

**HUDSON RESOURCES INC.**

**REPORT AND FINANCIAL STATEMENTS**

For the Three Month Period Ended June 30, 2009

(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, 2009. Accordingly, the interim financial statements for the three-month periods ended June 30, 2009 have been prepared by management and have not been reviewed by an independent auditor.

**HUDSON RESOURCES INC.**  
**BALANCE SHEETS**

	June 30, <u>2009</u> (unaudited)	March 31 <u>2009</u> (audited)
<u>ASSETS</u>		
Current		
Cash and cash equivalents	\$875,822	\$712,877
Accrued interest and amounts receivable	9	1,687
Goods and services tax receivable	70,963	64,630
Prepaid expenses and deposits	25,060	9,928
	971,854	789,122
Equipment - Note 4	2,012	2,175
Resource properties - Note 5 and Schedule 1	15,549,988	15,413,713
	15,551,999	15,415,888
Total Assets	\$16,523,854	\$16,205,010
<u>LIABILITIES</u>		
Current		
Accounts payable and accrued liabilities - Note 7	\$150,489	\$309,398
	150,489	309,398
<u>SHAREHOLDERS' EQUITY</u>		
Share Capital - Notes 6 and 9	18,047,539	18,047,539
Contributed surplus - Note 6	1,714,043	1,561,625
Shares Subscribed	595,000	-
Deficit	(3,983,217)	(3,713,552)
	16,373,365	15,895,612
Total Liabilities and Equity	\$16,523,854	\$16,205,010

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

APPROVED BY THE DIRECTORS:

\_\_\_\_\_  
*"James Tuer"*, Director  
 JAMES TUER

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*"Robert Chase"*, Director  
 ROBERT CHASE

SEE ACCOMPANYING NOTES

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

	Three Months Ended	
	June 30,	
	<u>2009</u>	<u>2008</u>
Administrative Expenses		
Amortization	\$163	\$224
Audit and legal fees	-	10,805
Bank charges and interest	711	2,294
Directors' fees - Note 7	-	11,000
Filing Fees	1,280	1,600
Foreign Exchange	1,699	452
Management fees - Note 7	81,300	81,301
Office	7,266	8,201
Rent	13,792	15,375
Shareholder communication	5,990	2,171
Stock-based compensation - Note 6	152,418	120,293
Telephone	1,394	2,718
Transfer agent fees	987	1,419
Travel and promotion	2,703	4,185
	<hr/>	<hr/>
Loss before other item	(269,703)	(262,037)
Other item:		
Interest income	38	11,741
	<hr/>	<hr/>
	38	11,741
Net loss and comprehensive loss for the period	(269,665)	(250,296)
Deficit, beginning of the period	<hr/>	<hr/>
	(3,713,552)	(2,873,760)
Deficit, end of the period	<hr/>	<hr/>
	\$(3,983,217)	\$(3,124,056)
Basic and diluted loss per share	<hr/>	<hr/>
	\$(0.01)	\$(0.01)
Weighted average number of shares outstanding	41,091,266	30,571,266

SEE ACCOMPANYING NOTES

**HUDSON RESOURCES INC.**  
**STATEMENTS OF CASH FLOWS**  
(unaudited)

	Three Months Ended June 30,	
	<u>2009</u>	<u>2008</u>
<b>Operating Activities</b>		
Net loss for the period	\$(269,665)	\$(250,296)
	(269,665)	(250,296)
Items not involving cash:		
Amortization	163	224
Stock-based compensation	152,418	120,293
Changes in non-cash working capital items related to operations:		
Accrued interest and amounts receivable	1,678	2,256
Goods and services tax receivable	(6,333)	(24,881)
Accounts payable and accrued liabilities	(280,435)	(350,379)
Prepaid expenses	(15,132)	(12,849)
	(417,306)	(515,632)
<b>Investing Activities</b>		
Resource properties expenditures	(14,749)	(1,130,293)
	(14,749)	(1,130,293)
<b>Financing Activities</b>		
Shares Subscribed	595,000	-
	595,000	-
Increase in cash during the period	162,945	(1,645,925)
Cash and cash equivalents, beginning of the period	712,877	2,314,434
Cash and cash equivalents, end of the period	<u>\$875,822</u>	<u>\$668,509</u>

Non-cash Transaction – Note 12

**HUDSON RESOURCES INC.**  
**SCHEDULE OF RESOURCE PROPERTY COSTS**

Resource Properties	March 31, <u>2009</u> (Audited)	<u>Additions</u> (Unaudited)	June 30, <u>2009</u> (Unaudited)	June 30, <u>2008</u> (Unaudited)
Greenland, Sarfartoq Exploration Licenses				
Acquisition costs	<u>644,559</u>	-	<u>644,559</u>	<u>633,914</u>
Deferred exploration costs				
Assay and analysis	290,345	-	290,345	284,482
Camp and portable shelters	509,448	940	510,388	457,318
Consulting	1,289,939	670	1,290,609	1,111,256
Data processing	55,226	-	55,226	52,276
Diamond recovery plant and operations	1,672,069	-	1,672,069	1,531,978
Drilling	2,877,280	18,400	2,895,680	2,472,495
Equipment	455,449	-	455,449	441,969
Explosives	50,026	-	50,026	44,905
Fuel	172,916	-	172,916	105,645
Geophysical data	405,503	-	405,503	405,503
Helicopter	4,023,265	102,048	4,125,313	3,852,206
Insurance	47,433	-	47,433	40,209
Legal	6,018	-	6,018	6,018
Sample extraction and processing	1,587,813	-	1,587,813	1,286,245
Shipping	418,035	-	418,035	315,001
Supplies and sundry	111,457	-	111,457	101,844
Travel	796,932	14,217	811,149	710,550
	<u>14,769,154</u>	<u>136,275</u>	<u>14,905,429</u>	<u>13,219,897</u>
Total resource properties	<u>15,413,713</u>	<u>136,275</u>	<u>15,549,988</u>	<u>13,853,811</u>

**HUDSON RESOURCES INC.**  
**NOTES TO THE FINANCIAL STATEMENTS**  
Three months ended June 30, 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 June 30, 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 June 30, 2009, the Company had not yet achieved profitable operations, had accumulated losses of \$3,983,217 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.

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.

##### 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 periods ended June 30, 2009 and 2008, potentially dilutive common shares (relating to options and warrants outstanding at the end of each period) totalling 6,855,000 at June 30, 2009 and 2,270,000 at June 30, 2008 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, 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 June 30, 2009.

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 June 30, 2009 and June 30, 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

	June 30, 2009		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Computers	<u>\$ 5,026</u>	<u>\$ 3,014</u>	<u>\$ 2,012</u>
	June 30, 2008		
	<u>Cost</u>	<u>Accumulated Amortization</u>	<u>Net</u>
Computers	<u>\$ 5,026</u>	<u>\$ 2,260</u>	<u>\$ 2,766</u>

Note 5 Resource Properties

Naajat Mineral Claim, Greenland

On July 15, 2002, the Company's application for the Naajat mineral claim (EL 2002/06) comprising 851 square kilometres in Western Greenland was approved by the Greenland mining authorities. Work expenditures are approved each April by the Bureau of Minerals and Petroleum ("BMP") for Greenland based on Company submissions due April 1<sup>st</sup> of each year. In December, 2003, the Company reduced the area to 325 square kilometres based on the results of the 2003 exploration program. In December, 2004, the Company reduced the area to 243 square kilometres. In December, 2006, the company applied to extend the licence for an additional five year period and the licence area was reduced to 190 square kilometres.

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 Sarfartoq 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.

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 :

		<u>Number</u>	<u>Amount</u>	<u>Contributed Surplus</u>
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		<u>41,091,266</u>	<u>\$ 18,047,539</u>	<u>\$ 1,561,625</u>
Balance as at June 30, 2009		<u>41,091,266</u>	<u>\$ 18,047,539</u>	<u>\$ 1,561,625</u>

During the period ended June 30, 2009, the Company negotiated a non-brokered private placement of 5,300,000 Units at \$0.20 per Unit. Each Unit was comprised of one fully paid and non-assessable common share (a "Share") in the capital of the Company and one transferable Common Share purchase warrant (a "Warrant"). Each Warrant entitles the holder thereof to purchase one additional Share (a "Warrant Share") in the capital of the Company from the date of the issue until expiry 18 months after such date at an exercise price of \$0.30 per Warrant Share. In certain events, the Company can accelerate the expiry date of the Warrants if the common shares trade above a weighted average of \$0.50 for 20 days. The Company subsequently closed the transaction in July. \$595,000 of the proceeds were

received in the period ended June 30, 2009 and recorded as "Shares subscribed" on the Balance Sheet.

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 June 30, 2009, 4,109,126 shares are available for issuance under the plan.

A summary of the status of the stock option plan as at June 30, 2009 and June 30, 2008 and the changes during the periods ended on those dates is presented below:

	Period ended June 30, 2009		Period ended June 30, 2008	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding, beginning of period	2,595,000	\$0.68	2,575,000	\$0.68
Granted	1,500,000*	\$0.10	480,000	\$1.00
Cancelled		-	(300,000)	-
Options outstanding, end of period	<u>4,095,000</u>	<u>\$0.44</u>	<u>2,755,000</u>	<u>\$0.63</u>
Options exercisable, end of period	<u>3,977,500</u>	<u>\$0.43</u>	<u>2,270,000</u>	<u>\$0.63</u>

\* The share purchase options for the purchase of 1,500,000 shares at \$0.10 per share vested on the grant date.

As at June 30, 2009, there were 4,095,000 (June 30, 2008 – 2,270,000) share purchase options outstanding entitling the holders thereof the right to purchase one common share for each option held as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>	<u>Average Remaining Contractual Life in Years</u>
543,167	\$0.60	December 1, 2009	0.42
923,333	\$0.50	January 4, 2011	1.52
58,500	\$0.60	January 4, 2011	1.52
100,000	\$0.80	February 3, 2011	1.60
50,000	\$0.80	April 26, 2011	1.82
450,000	\$1.00	June 15, 2012	2.96
470,000	\$0.51	April 23, 2013	3.82
<u>1,500,000</u>	\$0.10	April 6, 2014	4.77
<u>2,595,000</u>			

During the period ended June 30, 2009, stock-based compensation expense of \$152,418 (2008: \$120,293) was recorded. The fair value of the compensation expense has been determined using the Black-Scholes option valuation model with the following assumptions:

	<u>Period ended June 30, 2009</u>	<u>Year ended March 31, 2008</u>
Weighted average fair value of options granted	\$0.08	\$0.38-\$0.88
Expected dividend yield	0.0%	0.0%
Expected volatility	123%	119%-135%
Risk-free interest rate	1.2%	4.6%
Expected term in years	5	1 - 5

#### Share Purchase Warrants

Share purchase warrant transactions are summarized as follows:

	<u>Period ended June 30, 2009</u>		<u>Period ended June 30, 2008</u>	
	<u>Shares</u>	<u>Weighted Average Exercise Price</u>	<u>Shares</u>	<u>Weighted Average Exercise Price</u>
Balance, beginning of the period	2,760,000	\$0.20	4,194,736	\$0.80
Issued	-	-	-	-
Exercised	-	-	-	-
Expired	-	-	<u>4,194,736</u>	-
Balance, end of the period	<u>2,760,000</u>	<u>\$0.20</u>	<u>-</u>	<u>=</u>

As at June 30, 2008, there were 2,760,000 share purchase warrants outstanding as follows:

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>	<u>Early* Conversion Price</u>	<u>Average Remaining Contractual Life in Years</u>
<u>2,760,000</u>	\$0.20	August 3, 2010	\$0.40	1.1

\*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.

Subsequent to the end of the period, 5,305,000 warrants were issued as part of the 5,300,000 Unit financing. The warrants are exercisable at \$0.30 until July 13, 2011. Similar to the \$0.20 warrants, if the Company's shares trade on a weighted average trading price for 20 consecutive trading days at \$0.50 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 announced a private placement of 5,300,000 Units, consisting of one share and one share purchase warrant at \$0.20 per Unit. Subsequent to the end of the period, this raised gross funds of \$1,060,000 for the Company. 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 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 periods ended June 30, 2009 and 2008, respectively, 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.

	Three months ended	
	June 30, <u>2009</u>	June 30, <u>2008</u>
Accounting and legal fees	\$ -	\$ 7,675
Directors' fees	-	11,000
Management fees	<u>81,301</u>	<u>81,301</u>
	<u>\$ 81,300</u>	<u>\$ 99,976</u>

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

Accounts payable and accrued liabilities include \$nil (2008: \$13,116) 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 period ended June 30 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:

	<u>Amount</u>
March 31, 2010	\$ 19,556
March 31, 2011	39,113
March 31, 2012	<u>19,556</u>
	<u>\$ 78,225</u>

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:

	<u>2009</u>	<u>2008</u>
Statutory rate	<u>30.63%</u>	<u>33.47%</u>
Loss before income taxes	<u>\$ (839,792)</u>	<u>\$ (957,833)</u>
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	<u>146,000</u>	<u>(30,000)</u>
Income tax provision	<u>\$ -</u>	<u>\$ -</u>

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

	<u>2009</u>	<u>2008</u>
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	<u>(866,000)</u>	<u>(720,000)</u>
Net future income tax assets	<u>\$ -</u>	<u>\$ -</u>

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

At March 31, 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	<u>756,000</u>
	<u>\$ 2,308,000</u>

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 June 30, 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

period in the financial statements is interest income on Canadian dollar cash and cash equivalents. As at June 30, 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:

At June 30, 2009, accounts payable include \$121,526 relating to resource properties.

Note 13 Subsequent Event

Subsequent to June 30, 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 and issued 5,000 units.