HUDSON RESOURCES INC

HUDSON RESOURCES INC.

REPORT AND FINANCIAL STATEMENTS

For the Three Month Period Ended June 30, 2008

(unaudited)

NOTICE CONCERNING AUDITOR REVIEW

The Company did not engage an independent auditor to perform a review of the interim financial statements for the three month period ended June 30, 2008. Accordingly, the interim financial statements for the three month period ended June 30, 2008 have been prepared by management and have not been reviewed by an independent auditor.

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HUDSON RESOURCES INC.
BALANCE SHEETS

	June 30, 2008 (unaudited)	March 31, 2008 (audited)
ASSETS		
Current		
Cash and cash equivalents	$ 668,509	$ 2,314,434
Accrued interest and amounts receivable	2,449	4,705
Goods and services tax receivable	113,326	88,445
Prepaid expenses and deposits	24,088	11,239
	808,372	2,418,823
Equipment - Note 4	2,766	2,991
Resource properties - Note 5 and Schedule 1	13,853,811	11,880,903
Total Assets	$ 14,664,949	$ 14,302,717
LIABILITIES		
Current		
Accounts payable and accrued liabilities - Note 8	$ 904,876	$ 412,640
SHAREHOLDERS' EQUITY		
Share Capital - Notes 6 and 9	15,522,845	15,522,846
Contributed surplus - Note 6	1,361,284	1,240,991
Deficit	(3,124,056)	(2,873,760)
	13,760,073	13,890,077
Total Liabilities and Equity	$ 14,664,949	$ 14,302,717

Nature of Operations and Ability to Continue as a Going Concern - Note 1
Commitments - Notes 6 and 10
Subsequent Events - Note 9

APPROVED BY THE DIRECTORS:

"James Tuer", Director
JAMES TUER

"Robert Chase", Director
ROBERT CHASE

SEE ACCOMPANYING NOTES

HUDSON RESOURCES INC.
STATEMENTS OF OPERATIONS AND DEFICIT
(unaudited)

	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007
Administrative Expenses		
Amortization	$ 224	$ 320
Accounting and legal fees	10,805	8,259
Bank charges and interest	2,294	2,024
Directors' fees - Note 7	11,000	11,000
Filing Fees	1,600	1,375
Foreign Exchange	452	(2,869)
Management fees - Note 7	81,301	68,751
Office	8,201	12,120
Rent	15,375	14,738
Shareholder communication	2,171	1,061
Stock-based compensation - Note 6	120,293	165,494
Telephone	2,718	2,342
Transfer agent fees	1,419	2,422
Travel and promotion	4,185	7,235
Loss before other item	(262,037)	(294,271)
Other item:		
Interest income	11,741	25,826
	11,741	25,826
Net loss and comprehensive loss for the period	(250,296)	(268,445)
Deficit, beginning of the period	(2,873,760)	(1,915,927)
Deficit, end of the period	$ (3,124,056)	$ (2,184,372)
Basic and diluted loss per share	$ (0.01)	$ (0.01)
Weighted average number of shares outstanding	30,571,266	24,010,537

SEE ACCOMPANYING NOTES

HUDSON RESOURCES INC.
STATEMENTS OF CASH FLOWS
(unaudited)

	Three Months Ended June 30, 2008	Three Months Ended June 30, 2007
Operating Activities		
Net loss for the period	$(250,296)	$(268,445)
Items not involving cash:		
Amortization	224	320
Stock-based compensation	120,293	165,494
Changes in working capital:		
Accrued interest and amounts receivable	2,256	(8,463)
Goods and services tax receivable	(24,881)	(29,147)
Accounts payable and accrued liabilities	492,236	743,478
Prepaid expenses	(12,849)	2,941
	326,983	606,178
Investing Activities		
Exploration expenditures	(1,952,751)	(1,931,090)
Property acquisition costs	(20,157)	(18,162)
	(1,972,908)	(1,949,252)
Financing Activities		
Issuance of common shares	-	6,400,111
	-	6,400,111
Increase (decrease) in cash during the period	(1,645,925)	5,057,037
Cash and cash equivalents, beginning of the period	2,314,434	1,758,250
Cash and cash equivalents, end of the period	$ 668,509	$ 6,815,287

Schedule 1

HUDSON RESOURCES INC.
SCHEDULE OF RESOURCE PROPERTY COSTS

Resource Properties	March 31, 2008 (Audited)	Additions (Unaudited)	June 30, 2008 (Unaudited)	June 30, 2007 (Unaudited)
Greenland, Sarfartoq Exploration Licenses				
Acquisition costs	$ 613,757	20,157	633,914	610,689
Deferred exploration costs				
Assay and analysis	283,775	707	284,482	283,775
Camp and portable shelters	356,178	101,140	457,318	154,640
Consulting	991,363	119,893	1,111,256	778,885
Data processing	52,276	-	52,276	52,276
Diamond recovery plant and operations	1,415,262	116,716	1,531,978	719,804
Drilling	2,071,381	401,114	2,472,495	1,675,721
Equipment	320,643	121,326	441,969	68,270
Explosives	44,905	-	44,905	44,905
Fuel	81,469	24,176	105,645	39,105
Geophysical data	405,035	468	405,503	405,036
Helicopter	3,237,544	614,662	3,852,206	2,377,253
Insurance	36,337	3,872	40,209	26,287
Legal	6,018	-	6,018	6,018
Sample extraction and processing	1,037,762	248,483	1,286,245	457,436
Shipping	212,912	102,089	315,001	116,594
Supplies and sundry	78,484	23,360	101,844	48,016
Travel	635,802	74,748	710,550	444,778
	$ 11,267,146	1,952,751	13,219,897	7,698,799
Total resource properties	$ 11,880,903	1,972,908	13,853,811	8,309,488

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

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 June 30, 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 June 30, 2008, the Company had not yet achieved profitable operations, had accumulated losses of $3,124,056 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.

While the information presented in the accompanying interim financial statements is unaudited, it includes all adjustments which are, in the opinion of management, necessary to present fairly the financial position, results of operations and cash flows for the interim periods presented. All adjustments are of a normal recurring nature. It is suggested that these interim financial statements be read in conjunction with the Company's audited financial statements for the fiscal year ended March 31, 2008. These statements follow the same accounting policies and methods of their application as the Company's audited March 31, 2008 annual financial statements.

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.

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.

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

Financial Instruments and Comprehensive Income – (cont'd)

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.

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.

The Company has adopted Handbook Section 1535, Capital Disclosures, effective April 1, 2008 as described in Note 3 – Significant Accounting Policies – Capital Disclosures and Note 7 – Capital Disclosures.

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")

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

Accounting Changes – (cont'd)

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.

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 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.

Note 3 Significant Accounting Policies – (cont'd)

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 three months ended June 30, 2008 and 2007, potentially dilutive common shares (relating to options and warrants outstanding at the end of each period) totalling 2,755,000 at June 30, 2008 and 6,769,736 at June 30, 2007 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.

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 June 30, 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.

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 June 30, 2008.

k) Capital Disclosures

Effective April 1, 2008, the Company adopted Handbook Section 1535, Capital Disclosures. 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.

Note 4 Equipment

	June 30, 2008			March 31, 2008
	Cost	Accumulated Amortization	Net	Net
Computers	$ 5,026	$ 2,260	$ 2,766	$ 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. 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.

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.

<u>Sarfartoq Øst Mineral Claim, Greenland</u>

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.

<u>Arnanganeq Mineral Claim, Greenland</u>

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

b) Issued:

	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
Stock-based compensation	-	-	120,293
Balance as at June 30, 2008	30,571,266	$ 15,522,846	$ 1,361,284

During the year ended March 31, 2008, the Company issued 6,000,000 units at $1.00 per unit. Each unit consisted of one common share and one-half transferable share purchase warrant. The warrants expired, unexercised, on June 14, 2008.

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

Note 6 Share Capital – (cont'd)

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 June 30, 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 June 30, 2008 and March 31, 2008 and the changes during the periods ended on those dates is presented below:

	Three months ended June 30, 2008		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	$1.00	700,000	$1.00
Exercised	-	-	-	-
Cancelled	(300,000)	-	-	-
Options outstanding, end of period	2,755,000	$0.63	2,575,000	$0.68
Options exercisable, end of period	2,270,000	$0.63	2,312,500	$0.64

Note 6 Share Capital – (cont'd)

c) Commitments: – (cont'd)

Stock-based Compensation Plan – (cont'd)

As at June 30, 2008, there are 2,755,000 (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:

Number	Exercise Price	Expiry Date	Average Remaining Contractual Life in Years
50,000	$0.20	December 5, 2008	0.43
543,167	$0.60	December 1, 2009	1.42
923,333	$0.50	January 4, 2011	2.52
58,500	$0.60	January 4, 2011	2.52
100,000	$0.80	February 3, 2011	2.60
100,000	$0.80	April 26, 2011	2.82
500,000	$1.00	June 15, 2012	3.96
480,000	$0.51	April 23, 2013	4.82
2,755,000			

During the period ended June 30, 2008, stock-based compensation expense of $120,293 (2007: $165,494) was recorded. The fair value of the compensation expense has been determined using the Black-Scholes option valuation model with the following assumptions:

	Period ended June 30, 2008	Year ended March 31, 2008
Weighted average fair value of options granted	$0.45-$0.88	$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:

	Period ended June 30, 2008		Year ended March 31, 2008	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Balance, beginning of the period	4,194,736	$0.80	1,712,178	$0.80
Issued	-	$1.27	3,399,735	$1.27
Exercised	-	$0.79	(917,177)	$0.79
Expired	(4,194,736)	-	-	-
Balance, end of the period	-	$1.20	4,194,736	$1.20

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

Number	Exercise Price	Expiry Date	Early Conversion Price
461,668	$0.80	April 20, 2008	$1.50
333,333	$1.00	April 25, 2008	$1.50
359,590	$1.00	June 14, 2008	N/A
3,040,145	$1.30	June 14, 2008	N/A
4,194,736			

In the three month period ended June 30, 2008, the 4,194,736 share purchase warrants expired unexercised.

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 the Note 9 – Subsequent Events, the Company entered into a $2 million interim financing agreement with a major mining house on July 4, 2008. On July 21, 2008, the Company borrowed $750,000 under this loan agreement. The loan matures on January 4, 2009. All sources of financing are analyzed by management and approved by the Board of Directors.

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 diamond properties, located in Greenland.

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.

Note 8 Related Party Transactions

During the three month periods ended June 30, 2008 and 2007, the Company incurred the following expenses with a company with a common director and with directors and officers of the Company.

	2008	2007
Accounting and legal fees	$ 7,675	$ 4,980
Directors' fees	11,000	11,000
Management fees	81,301	68,751
	$ 99,976	$ 84,731

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

Accounts payable and accrued liabilities include $13,116 (2007: $16,896) in management and directors' fees and travel and other expenses due to directors, officers and a company with a common director.

Note 9 Subsequent Events

Subsequent to June 30, 2008,

a) On July 4, 2008, the Company entered into an agreement with a major 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% until November 4, 2008. The loan matures January 4, 2009. On July 21, 2008, the Company borrowed $750,000 under this loan facility.

b) 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.