

**HUDSON RESOURCES INC.**

**(An Exploration Stage Company)**

**CONDENSED INTERIM FINANCIAL STATEMENTS**

**FOR THE THREE MONTHS ENDED JUNE 30, 2011**

**(Unaudited)**

**(Expressed in Canadian Dollars)**

**NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

**Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.**

**The accompanying unaudited interim financial statements of Hudson Resources Inc. for the three months ended June 30, 2011 have been prepared by the management of the Company and approved by the Company's Audit Committee and the Company's Board of Directors.**

**The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.**

**Hudson Resources Inc.**  
**Condensed Interim Statements of Financial Position**  
(Expressed in Canadian Dollars – unaudited)

<i>As at</i>	June 30, 2011	March 31, 2011	April 1, 2010
		<i>(Note 16)</i>	<i>(Note 16)</i>
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents (note 4)	\$ 16,874,097	\$ 2,982,564	\$ 1,981,878
Amounts receivable (note 11(a))	20,353	20,353	-
Harmonized sales tax receivable	24,863	128,569	38,119
Deposits	79,581	32,555	4,365
Prepaid expenses	41,613	31,499	28,385
	<b>17,040,507</b>	<b>3,195,540</b>	<b>2,052,747</b>
<b>Non-current assets</b>			
Equipment (note 5)	25,037	5,834	3,842
Resource properties (note 6)	716,371	679,167	652,249
	<b>741,408</b>	<b>685,001</b>	<b>656,091</b>
<b>TOTAL ASSETS</b>	<b>\$ 17,781,915</b>	<b>\$ 3,880,541</b>	<b>\$ 2,708,838</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Accounts payable and accrued liabilities (notes 8 & 11(a))	\$ 790,757	\$ 337,930	\$ 184,023
<b>TOTAL LIABILITIES</b>	<b>790,757</b>	<b>337,930</b>	<b>184,023</b>
<b>EQUITY</b>			
Share capital (note 9)	\$ 42,909,981	\$ 27,086,518	\$ 21,276,946
Share subscription received	-	-	240,800
Deferred financing costs	-	(138,665)	-
Additional paid-in capital (note 9(e))	661,646	661,646	661,646
Stock options reserve (note 9(e))	2,294,483	2,201,757	1,118,776
Deficit	(28,874,952)	(26,268,645)	(20,773,353)
<b>TOTAL EQUITY</b>	<b>16,991,158</b>	<b>3,542,611</b>	<b>2,524,815</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>\$ 17,781,915</b>	<b>\$ 3,880,541</b>	<b>\$ 2,708,838</b>

*Corporate information and continuance of operations (note 1)*

*Commitments and contingencies (notes 12)*

*Segmented information (note 13)*

*The accompanying notes are an integral part of these condensed consolidated interim financial statements.*

APPROVED BY THE BOARD:

*/s/ James Tuer, Director*      */s/ John Hick, Director*

**Hudson Resources Inc.**  
**Condensed Interim Statements of Loss and Comprehensive Loss**  
(Expressed in Canadian Dollars – unaudited)

	For the three months ended	
	June 30, 2011	June 30, 2010
		<i>(Note 16)</i>
<b>EXPENSES</b>		
Depreciation	\$ 1,203	\$ 341
Professional fees	35,918	26,608
Bank charges and interest	705	72
Evaluation and exploration costs (note 7)	2,351,138	1,353,537
Filing fees	-	5,946
Foreign exchange	7,640	(1,875)
Management fees	81,300	81,300
Share-based payments (note 9(d))	92,726	751,626
Office	14,368	7,366
Rent	10,312	9,751
Shareholder/corporate communications	34,022	12,523
Telephone	1,944	570
Travel and accommodation	10,227	2,761
Transfer agent fees	1,914	2,283
	<b>2,643,417</b>	<b>2,252,809</b>
<b>OTHER EXPENSES (INCOME)</b>		
Interest income	(37,110)	(23)
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>\$ 2,606,307</b>	<b>\$ 2,252,786</b>
<b>Basic and diluted loss per share for the period attributable to common shareholders (warrants and options not included as the impact would be anti-dilutive)</b>	<b>\$ 0.03</b>	<b>\$ 0.04</b>
<b>Weighted average number of common shares outstanding</b>	<b>79,388,085</b>	<b>60,465,112</b>

*The accompanying notes are an integral part of these condensed consolidated interim financial statements.*

**Hudson Resources Inc.**  
**Condensed Interim Statements of Changes in Equity**  
(Expressed in Canadian Dollars – unaudited)

	Note	Share capital		Share subscription received	Deferred financing costs	Reserves			Total
		Number of shares	Amount			Additional paid-in capital	Stock options reserve	Deficit	
<b>Balance at April 1, 2010</b>	<b>16</b>	<b>54,511,266</b>	<b>\$ 21,276,946</b>	<b>\$ 240,800</b>	<b>\$ -</b>	<b>\$ 661,646</b>	<b>\$ 1,118,776</b>	<b>\$ (20,773,353)</b>	<b>\$ 2,524,815</b>
Shares issued for cash - private placement		6,250,000	5,000,000	(240,800)	-	-	-	-	4,759,200
Share issue costs		-	(224,288)	-	-	-	-	-	(224,288)
Shares issued for cash - stock option exercise		50,000	5,000	-	-	-	-	-	5,000
Reclassification of grant-date fair value on exercise of stock options		-	4,074	-	-	-	(4,074)	-	-
Share-based payments		-	-	-	-	-	751,626	-	751,626
Net loss for the period		-	-	-	-	-	-	(2,252,786)	(2,252,786)
<b>Balance at June 30, 2010</b>	<b>16</b>	<b>60,811,266</b>	<b>\$ 26,061,732</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 661,646</b>	<b>\$ 1,866,328</b>	<b>\$ (23,026,139)</b>	<b>\$ 5,563,567</b>
Deferred financing costs		-	-	-	(138,665)	-	-	-	(138,665)
Shares issued for cash - warrant exercise		22,500	27,000	-	-	-	-	-	27,000
Shares issued for cash - stock option exercise		1,183,000	574,850	-	-	-	-	-	574,850
Reclassification of grant-date fair value on exercise of stock options		-	422,936	-	-	-	(422,936)	-	-
Share-based payments		-	-	-	-	-	758,365	-	758,365
Net loss for the period		-	-	-	-	-	-	(3,242,506)	(3,242,506)
<b>Balance at March 31, 2011</b>		<b>62,016,766</b>	<b>\$ 27,086,518</b>	<b>\$ -</b>	<b>\$ (138,665)</b>	<b>\$ 661,646</b>	<b>\$ 2,201,757</b>	<b>\$ (26,268,645)</b>	<b>\$ 3,542,611</b>
Shares issued for cash - private placement		18,170,000	15,823,463	-	138,665	-	-	-	15,962,128
Share-based payments		-	-	-	-	-	92,726	-	92,726
Net loss for the period		-	-	-	-	-	-	(2,606,307)	(2,606,307)
<b>Balance at June 30, 2011</b>		<b>80,186,766</b>	<b>\$ 42,909,981</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 661,646</b>	<b>\$ 2,294,483</b>	<b>\$ (28,874,952)</b>	<b>\$ 16,991,158</b>

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

**Hudson Resources Inc.**  
**Condensed Interim Statements of Cash Flows**  
(Expressed in Canadian Dollars – unaudited)

	For the three months ended	
	June 30, 2011	June 30, 2010
		<i>(Note 16)</i>
<b>Cash flows provided from (used by):</b>		
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	\$ (2,606,307)	\$ (2,252,786)
<b>Adjustments for items not affecting cash:</b>		
Depreciation	1,203	341
Share-based payments	92,726	751,626
	<b>(2,512,378)</b>	<b>(1,500,819)</b>
<b>Net changes in non-cash working capital items:</b>		
Harmonized sales tax receivable	103,706	(15,124)
Prepaid expenses	(10,114)	12,489
Deposits	(47,026)	74
Accounts payable and accrued liabilities	452,827	56,139
<b>Net cash flows (used in) operating activities</b>	<b>(2,012,985)</b>	<b>(1,447,241)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from share issuance, net of share issue costs	15,962,128	4,539,912
<b>Net cash flows from financing activities</b>	<b>15,962,128</b>	<b>4,539,912</b>
<b>INVESTING ACTIVITIES</b>		
Purchase for equipment	(20,406)	(1,392)
Acquisition costs on mineral properties	(37,204)	(26,918)
<b>Net cash flows from (used in) investing activities</b>	<b>(57,610)</b>	<b>(28,310)</b>
<b>Net increase in cash and cash equivalents</b>	<b>13,891,533</b>	<b>3,064,361</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>2,982,564</b>	<b>1,981,878</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 16,874,097</b>	<b>\$ 5,046,239</b>
<b>Cash and cash equivalents consist of :</b>		
Cash	6,735,030	4,920,036
Term deposits	10,139,067	126,203
	<b>\$ 16,874,097</b>	<b>\$ 5,046,239</b>
<b>Cash paid during the period for interest</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Cash paid during the period for income taxes</b>	<b>\$ -</b>	<b>\$ -</b>

*The accompanying notes are an integral part of these condensed consolidated interim financial statements.*

**Hudson Resources Inc.**  
**Notes to the Condensed Interim Financial Statements**  
**For the Three Months Ended June 30, 2011**  
**(Expressed in Canadian Dollars – unaudited)**

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**1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS**

Hudson Resources Inc. (the “Company”) is a publicly listed company incorporated in British Columbia on March 7, 2000 and its shares are listed on the TSX Venture Exchange under the symbol “HUD”. 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’s head office and the registered and records office is located at 1460 - 1066 West Hastings Street, Vancouver, BC, Canada, V6E 3X1.

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, 2011, the Company was in the exploration stage and had interests in properties located in Greenland.

These unaudited condensed interim financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at June 30, 2011 the Company had not advanced its property to commercial production and is not able to finance day to day activities through operations. The Company’s continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. Management intends to finance operating costs over the next twelve months with funds currently on hand and/or through raising equity.

The unaudited condensed interim financial statements of the Company for the three months ended June 30, 2011 were reviewed by the Audit Committee and approved and authorized by the Board of Directors on September 26, 2011.

**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION**

**a) *Statement of compliance and conversion to International Financial Reporting Standards***

These condensed interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). These financial statements comply with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”).

This interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended March 31, 2011. However, this interim financial report, being the first IFRS financial report, provides selected significant disclosures that are required in the annual financial statements under IFRS. The disclosures concerning the transition from Canadian Generally Accepted Accounting Principles (“Canadian GAAP”) to IFRS are provided in Note 16.

**Hudson Resources Inc.**  
**Notes to the Condensed Interim Financial Statements**  
**For the Three Months Ended June 30, 2011**  
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**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)**

***Basis of preparation***

These condensed interim financial statements have been prepared on a historical cost basis. In addition, these condensed interim financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

These condensed interim financial statements, including comparatives, have been prepared on the basis of IFRS standards that are published at the time of preparation and that are effective or available for adoption on March 31, 2012, the Company's first annual reporting date.

The preparation of these condensed interim financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Canadian GAAP. The accounting policies set out below have been applied consistently to all periods presented in these condensed interim financial statements. They also have been applied in preparing an opening IFRS balance sheet at April 1, 2010 for the purposes of the transition to IFRS, as required by IFRS 1, First Time Adoption of International Financial Reporting Standards ("IFRS 1"). The impact of the transition from Canadian GAAP to IFRS is explained in Note 16.

**b) *Basic and diluted loss per share***

Basic loss per share is calculated using the weighted-average number of shares outstanding during the year. The Company uses the treasury stock method to compute the dilutive effect of options, warrants and similar instruments. Under this method the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the year.

**c) *Resource properties***

Resource properties include acquired mineral use rights for mineral properties held by the Company. The amount of consideration paid (in cash or share value) for mineral use rights is capitalized. The amounts shown for resource properties represent costs of acquisition incurred to date, less recoveries, and do not necessarily reflect present or future values. These costs will be amortized against revenue from future production or written off if the resource properties are abandoned or sold. Included in the cost of resource properties is the cost of the estimated decommissioning liability. The Company has classified resource properties as intangible in nature. Depletion of costs capitalized on projects put into commercial production will be recorded using the unit-of-production method based upon estimated proven and probable reserves. Proceeds received from the sale of any interest in a property are credited against the carrying value of the property, with any excess included in operations for the period. If a property is abandoned, the deferred costs will be written off to operations.

Ownership in resource properties involves certain inherent risks, including geological, metal prices, operating costs, and permitting risks. Many of these risks are outside the Company's control. The ultimate recoverability of the amounts capitalized for the resource properties is dependent upon the delineation of economically recoverable ore reserves, obtaining the necessary financing to complete their development, obtaining the necessary permits to operate a mine, and realizing profitable production or proceeds from the disposition thereof. Management's estimates of recoverability of the Company's investment in its resource properties have been based on current and expected conditions. However, it is possible that changes could occur which could adversely affect management's estimates and may result in future write downs of resource properties carrying values.

When a project is deemed to no longer have commercially viable prospects to the Company, the carrying amount of the resource property, in excess of estimated recoveries, in respect of that project are deemed to be impaired and written off to the statement of comprehensive loss/income.



**Hudson Resources Inc.**  
**Notes to the Condensed Interim Financial Statements**  
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**(Expressed in Canadian Dollars – unaudited)**

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**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)**

**c) Resource properties (continued)**

The Company assesses resource property assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount

**d) Evaluation and Exploration Costs**

Evaluation and exploration costs, other than those described above, are expensed as incurred until such time as either mineral reserves are proven or probable, or permits to operate the mineral resource property are received and financing to complete development has been obtained. Following confirmation of mineral reserves or receipt of permits to commence mining operations and obtaining necessary financing, evaluation and exploration expenditures are capitalized as deferred development expenditures included within resource properties.

**e) Rehabilitation provision**

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

The obligation generally arises when the asset is installed or the ground / environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets to the extent that it was incurred by the development / construction of the mine. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability.

The periodic unwinding of the discount is recognized in profit or loss as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur.

For closed sites, changes to estimated costs are recognized immediately in profit or loss.

**f) Equipment**

Equipment is initially recognized at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future costs of dismantling and removing items. The corresponding liability is recognized within provisions. All items of equipment are subsequently carried at depreciated cost less impairment losses, if any.

Subsequent Costs

The cost of replacing part of an item of equipment is recognized in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognized. The costs of the day-to-day servicing of property, plant and equipment are recognized in statement of comprehensive loss/income as incurred.

Major Maintenance and Repairs

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the statement of comprehensive loss/income during the financial period in which they are incurred.

**Hudson Resources Inc.**  
**Notes to the Condensed Interim Financial Statements**  
**For the Three Months Ended June 30, 2011**  
**(Expressed in Canadian Dollars – unaudited)**

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**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)**

**f) Equipment (continued)**

Gains and Losses

Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized net within other income in statement of comprehensive loss/income.

Depreciation is provided on all items of equipment to write off the carrying value of items over their expected useful economic lives. The Company provides for depreciation using the declining balance method at the rate of 30% per annum. Additions during the year are depreciated at one-half rates. When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

Material residual value estimates and estimates of useful life are reviewed at each financial year-end, and adjusted if appropriate.

**g) Taxation**

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.”

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities and their tax bases.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are offset only when the Company has a legally enforceable right to set off current tax assets and liabilities and the deferred income taxes related to the same taxable entity and the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in comprehensive loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

**Hudson Resources Inc.**  
**Notes to the Condensed Interim Financial Statements**  
**For the Three Months Ended June 30, 2011**  
**(Expressed in Canadian Dollars – unaudited)**

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**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)**

***h) Currency translation***

The presentation currency and functional currency of the Company is the Canadian dollar. The functional currency of the Company is measured using the currency of the primary economic environment in which that entity operates.

**Transactions and balances:**

Foreign currency transactions are translated into functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the statement of comprehensive income in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

***i) Share-based payments***

The share option plan allows the Company's employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity.

Where equity-settled share options are awarded to employees, the fair value of the options which is measured using the Black-Scholes option pricing model at the date of grant is charged to the statement of comprehensive loss/income over the vesting period on a graded-vesting basis. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to the statement of comprehensive loss/income over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in comprehensive loss/income over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in the statement of comprehensive loss/income, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

**Hudson Resources Inc.**  
**Notes to the Condensed Interim Financial Statements**  
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**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)**

***i) Share-based payments (continued)***

All equity-settled share-based payments are reflected in stock options reserves, until exercised or upon expiration. Upon exercise, shares are issued from treasury and the amount reflected in stock options reserves is credited to share capital, adjusted for any consideration paid. The fair value of the expired options will be transferred to additional paid-in capital.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

***j) Cash and cash equivalents***

Cash and cash equivalents comprise cash on hand, deposits held on call with banks, highly liquid investments that are readily convertible into known amount of cash and which are subject to insignificant risk of changes in value, net of bank overdrafts which are repayable on demand. Cash and cash equivalents normally have a term to maturity of three months or less from the date of acquisition.

***k) Impairment of non-financial assets other than resource properties***

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the asset is tested as part of a larger CGU. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

When applicable, the Company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Company's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment of inventories, are recognized in profit and loss, except to the extent they reverse gains previously recognized in other comprehensive loss/income, in those expense categories consistent with the function of the impaired asset.

**Hudson Resources Inc.**  
**Notes to the Condensed Interim Financial Statements**  
**For the Three Months Ended June 30, 2011**  
**(Expressed in Canadian Dollars – unaudited)**

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**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)**

***l) Financial instruments***

**Financial Assets**

Financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans and receivables or at fair value through profit or loss (“FVTPL”).

Financial assets classified as loans and receivables are measured at amortized cost less impairment. The Company has classified its other receivables as loans and receivables.

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings. The Company has classified its cash and cash equivalents as FVTPL.

Financial assets classified as held-to-maturity are measured at amortized cost. The Company has classified deposits as held-to-maturity.

Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. The Company has no financial assets classified as available-for-sale.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

**Impairment of financial assets**

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

**Financial Liabilities**

Financial liabilities are initially recorded at fair value and designated upon inception as FVTPL or classified as other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method. The Company has classified its accounts payable and accrued liabilities and compensation liabilities as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of comprehensive income or loss. The Company has no financial liabilities classified as FVTPL.

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**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)**

***l) Financial instruments (continued)***

**De-recognition of financial assets and liabilities**

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired.
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of comprehensive loss.

***m) Comprehensive loss***

Comprehensive loss, composed of net loss and other comprehensive loss, is defined as the change in shareholders' equity from transactions and other events from non-owner sources. Other comprehensive loss for the Company includes unrealized gains and losses on available-for-sale securities and changes in the fair market value of derivatives designated as cash flow hedges, all net of related income taxes. The components of comprehensive loss are disclosed in the statement of operations and comprehensive loss. Cumulative changes in other comprehensive loss are included in accumulated other comprehensive loss ("AOCL") which is presented as a new category in shareholders' equity.

***n) Deferred financing costs***

Transaction costs of an equity transaction-in-progress are deferred and will be accounted for as a deduction from equity or expensed if financing is not completed.

***o) Critical Accounting Estimates and Judgments***

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the condensed interim financial statements within the next financial year are discussed below.

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**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)**

***o) Critical Accounting Estimates and Judgments (continued)***

The following are significant management judgments in applying the accounting policies of the Company that have the most significant effect on the condensed consolidated interim financial statements.

**Management estimates**

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Information about significant judgments, estimates and assumptions that have the most significant effect on recognition and measurement of assets, liabilities, income and expenses are discussed below.

**Deferred tax assets**

The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Company's estimates of future profits or losses adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the numerous jurisdictions in which the Company operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances.

**Impairment**

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future gross profits. These assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the Company's assets within the next financial year.

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market risk and the appropriate adjustment to asset-specific risk factors.

**Useful lives of depreciable assets**

Management reviews the useful lives of depreciable assets at each reporting date.

**Fair value of share-based payments**

Determining the fair value of certain share-based payments involves estimates of interest rates, expected life of options, share price volatility and the application of the Black-Scholes option pricing model. The Black-Scholes option pricing model requires the input of highly subjective assumptions that can materially affect the fair value estimate.

**Rehabilitation provisions and site restoration costs**

Provision is made for environmental remediation costs when the related environmental disturbance occurs, based on the net present value of estimated future costs.

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**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (continued)**

*o) Critical Accounting Estimates and Judgments (continued)*

The ultimate cost of environmental disturbance is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other mine sites.

The expected timing of expenditure can also change, for example, in response to changes in ore reserves or production rates or economic conditions. As a result there could be significant adjustments to the provision for decommissioning and site restoration, which would affect future financial results.

The Company assesses its rehabilitation provisions and site restoration costs using the information available as at the year-end date, unless significant differences are identified in the interim period. Significant estimates and assumptions are made in determining the rehabilitation provisions and site restoration costs, as there are numerous factors that will affect the ultimate liability amount. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases and changes in discount rates. Those uncertainties may result in future actual expenditures differing from the amounts currently provided. The provision at the consolidated statement of financial position date represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognized in the consolidated statement of financial position by adjusting the rehabilitation asset and liability. If, for mature mines, the revised mine assets net of rehabilitation provisions exceeds the carrying value, that portion of the increase is charged directly to expense.

**3. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE**

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective. The Company has not completed its evaluation of the effects of adopting these standards on its financial statements.

IFRS 9	Financial Instruments
IFRS 7 (Amendment)	Financial Instruments: Disclosure
IAS 12 (Amendment)	Income Taxes
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IAS 27 (Amendment)	Separate Financial Statements
IAS 28 (Amendment)	Investments in Associates and Joint Ventures



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**4. CASH AND CASH EQUIVALENTS**

The Company's cash and cash equivalents are broken down as follows:

	June 30, 2011		March 31, 2011		April 1, 2010	
Cash	\$	6,735,030	\$	2,856,134	\$	1,855,697
Term deposits		10,139,067		126,430		126,181
	\$	<b>16,874,097</b>	\$	<b>2,982,564</b>	\$	<b>1,981,878</b>

**5. EQUIPMENT**

The Company's equipment is broken down as follows:

	Computer equipment		Field equipment		Total	
<b>Cost</b>						
As at April 1, 2010	\$	7,755	\$	-	\$	7,755
Additions		3,699		-		3,699
<b>Balance as at March 31, 2011</b>	\$	<b>11,454</b>	\$	<b>-</b>	\$	<b>11,454</b>
<b>Depreciation</b>						
As at April 1, 2010	\$	(3,913)	\$	-	\$	(3,913)
Charged for the period		(1,707)		-		(1,707)
<b>Balance as at March 31, 2011</b>	\$	<b>(5,620)</b>	\$	<b>-</b>	\$	<b>(5,620)</b>
<b>Net book value</b>						
As at April 1, 2010	\$	3,842	\$	-	\$	3,842
<b>As at March 31, 2011</b>	\$	<b>5,834</b>	\$	<b>-</b>	\$	<b>5,834</b>

	Computer equipment		Field equipment		Total	
<b>Cost</b>						
As at March 31, 2011	\$	11,454	\$	-	\$	11,454
Additions		-		20,406		20,406
<b>Balance as at June 30, 2011</b>	\$	<b>11,454</b>	\$	<b>20,406</b>	\$	<b>31,860</b>
<b>Depreciation</b>						
As at March 31, 2011	\$	(5,620)	\$	-	\$	(5,620)
Charged for the period		(438)		(765)		(1,203)
<b>Balance as at June 30, 2011</b>	\$	<b>(6,058)</b>	\$	<b>(765)</b>	\$	<b>(6,823)</b>
<b>Net book value</b>						
As at March 31, 2011	\$	5,834	\$	-	\$	5,834
<b>As at June 30, 2011</b>	\$	<b>5,396</b>	\$	<b>19,641</b>	\$	<b>25,037</b>

**Hudson Resources Inc.**  
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**6. RESOURCE PROPERTIES**

The Company's resource properties are broken down as follows:

	Balance as at April 1, 2010		Balance as at March 31, 2011		Balance as at June 30, 2011	
		Additions		Additions		
<b>Greenland</b>						
<b>Sarfartoq Exploration Licences</b>						
Acquisition costs / license fees	\$ 652,249	\$ 26,918	\$ 679,167	\$ 37,204	\$ 716,371	

**Naajat Mineral Claim, Greenland**

The Company holds the Naajat mineral claim (EL 2002/06) comprising 190 square kilometres in Western Greenland. 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. The Company's current license expires December 31, 2011 and is renewable.

**Nalussivik Mineral Claim, Greenland**

The Company holds the Nalussivik mineral claim (EL 2003/04) comprising 121 square kilometres in Western Greenland. The Company's current license expires December 31, 2012 and is renewable.

**Sarfartuup Qulaa Mineral Claim, Greenland**

The Company holds the Sarfartuup Qulaa mineral claim (EL 2005/03), comprising 89 square kilometres in Western Greenland. The Company's current license expires December 31, 2014.

**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 ("New Millennium"), 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% interest (including 100% of previously excluded mineral rights) in the Sarfartoq exploration license 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. The Company's current license expires December 31, 2011 and is renewable.

**Sarfartoq Øst Mineral Claim, Greenland**

The Company's holds the Sarfartoq Øst mineral claim (EL 2006/02) comprising 248 square kilometres in Western Greenland. An application to renew the license for another five years was submitted in December 2010 and is pending approval. The renewal application covers the license period 2011 – 2015.

**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 BMP. The Company's current license expires December 31, 2011 and is renewable.

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**6. RESOURCE PROPERTIES (continued)**

***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 BMP. The Company's license expires December 31, 2014.

As at June 30, 2011, the Company determined that there was no impairment write-down necessary for the capitalized license fees and acquisition costs of the Sarfartoq exploration licenses.

**7. EVALUATION AND EXPLORATION COSTS**

The evaluation and exploration costs for the Company during the three months ended June 30, 2011 and 2010 are broken down as follows:

	For the three months ended		Cumulative evaluation and exploration costs, June 30, 2011
	June 30, 2011	June 30, 2010	
<b>Evaluation and exploration costs:</b>			
Assay and analysis	\$ 23,978	\$ 58,114	\$ 587,719
Camp and portable shelters	39,737	72,378	764,504
Consulting	320,042	177,347	2,082,764
Data processing	-	-	56,737
Diamond recovery plant and operations	-	-	1,672,479
Drilling	903,881	514,554	5,025,452
Equipment	5,244	76,497	627,232
Explosives	-	-	50,026
Fuel	30,900	19,647	265,794
Geophysical data	32,130	26,000	513,172
Helicopter	650,605	183,411	6,176,522
Insurance	-	-	47,166
Legal	8,330	-	14,348
Sample extraction and processing	-	-	1,599,963
Shipping	98,751	46,381	731,566
Supplies	7,458	16,204	173,258
Travel	130,701	134,011	1,240,724
Wages and benefits	99,381	28,993	245,126
	<b>\$ 2,351,138</b>	<b>\$ 1,353,537</b>	<b>\$ 21,874,552</b>

**Hudson Resources Inc.**  
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**8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

The Company's accounts payable and accrued liabilities are broken down as follows:

	June 30, 2011	March 31, 2011	April 1, 2010
Trade payables	\$ 745,331	\$ 293,856	\$ 159,023
Accrued liabilities	45,426	44,074	25,000
	<b>\$ 790,757</b>	<b>\$ 337,930</b>	<b>\$ 184,023</b>

**9. SHARE CAPITAL**

**a) Authorized share capital**

Unlimited number of common shares without par value.

**b) Issued share capital**

At June 30, 2011, the Company had 80,186,766 common shares issued and outstanding (March 31, 2011 – 62,016,766 and April 1, 2010 – 54,511,266).

**During the three months ended June 30, 2011**

On April 5, 2011, the Company issued 15,800,000 shares at \$0.95 per share pursuant to a public offering. An additional 2,370,000 shares were issued to the underwriters pursuant to an over-allotment option. Share issue costs included fees of \$1,272,008 paid to the underwriters and other expenses of \$166,029.

**During the year ended March 31, 2011**

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 consisted 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 \$224,288 in fees in connection with this private placement. The fair value assigned to the warrants is \$nil based on an estimated fair value of the shares equal to the value of the units.

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**9. SHARE CAPITAL (continued)**

**c) Share Purchase Warrants**

The changes in warrants during the three months ended June 30, 2011 and the year ended March 31, 2011 are as follows:

	June 30, 2011		March 31, 2011	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
Outstanding, beginning of period	3,102,500	\$ 1.20	-	\$ -
Issued	-	-	3,125,000	1.20
Exercised	-	-	(22,500)	1.20
Outstanding, end of period	<u>3,102,500</u>	<u>\$ 1.20</u>	<u>3,102,500</u>	<u>\$ 1.20</u>

The following summarizes information about warrants outstanding at June 30, 2011:

Expiry date	Warrants outstanding	Exercise price	Weighted average remaining contractual life (in years)
April 6, 2012	3,102,500	\$ 1.20	0.77

**d) Stock 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 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.

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**9. SHARE CAPITAL (continued)**

**d) Stock Options (continued)**

The changes in stock options during the three months ended June 30, 2011 and the year ended March 31, 2011 are as follows:

	June 30, 2011		March 31, 2011	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
Outstanding, beginning of period	4,445,000	\$ 0.60	3,428,000	\$ 0.42
Granted	200,000	1.04	2,250,000	0.80
Exercised	-	-	(1,233,000)	0.47
Outstanding, end of period	<u>4,645,000</u>	<u>\$ 0.62</u>	<u>4,445,000</u>	<u>\$ 0.60</u>

The following summarizes information about stock options outstanding and exercisable at June 30, 2011:

Expiry date	Options outstanding	Options exercisable	Exercise price	Estimated grant date fair value	Weighted average remaining
					contractual life (in years)
June 15, 2012	450,000	450,000	\$ 1.00	\$ 397,448	0.96
April 23, 2013	370,000	370,000	0.51	166,656	1.82
April 6, 2014	1,300,000	1,300,000	0.10	105,922	2.77
January 25, 2015	100,000	87,500	0.95	84,022	3.58
April 30, 2015	2,225,000	1,662,500	0.80	1,540,435	3.84
June 6, 2016	200,000	-	1.04	-	4.94
	<u>4,645,000</u>	<u>3,870,000</u>		<u>\$ 2,294,483</u>	<u>3.14</u>

There were no options granted to the Company's officers, directors and field staff during the three months ended June 30, 2011 (June 30, 2010 – 2,250,000). The Company granted 200,000 options to a consultant during the three months ended June 30, 2011 (June 30, 2010 – nil). The estimated fair value of the options granted was calculated using the Black-Scholes Option Pricing Model with the following assumptions:

	For the three months ended	
	June 30, 2011	June 30, 2010
Risk-free interest rate	N/A	2.71%
Expected annual volatility	N/A	144%
Expected life	N/A	5.00
Expected dividend yield	N/A	-
Weighted average grant date fair value per option	N/A	0.72

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**9. SHARE CAPITAL (continued)**

**d) Stock Options (continued)**

During the three months ended June 30, 2011, the Company recognized share-based payments expense of \$92,726 (June 30, 2010 – \$751,626). For the three months ended June 30, 2011 and 2010, share-based payments expense consists of the following:

	For the three months ended	
	June 30, 2011	June 30, 2010
<b>For services in respect of:</b>		
Accounting	\$ 3,013	\$ 24,444
Directors' fees	15,395	124,200
Evaluation and exploration costs	4,016	32,594
Management fees	70,302	570,388
	<b>\$ 92,726</b>	<b>\$ 751,626</b>

**e) Reserves**

Additional paid-in capital

Other reserve records the fair value of the expired options and warrants initially recorded in stock options reserve and warrants reserve.

Stock options reserve

The stock options reserve records items recognized as share-based payments expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital. If the options expire unexercised, the amount recorded is transferred to other reserve.

**10. LOSS PER SHARE**

The calculation of basic and diluted loss per share for the three months June 30, 2011 is based on the net loss attributable to common shareholders of \$2,606,307 (June 30, 2010: \$2,252,786) and a weighted average number of common shares outstanding during the period of 79,388,085 (June 30, 2010: 60,465,112).

In computing the diluted loss per share, warrants and options are not included as the impact would be anti-dilutive.

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**11. RELATED PARTY TRANSACTIONS AND BALANCES**

**a) Related party balances**

The balances due to related parties included in trade payables and accrued liabilities were \$36,333 as at June 30, 2011 (March 31, 2011 – \$36,987; April 1, 2010 - \$29,277). These amounts are unsecured and non-interest bearing.

As at June 30, 2011, amounts receivable include \$20,353 (March 31, 2011 – \$20,353; April 1, 2010 - \$nil) due from an officer.

**b) Key management personnel compensation**

The remuneration of directors and other members of key management were as follows:

	<b>For the three months ended</b>	
	<b>June 30, 2011</b>	<b>June 30, 2010</b>
Short-term employee benefits - management fees	\$ 103,140	\$ 96,900
Share-based payments - management fees	73,315	594,832
Share-based payments - directors' fees	15,395	124,200
	<b>\$ 191,850</b>	<b>\$ 815,932</b>

**12. COMMITMENTS AND CONTINGENCIES**

- 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:

<b><i>For the year ended</i></b>	
March 31, 2012	\$ 14,668

- On January 19, 2011, the Company entered into a drilling service agreement. Pursuant to the agreement, the Company guaranteed a minimum of 10,000 meters of drilling at prices of \$83 to \$104 per meter. The drilling is expected to be done during fiscal 2012.



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**13. SEGMENTED INFORMATION**

The Company has two operating segments: the exploration and development of the Sarfartoq exploration licenses in Greenland and corporate administrative functions in Canada. The Company's total assets and losses by segment are as follows

	Canada	Greenland	Total
<b>As at June 30, 2011</b>			
Resource properties	\$ -	\$ 716,371	\$ 716,371
Other assets	17,065,544	-	17,065,544
Liabilities	(790,757)	-	(790,757)
	<b>\$ 16,274,787</b>	<b>\$ 716,371</b>	<b>\$ 16,991,158</b>

<b>As at March 31, 2011</b>			
Resource properties	\$ -	\$ 679,167	\$ 679,167
Other assets	3,201,374	-	3,201,374
Liabilities	(337,930)	-	(337,930)
	<b>\$ 2,863,444</b>	<b>\$ 679,167</b>	<b>\$ 3,542,611</b>

<b>As at April 1, 2010</b>			
Resource properties	\$ -	\$ 652,249	\$ 652,249
Other assets	2,056,589	-	2,056,589
Liabilities	(184,023)	-	(184,023)
	<b>\$ 1,872,566</b>	<b>\$ 652,249</b>	<b>\$ 2,524,815</b>

	Canada	Greenland	Total
<b>Net loss:</b>			
For the three months ended June 30, 2011	\$ 255,169	\$ 2,351,138	\$ 2,606,307
For the three months ended June 30, 2010	899,249	1,353,537	2,252,786

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**14. CAPITAL MANAGEMENT**

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.

There were no changes in the Company's approach to capital management during the three months ended June 30, 2011.

**15. FINANCIAL INSTRUMENTS**

**a) Fair value**

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

Financial instruments recorded at fair value on the condensed consolidated interim statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. 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 included in Level 1 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 financial instruments recorded at fair value on the interim balance sheets are comprised of cash and cash equivalents which is measured using Level 1 of the fair value hierarchy. There were no significant transfers between Level 1 and Level 2 (2010: no significant transfers).

There were no financial assets which are measured at fair value that applied Level 2 or Level 3 fair value measurements (2010: no Level 2 or Level 3 fair value measurements).

**Hudson Resources Inc.**  
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**15. 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 June 30, 2011, the Company is not exposed to any significant credit risk.

The Company's maximum exposure to credit risk is the carrying value of its financial assets.

**Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company manages liquidity by maintaining adequate cash balances to meet liabilities as they become due.

The Company's expected source of cash flow in the upcoming year will be through equity financings.

The Company maintained sufficient cash and cash equivalents at June 30, 2011 in the amount of \$16,874,097, in order to meet short-term business requirements. At June 30, 2011, the Company had accounts payable and accrued liabilities of \$790,757. All accounts payable and accrued liabilities are current.

**Market Risk**

The significant market risks to which the Company is exposed are interest rate risk, currency risk and commodity price 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 June 30, 2011, the Company's cash is subject to or exposed to interest rate risk. However, this risk is not significant.

**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 cash and cash equivalents, amounts receivable, deposits and accounts payable and accrued liabilities are held in Canadian dollars ("CAD"), US dollars ("USD") and Greenland dollars ("DKK"); therefore, USD, and DKK accounts are subject to fluctuation against the Canadian dollar.

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**15. FINANCIAL INSTRUMENTS (continued)**

**b) Financial risk management (continued)**

The Company had the following balances in foreign currency as at June 30, 2011:

	in CAD	in USD	in DKK
Cash and cash equivalents	\$ 16,874,097	\$ -	-
Accrued interest and amounts receivable	20,353	-	-
Deposits	49,442	30,000	4,480
Accounts payable and accrued liabilities	(568,679)	(30,340)	(1,021,504)
	<b>16,375,213</b>	<b>(340)</b>	<b>(1,017,024)</b>
Rate to convert to \$1.00 CAD	1.000	1.0241	5.3079
<b>Equivalent to Canadian dollars</b>	<b>16,375,213</b>	<b>(332)</b>	<b>(191,607)</b>

Based on the above net exposures as at June 30, 2011, and assuming that all other variables remain constant, a 10% appreciation or depreciation of the CAD against the USD and DKK by 10% then this would have had the following impact:

	Additional foreign exchange gain (loss) (before tax) (in CAD)		
	USD	DKK	Total
<i>For the three months ended June 30, 2011</i>			
If CAD appreciated by 10%	30	17,419	17,449
If CAD depreciated by 10%	(37)	(21,290)	(21,327)

Other price risk

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices other than those arising from interest rate risk, financial market risk, or currency risk. The Company is not exposed to significant other price risk.

**Hudson Resources Inc.**  
**Notes to the Condensed Interim Financial Statements**  
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**16. TRANSITION TO IFRS**

As result of the Accounting Standards Board of Canada’s decision to adopt IFRS for publicly accountable entities for financial reporting periods beginning on or after January 1, 2011, the Company has adopted IFRS in these financial statements, making them the first condensed interim financial statements of the Company under IFRS. The Company previously applied the available standards under previous Canadian GAAP that were issued by the Accounting Standards Board of Canada.

As required by IFRS 1 “First-time Adoption of International Financial Reporting Standards”, April 1, 2010 has been considered to be the date of transition to IFRS by the Company. Therefore, the comparative figures that were previously reported under previous Canadian GAAP have been restated in accordance with IFRS.

**Exemptions applied**

The Company has applied the following optional transition exemptions to full retrospective application of IFRS:

- IFRS 2 “Share-based Payment” has not been applied to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected not to apply IFRS 2 to awards that vested prior to April 1, 2010, which have been accounted for in accordance with Canadian GAAP.
- IAS 16 “Property, plant and equipment” allows for property, plant and equipment to continue to be carried at cost less depreciation, same as under CAGAAP.

**Hudson Resources Inc.**  
**Notes to the Condensed Interim Financial Statements**  
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(Expressed in Canadian Dollars – unaudited)

**16. TRANSITION TO IFRS (continued)**

**Reconciliation of assets**

	Notes	As at March 31, 2011			As at June 30, 2010			As at April 1, 2010		
		Canadian GAAP	Effect of Transition	IFRS	Canadian GAAP	Effect of Transition	IFRS	Canadian GAAP	Effect of Transition	IFRS
<b>ASSETS</b>										
<b>Current assets</b>										
Cash and cash equivalents		\$ 2,982,564	\$ -	\$ 2,982,564	\$ 5,046,239	\$ -	\$ 5,046,239	\$ 1,981,878	\$ -	\$ 1,981,878
Accrued interest and amounts receivable		20,353	-	20,353	-	-	-	-	-	-
Harmonized sales tax receivable		128,569	-	128,569	53,243	-	53,243	38,119	-	38,119
Deposits		32,555	-	32,555	4,291	-	4,291	4,365	-	4,365
Prepaid expenses		31,499	-	31,499	15,896	-	15,896	28,385	-	28,385
		<b>3,195,540</b>	<b>-</b>	<b>3,195,540</b>	<b>5,119,669</b>	<b>-</b>	<b>5,119,669</b>	<b>2,052,747</b>	<b>-</b>	<b>2,052,747</b>
<b>Non-current assets</b>										
Equipment		5,834	-	5,834	4,893	-	4,893	3,842	-	3,842
Resource properties		679,167	-	679,167	679,167	-	679,167	652,249	-	652,249
		<b>685,001</b>	<b>-</b>	<b>685,001</b>	<b>684,060</b>	<b>-</b>	<b>684,060</b>	<b>656,091</b>	<b>-</b>	<b>656,091</b>
<b>TOTAL ASSETS</b>		<b>\$ 3,880,541</b>	<b>\$ -</b>	<b>\$ 3,880,541</b>	<b>\$ 5,803,729</b>	<b>\$ -</b>	<b>\$ 5,803,729</b>	<b>\$ 2,708,838</b>	<b>\$ -</b>	<b>\$ 2,708,838</b>

**Hudson Resources Inc.**  
**Notes to the Condensed Interim Financial Statements**  
**For the Three Months Ended June 30, 2011**  
(Expressed in Canadian Dollars – unaudited)

16. TRANSITION TO IFRS (continued)

***Reconciliation of liabilities and equity***

	Notes	As at March 31, 2011			As at June 30, 2010			As at April 1, 2010		
		Canadian GAAP	Effect of Transition	IFRS	Canadian GAAP	Effect of Transition	IFRS	Canadian GAAP	Effect of Transition	IFRS
<b>LIABILITIES</b>										
<b>Current liabilities</b>										
Accounts payable and accrued liabilities		\$ 337,930	\$ -	\$ 337,930	\$ 240,162	\$ -	\$ 240,162	\$ 184,023	\$ -	\$ 184,023
<b>TOTAL LIABILITIES</b>		<b>337,930</b>	<b>-</b>	<b>337,930</b>	<b>240,162</b>	<b>-</b>	<b>240,162</b>	<b>184,023</b>	<b>-</b>	<b>184,023</b>
<b>EQUITY</b>										
Share capital		27,086,518	-	27,086,518	26,061,732	-	26,061,732	21,276,946	-	21,276,946
Share subscription received		-	-	-	-	-	-	240,800	-	240,800
Deferred financing costs		(138,665)	-	(138,665)	-	-	-	-	-	-
Additional paid-in capital	16(c)	-	661,646	661,646	-	661,646	661,646	-	661,646	661,646
Contributed surplus	16(b)&(c)	2,529,308	(2,529,308)	-	2,172,680	(2,172,680)	-	1,761,837	(1,761,837)	-
Stock options reserve	16(b)&(c)	-	2,201,757	2,201,757	-	1,866,328	1,866,328	-	1,118,776	1,118,776
Deficit	16(b)	(25,934,550)	(334,095)	(26,268,645)	(22,670,845)	(355,294)	(23,026,139)	(20,754,768)	(18,585)	(20,773,353)
<b>TOTAL EQUITY</b>		<b>3,542,611</b>	<b>-</b>	<b>3,542,611</b>	<b>5,563,567</b>	<b>-</b>	<b>5,563,567</b>	<b>2,524,815</b>	<b>-</b>	<b>2,524,815</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>\$ 3,880,541</b>	<b>\$ -</b>	<b>\$ 3,880,541</b>	<b>\$ 5,803,729</b>	<b>\$ -</b>	<b>\$ 5,803,729</b>	<b>\$ 2,708,838</b>	<b>\$ -</b>	<b>\$ 2,708,838</b>

**Hudson Resources Inc.**  
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**16. TRANSITION TO IFRS (continued)**

**Reconciliation of loss and comprehensive loss for the three month period ended June 30, 2010**

	Notes	For the three months ended June 30, 2010		
		Canadian GAAP	Effect of Transition	IFRS
<b>EXPENSES</b>				
Depreciation		\$ 341	\$ -	\$ 341
Professional fees		26,608	-	26,608
Bank charges and interest		72	-	72
Evaluation and exploration costs		1,353,537	-	1,353,537
Filing fees		5,946	-	5,946
Foreign exchange		(1,875)	-	(1,875)
Management fees		81,300	-	81,300
Share-based payments	16(b)	414,917	336,709	751,626
Office		7,366	-	7,366
Rent		9,751	-	9,751
Shareholder/corporate communications		12,523	-	12,523
Telephone		570	-	570
Travel and accommodation		2,761	-	2,761
Transfer agent fees		2,283	-	2,283
		1,916,100	336,709	2,252,809
<b>OTHER EXPENSES (INCOME)</b>				
Interest income		(23)	-	(23)
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>		<b>\$ 1,916,077</b>	<b>\$ 336,709</b>	<b>\$ 2,252,786</b>

Basic and diluted loss per share for the period  
attributable to common shareholders (warrants  
and options not included as the impact would be anti-  
dilutive)

	0.03	0.01	0.04
Weighted average number of common shares outstanding	60,465,112	60,465,112	60,465,112



**Hudson Resources Inc.**  
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**16. TRANSITION TO IFRS (continued)**

**Reconciliation of loss and comprehensive loss for the year ended March 31, 2011**

		For the year ended March 31, 2011		
	<i>Notes</i>	<i>Canadian GAAP</i>	<i>Effect of Transition</i>	<i>IFRS</i>
<b>EXPENSES</b>				
Depreciation		\$ 1,707	\$ -	\$ 1,707
Professional fees		133,956	-	133,956
Bank charges and interest		1,004	-	1,004
Evaluation and exploration costs		3,254,226	-	3,254,226
Filing fees		54,764	-	54,764
Foreign exchange		(7,180)	-	(7,180)
Management fees		325,200	-	325,200
Share-based payments	16(b)	1,194,481	315,510	1,509,991
Office		42,077	-	42,077
Rent		40,313	-	40,313
Shareholder/corporate communications		79,084	-	79,084
Telephone		5,001	-	5,001
Travel and accommodation		50,248	-	50,248
Transfer agent fees		10,636	-	10,636
		5,185,517	315,510	5,501,027
<b>OTHER EXPENSES (INCOME)</b>				
Interest income		(5,735)	-	(5,735)
<b>TOTAL COMPREHENSIVE LOSS FOR THE YEAR</b>		<b>\$ 5,179,782</b>	<b>\$ 315,510</b>	<b>\$ 5,495,292</b>

Basic and diluted loss per share for the year

attributable to common shareholders (warrants and options not included as the impact would be anti-dilutive)	0.09	0.01	0.10
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Weighted average number of common shares outstanding	61,059,698	61,059,698	61,059,698
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**Hudson Resources Inc.**  
**Notes to the Condensed Interim Financial Statements**  
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**16. TRANSITION TO IFRS (continued)**

***Reconciliation of cash flows for the three month period ended June 30, 2010***

	Notes	For the three months ended June 30, 2010		
		Canadian GAAP	Effect of Transition	IFRS
Cash flows provided from (used by):				
<b>OPERATING ACTIVITIES</b>				
Net loss for the period	16(b)	\$ (1,916,077)	\$ (336,709)	\$ (2,252,786)
Adjustments for item not affecting cash:				
Depreciation		341	-	341
Share-based payments	16(b)	414,917	336,709	751,626
		<b>(1,500,819)</b>	<b>-</b>	<b>(1,500,819)</b>
Net changes in non-cash working capital items:				
Harmonized sales tax receivable		(15,124)	-	(15,124)
Prepaid expenses		12,489	-	12,489
Deposits		74	-	74
Accounts payable and accrued liabilities		56,139	-	56,139
<b>Net cash flows from (used in) operating activities</b>		<b>(1,447,241)</b>	<b>-</b>	<b>(1,447,241)</b>
<b>FINANCING ACTIVITIES</b>				
Proceeds from share issuance, net of share issue costs		4,539,912	-	4,539,912
<b>Net cash flows from (used in) financing activities</b>		<b>4,539,912</b>	<b>-</b>	<b>4,539,912</b>
<b>INVESTING ACTIVITIES</b>				
Purchase for equipment		(1,392)	-	(1,392)
Acquisition costs on mineral properties		(26,918)	-	(26,918)
<b>Net cash flows from (used in) investing activities</b>		<b>(28,310)</b>	<b>-</b>	<b>(28,310)</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>3,064,361</b>	<b>-</b>	<b>3,064,361</b>
<b>Cash and cash equivalents, beginning of period</b>		<b>1,981,878</b>	<b>-</b>	<b>1,981,878</b>
<b>Cash and cash equivalents, end of period</b>		<b>\$ 5,046,239</b>	<b>\$ -</b>	<b>\$ 5,046,239</b>
Cash and cash equivalents consist of :				
Cash		4,920,036	-	4,920,036
Term deposits		126,203	-	126,203
		<b>\$ 5,046,239</b>	<b>\$ -</b>	<b>\$ 5,046,239</b>

**Hudson Resources Inc.**  
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**16. TRANSITION TO IFRS (continued)**

**Reconciliation of cash flows for the year ended March 31, 2011**

	Notes	For the year ended March 31, 2011		
		Canadian GAAP	Effect of Transition	IFRS
Cash flows provided from (used by):				
<b>OPERATING ACTIVITIES</b>				
Net loss for the period	16(b)	\$ (5,179,782)	\$ (315,510)	\$ (5,495,292)
Adjustments for item not affecting cash:				
Depreciation		1,707	-	1,707
Share-based payments	16(b)	1,194,481	315,510	1,509,991
		<b>(3,983,594)</b>	<b>-</b>	<b>(3,983,594)</b>
<b>Net changes in non-cash working capital items:</b>				
Accrued interest and amounts receivable		(20,353)	-	(20,353)
Harmonized sales tax receivable		(90,450)	-	(90,450)
Prepaid expenses		(3,114)	-	(3,114)
Deposits		(28,190)	-	(28,190)
Accounts payable and accrued liabilities		153,907	-	153,907
<b>Net cash flows from (used in) operating activities</b>		<b>(3,971,794)</b>	<b>-</b>	<b>(3,971,794)</b>
<b>FINANCING ACTIVITIES</b>				
Proceeds from share issuance, net of share issue costs		5,141,762	-	5,141,762
Deferred financing costs		(138,665)	-	(138,665)
<b>Net cash flows from (used in) financing activities</b>		<b>5,003,097</b>	<b>-</b>	<b>5,003,097</b>
<b>INVESTING ACTIVITIES</b>				
Purchase for equipment		(26,918)	-	(26,918)
Acquisition costs on mineral properties		(3,699)	-	(3,699)
<b>Net cash flows from (used in) investing activities</b>		<b>(30,617)</b>	<b>-</b>	<b>(30,617)</b>
Effects of exchange rate changes on cash and cash equivalents				
			-	
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>1,000,686</b>	<b>-</b>	<b>1,000,686</b>
Cash and cash equivalents, beginning of period		1,981,878	-	1,981,878
Cash and cash equivalents, end of period		\$ 2,982,564	\$ -	\$ 2,982,564
Cash and cash equivalents consist of :				
Cash		2,856,134	-	2,856,134
Term deposits		126,430	-	126,430
		\$ 2,982,564	\$ -	\$ 2,982,564

Hudson Resources Inc.  
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16. TRANSITION TO IFRS (continued)

Reconciliation of equity

	Notes	March 31, 2011	June 30, 2010	April 1, 2010
Equity reported under Canadian GAAP and under IFRS		\$ 3,542,611	\$ 5,563,567	\$ 2,524,815

Reconciliation of comprehensive loss

For the three months ended June 30, 2010:

	Notes	
Comprehensive loss previously reported under Canadian GAAP		\$ 1,916,077
<i>Adjustments upon adoption of IFRS:</i>		
Differences in accounting for share-based payments	16(b)	336,709
<b>Comprehensive loss reported under IFRS</b>		<b>\$ 2,252,786</b>

For the year ended March 31, 2011:

	Notes	
Comprehensive loss previously reported under Canadian GAAP		\$ 5,179,782
<i>Adjustments upon adoption of IFRS:</i>		
Differences in accounting for share-based payments	16(b)	315,510
<b>Comprehensive loss reported under IFRS</b>		<b>\$ 5,495,292</b>

**Hudson Resources Inc.**  
**Notes to the Condensed Interim Financial Statements**  
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**16. TRANSITION TO IFRS (continued)**

**Notes to reconciliations**

**a) Functional and presentation currency**

IFRS requires that the functional currency of the Company be determined in accordance with the indicators as per IAS 21 “The Effects of Changes in Foreign Exchange Rates” and should be measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The Company’s functional currency and presentation currency remains the Canadian dollar.

**b) Share-based payments**

IFRS 2 is effective for the Company as at April 1, 2010 and is applicable to:

- New grants of stock-based payments subsequent to April 1, 2010;
- Equity-settled stock-based compensation awards granted subsequent to November 7, 2002 and that vest after April 1, 2010; and
- Awards that are modified on or after April 1, 2010, even if the original grant of the award was not accounted for in accordance with IFRS 2.

CAGAAP allows the Company to calculate the fair value of the stock-based compensation on all awards granted and recognizes the expense from the date of grant over the vesting period using the graded vesting methodology. The Company determines the fair value of stock options granted using the Black-Scholes option pricing model.

IFRS 2 requires each tranche in an award with graded vesting features to be treated as a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis.

As a result stock options reserve was increased by \$18,585 at April 1, 2010 (March 31, 2011 - \$334,095).

On transition to IFRS, the Company elected to change its accounting policy for the treatment of share-based payments whereby amounts recorded for expired unexercised stock options are transferred to additional paid-in capital. Previously, the Company’s Canadian GAAP policy was to leave such amounts in contributed surplus.

**c) Reserves**

Under Canadian GAAP, amounts recorded in relation to the fair value of stock options granted and warrants issued were recorded to contributed surplus. Under IFRS, these amounts have been reclassified as reserves. The fair value of the expired stock options and warrants has been reclassified as other reserve.