
Term deposits		126,181		126,046
	\$	1,981,878	\$	712,877
Supplemental disclosure of cash flow information:				
Cash paid for:				
Interest	\$	-	\$	-
Income taxes	\$		\$	

Supplemental cash flow information (Note 12)

 $\label{thm:company} \textit{The accompanying notes are an integral part of these financial statements.}$

HUDSON RESOURCES INC. (An Exploration Stage Company) NOTES TO THE FINANCIAL STATEMENTS For The Years Ended March 31, 2010 and 2009

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, 2010, 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 ("GAAP") 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, 2010, the Company had not yet achieved profitable operations, had accumulated losses of \$4,485,580 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 - 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 judgment. 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, 2010 and 2009, potentially dilutive common shares (relating to options and warrants outstanding at the end of each period) totaling 3,428,000 at March 31, 2010 and 5,355,000 at March 31, 2009 were not included in the computation of loss per share because their effect was anti-dilutive.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Writedowns 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.

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

HUDSON RESOURCES INC. (An Exploration Stage Company) NOTES TO THE FINANCIAL STATEMENTS For The Years Ended March 31, 2010 and 2009

consistent with the depletion and depreciation of the related asset. At March 31, 2010, the fair values of the mineral properties site restoration costs cannot be reasonability estimated.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

h) Stock-based Compensation Plan

The Company has a stock-based compensation plan as disclosed in Note 9, 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, 2010.

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 receivable as loans and receivables; deposits as held-to-maturity and accounts payable and accrued liabilities as other financial liabilities.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

I) 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.

At March 31, 2010 and 2009, the Company does not have any comprehensive income adjustments arising from its financial instruments

NOTE 3 - CHANGES IN ACCOUNTING POLICIES AND NEW ACCOUNTING DEVELOPMENTS

Future changes in accounting policies

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 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 Company's effective date of April 1, 2011 will require the restatement for comparative purposes of amounts reported by the Company for the year ending 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.

Business Combinations

In January 2009, the Canadian Institute of Chartered Accountants ("CICA") issued Handbook section 1582, Business Combinations, section 1601, Consolidated Financial Statements, and section 1602, Non-Controlling Interests. These sections replace the former section 1581, Business Combinations, and section 1600, Consolidated Financial Statements, and establish a new section for accounting for a non-controlling interest in a subsidiary.

Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. Acquisition costs are not part of the consideration and are to be expensed when incurred. Section 1601 establishes standards for the preparation of consolidated financial statements.

These new sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections.

HUDSON RESOURCES INC. (An Exploration Stage Company) NOTES TO THE FINANCIAL STATEMENTS For The Years Ended March 31, 2010 and 2009

NOTE 4 - MANAGEMENT OF CAPITAL

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue the development of its resource properties and to maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes the components of shareholders' equity as well as cash and cash equivalents.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, acquire or dispose of assets, or adjust the amount of cash and cash equivalents and short-term investments. In order to maximize ongoing development efforts, the Company does not pay out dividends.

The Company is not subject to any externally imposed capital requirements.

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 5 - FINANCIAL INSTRUMENTS

The Company has designated its cash and cash equivalents as held-for-trading; accrued interest and amounts receivable as loans and receivables; deposits as held-to-maturity; and accounts payable and accrued liabilities as other financial liabilities.

a) Fair value

The carrying values of cash and cash equivalents, accrued interest and amounts receivable, deposits, and accounts payable and accrued liabilities approximate their fair values due to the relatively short period to maturity of those financial instruments.

The CICA establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

Level 1 – Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 – Inputs other than quoted prices that are observable for the asset or liability either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3 – Inputs that are not based on observable market data.

The fair value of all the financial instruments is measured by using the unadjusted quoted price in active markets for identical assets and liabilities (Level 1).

NOTE 5 - FINANCIAL INSTRUMENTS (continued)

b) Financial risk management

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, 2010 the Company is not exposed to any significant credit risk.

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, 2010, the Company's cash is subject to or exposed to interest rate risk. However, this risk is not significant.

Foreign Currency Risk

The Company is exposed to currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars. The Company has not entered into any foreign currency contracts to mitigate this risk.

The Company's accounts payable and accrued liabilities are held in Canadian dollars and Greenland dollars ("DDK"); therefore, DDK dollar accounts are subject to fluctuation against the Canadian dollar.

The Company had the following balances in foreign currency as at March 31, 2010:

	 in DDK
Accounts payable and accrued liabilities	\$ 195,600
Rate to convert to \$1.00 Canadian	 0.1842

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.

NOTE 6 - CASH AND CASH EQUIVALENTS

As at March 31, 2010, the balance of cash and cash equivalents is \$1,981,878 (2009 - \$712,877), which consists of \$1,855,697 in cash (2009 - \$586,831) and \$126,181 in cash equivalents (2009 - \$126,046).

NOTE 7 - EQUIPMENT

		March 31, 2010	
	Cost	Acc. Amort.	NBV
Computers	7,755	(3,913)	3,842
		March 31, 2009	
	Cost	Acc. Amort.	NBV
Computers	5,026	(2,851)	2,175

NOTE 8 - RESOURCES 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. During the year ended March 31, 2010, the Company made application to reduce the licence area to approximately 121 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. During the year ended March 31, 2010, the Company applied to extend the licence for an additional five year period.

HUDSON RESOURCES INC. (An Exploration Stage Company) NOTES TO THE FINANCIAL STATEMENTS For The Years Ended March 31, 2010 and 2009

NOTE 8 - RESOURCES PROPERTIES (continued)

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.

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).

The Company has met its exploration commitments required to maintain the Sarfartoq claim. During the year ended March 31, 2010, an application was submitted to extend the licence for a further 2 year period ending December 31, 2011.

Sarfartog 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.

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.

Sarfartoq Valley Claim, Greenland

During the year ended March 31, 2010, the Company's application for the Sarfartoq Valley mineral claim (EL 2009/20) comprising 5 square kilometres in Western Greenland was approved by the Greenland mining authorities ("BMP").

NOTE 9 - SHARE CAPITAL

a) Authorized

Unlimited number of common shares without par value

b) Issued common shares and contributed surplus

				Share	
	Number of		S	Subscriptions	Contributed
	Common Shares	Amount		Reœived	Surplus
Balance, March 31, 2008	30,571,266	\$ 15,522,846	\$	-	\$ 1,240,991
Private placement	5,520,000	552,000		-	-
Debt conversion	5,000,000	2,000,000		-	-
Share is suance costs	-	(27,307)		-	-
Stock-based compensation	-	-		-	320,634
Balance, March 31, 2009	41,091,266	18,047,539		-	1,561,625
Private placement	5,300,000	1,060,000		-	-
Exercise warrants for cash	8,065,000	2,143,500		-	-
Exercise options for cash	50,000	25,500		-	-
Share is suance costs	5,000	(22,114)		-	-
Subscriptions received	-	-		240,800	-
Reclassification of grant-date fair value on exercise of stock options	-	22,521		-	(22,521)
Stock-based compensation		-		-	222,733
Balance, March 31, 2010	54,511,266	\$ 21,276,946	\$	240,800	\$ 1,761,837

For the year ended March 31, 2010

On July 13, 2009, the Company completed a private placement of 5,300,000 units at a price of \$0.20. Each unit consists of one common share and one share purchase warrant. Each full warrant entitles the holder thereof to purchase one additional share for \$0.30 on or before January 13, 2011. In connection with the private placement, the Company issued 5,000 units and paid \$22,114 as share issue costs. The Company uses the residual value method with respect to the measurement of shares and warrants issued in the private placement units. Under this method, fair value assigned to the warrants is \$nil based on an estimated fair value of the shares equal to the value of the units.

NOTE 9 - SHARE CAPITAL (continued)

b) Issued common shares and contributed surplus (continued)

For the year ended March 31, 2009

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.

c) Share Purchase Warrants

A summary of the status of warrants as of March 31, 2010 and 2009 and the changes for the years then ended are as follows:

	March 31,2010		0	March 3	09	
	Number	Wei	ghted Average	Number	W	eighted Average
	Outstanding		Exercise Price	Outstanding		Exercise Price
Outs tanding, beginning of year	2,760,000	\$	0.20	4,194,736	\$	1.20
Issued	5,305,000	\$	0.30	2,760,000	\$	0.20
Expired	-	\$	-	(4,194,736)	\$	1.20
Exercised	(8,065,000)	\$	0.27	-	\$	-
Outstanding, end of year	-	\$	-	2,760,000	\$	0.20

NOTE 9 - SHARE CAPITAL (continued)

d) Options

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 nondiluted 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, 2010, 2,023,127 shares are available for issuance under the plan.

A summary of the status of options granted under the Option Plan as of March 31, 2010 and 2009, and the changes for the years then ended are as follows:

	March 31, 2010			March 31, 2009			
	Number Outstanding	U	ed Average erdse Price	Number Outstanding		ghted Average Exercise Price	
Outstanding, beginning of year	2,595,000	\$	0.63	2,575,000	\$	0.68	
Granted	1,600,000	\$	0.15	480,000	\$	0.51	
Expired	(543,167)	\$	0.60	(50,000)	\$	0.20	
Cancelled	-	\$	-	(355,000)	\$	0.84	
Forfeited	(173,833)	\$	0.59	(55,000)	\$	0.96	
Exercised	(50,000)	\$	0.51	-	\$	-	
Outstanding, end of year	3,428,000	\$	0.42	2,595,000	\$	0.63	

NOTE 9 - SHARE CAPITAL (continued)

d) Options (continued)

The following summarizes information about stock options outstanding and exercisable at March 31, 2010:

M sight ad

	Options	Options		w eighted average remaining contractual life (in
Expiry date	Outstanding	Exercisable	Exercise price	years)
January 4, 2011	58,500	58,500	\$ 0.60	0.76
January 4, 2011	849,500	849,500	0.50	0.76
February 3, 2011	100,000	100,000	0.80	0.85
June 15, 2012	450,000	450,000	1.00	2.21
April 23,2013	370,000	370,000	0.51	3.07
April 6,2014	1,500,000	1,500,000	0.10	4.02
January 25, 2015	100,000	25,000	0.95	4.82
	3,428,000	3,353,000		2.75

e) Stock-based compensation

The fair value of stock options is determined using the Black-Scholes option pricing model. There were 1,600,000 options granted to the Company's directors, officers, employees and consultants during the year ended March 31, 2010 (2009 – 480,000). The Company recognized \$222,733 of stock-based compensation expense on options vested during the year ended March 31, 2010 (2009 - \$320,634). For the years ended March 31, 2010 and 2009, stock-based compensation expense consists of the following:

	March 31, 2010		Ma	rch 31, 2009
Consulting fees	\$	20,964	\$	64,953
Directors' remuneration		78,063		83,463
Legal, audit and accounting		-		19,037
Management remuneration		123,706		153,181
	\$	222,733	\$	320,634

The fair value of employee and non-employee options granted during the year ended March 31, 2010 and 2009 was calculated using the Black-Scholes option pricing model with the following weighted-average assumptions:

	Marc	h 31, 2010	March 31, 2009
Risk-free interest rate		1.68%	4.60%
Expected annual volatility		150%	135%
Expected life		5.00	5.00
Expected dividend yield		0%	0%
Weighted average fair value of options granted	\$	0.13	\$0.45

NOTE 10 - RELATED PARTY TRANSACTIONS

During the year ended March 31, 2010 and 2009, 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:

	 For the years ended			
	March 31, 2010		March 31, 2009	
Legal, audit and accounting fees	\$ -	\$	12,855	
Directors' fees	-		11,000	
Management fees	325,200		325,200	
·	\$ 325,200	\$	349,055	

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

As at March 31, 2010, accounts payable and accrued liabilities include \$29,277 (2009: \$5,459) in management and directors' fees and travel and other expenses due to directors, officers and a company with a common director.

NOTE 11 – OFFICE LEASE COMMITMENT

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

For the year ended	Α	Amount		
March 31, 2011	\$	39,113		
March 31, 2012		19,557		
	\$	58,670		

NOTE 12 – SUPPLEMENTAL CASH FLOW INFORMATION

Investing and financing activities that do not have a direct impact on current cash flows are excluded from the statements of cash flows.

At March 31, 2010, accounts payable include \$107,480 relating to resource properties (2009 - \$281,961).

For the year ended March 31, 2009, the following transaction was excluded from the statements of cash flows:

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

NOTE 13 – CORPORATION INCOME TAXES

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

		2010	2009		
Statutory rate		29.63%		30.63%	
Loss before income taxes	\$	(772,028)	\$	(839,792)	
Expected income tax recovery	\$	(228,700)	\$	(257,000)	
(Increase) decrease in income tax recovery resulting from:					
Permanent differences		65,400		85,000	
Effect of reduction in statutory rates		63,300		26,000	
Change in valuation allowance for future income tax assets		100,000		146,000	
Income tax provision	\$	-	\$	-	

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

	2010	2009		
Future income tax assets				
Non-capital losses carried forward	\$ 744,000	\$	600,000	
Equipment	123,000		110,000	
Resource properties and deferred exploration	36,000		54,000	
Unused share issuance costs	63,000		102,000	
Valuation allowance for future income tax assets	(966,000)		(866,000)	
	\$ -	\$	-	

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.

NOTE 13 - CORPORATION INCOME TAXES (continued)

At March 31, 2010, the Company has accumulated foreign exploration costs of approximately \$17,064,250 and non-capital losses of approximately \$2,976,000 that may be applied against future income for tax purposes. The non-capital losses expire as follows:

2028 2029 2030	693,000 711,000 713,000
2028	,
	693,000
2027	
2027	559,000
2026 \$	300,000

NOTE 14 – SUBSEQUENT EVENTS

On April 6, 2010, the Company issued 50,000 shares and received \$5,000 from the exercise of stock options.

On April 6, 2010, the Company completed a non-brokered private placement of 6,250,000 units at a price of \$0.80. Each unit consists of one common share and one-half of one share purchase warrant. Each full warrant entitles the holder thereof to purchase one additional share for \$1.20 on or before April 6, 2012. In certain events, the Company can accelerate the expiry date of the warrants if the common shares trade above a weighted average of \$2.00 for 20 days. The Company paid \$196,900 in fees in connection with this private placement.

On April 30, 2010, the Company granted 2,250,000 options with an exercise price of \$0.80 to its directors, officers and employees. The options vest 25% upon issue and 12.5% each quarter thereafter.

HUDSON RESOURCES INC. (An Exploration Stage Company) SCHEDULE OF RESOURCE PROPERTY COSTS FOR THE YEARS ENDED MARCH 31, 2010 AND 2009

		lance as at rch 31, 2008	Additions		alance as at arch 31, 2009	Additions		alance as at rch 31, 2010
Greenland	1110	1011 31, 2000	7.00100113	1110		 , la artionis	1410	1011 31, 2010
Sarfartog Exploration Licences								
Acquisition costs / license fees	\$	613,757	\$ 30,802	\$	644,559	\$ 7,690	\$	652,249
Deferred exploration expenditures								
Assay and analysis		283,775	6,570		290,345	56, 293		346,638
Camp and portable shelters		356,179	153,269		509,448	42,234		551,682
Consulting		991,363	298,576		1,289,939	108,475		1,398,414
Dataprocessing		52,276	2,950		55,226	-		55,226
Diamond recovery plant and operations		1,415,262	256,807		1,672,069	410		1,672,479
Drilling		2,071,381	805,899		2,877,280	177,478		3,054,758
Equipment		320,643	134,806		455,449	78,980		534,429
Explosives		44,905	5,121		50,026	-		50,026
Fuel		81,469	91,447		172,916	27,802		200,718
Ge ophysical data		405,035	468		405,503	47,164		452,667
Helicopter		3,237,544	785,721		4,023,265	775,560		4,798,825
Insurance		36,337	11,096		47,433	-		47,433
Legal		6,018	-		6,018	-		6,018
Sample extraction and processing		1,037,762	550,051		1,587,813	12,150		1,599,963
Shipping		212,912	205,123		418,035	53,573		471,608
Supplies		78,484	32,973		111,457	16,677		128, 134
Travel		635,802	161,130		796,932	82,022		878,954
Wages and benefits					-	21,216		21,216
•		11,267,147	3,502,007		14,769,154	1,500,034		16,269,188
Total resource property costs	\$	11,880,904	\$ 3,532,809	\$	15,413,713	\$ 1,507,724	\$	16,921,437