

HUDSON RESOURCES INC.

(An Exploration Stage Company)

REPORT AND FINANCIAL STATEMENTS

December 31, 2004

NOTICE CONCERNING AUDITOR REVIEW

The Company did not engage an independent auditor to perform a review of the interim financial statements for the nine month period ended December 31, 2004. Accordingly, the interim financial statements for the nine month period ended December 31, 2004 have been prepared by management and have not been reviewed by an independent auditor.

HUDSON RESOURCES INC.
(An Exploration Stage Company)
BALANCE SHEETS
December 31, 2004 and March 31, 2004

	December 31, <u>2004</u>	March 31, <u>2004</u>
<u>ASSETS</u>		
Current		
Cash and term deposits	\$ 1,659,298	\$ 577,480
Accrued interest and account receivable	14,728	6,723
Goods and services tax receivable	28,846	11,453
Prepaid Expenses	12,852	2,936
	1,715,724	598,592
Deferred charge - Note 4	143,875	4,063
Mineral Properties - Note 3	799,407	220,596
 Total Assets	 \$ 2,659,006	 \$ 823,251
<u>LIABILITIES</u>		
Current		
Accounts payable and accrued liabilities	\$ 30,430	\$ 26,156
<u>SHAREHOLDERS' EQUITY</u>		
Share Capital - Note 4	2,982,857	1,109,331
Contributed surplus - Note 4	220,500	19,500
Deficit	(574,781)	(331,736)
	2,628,576	797,095
	\$ 2,659,006	\$ 823,251

Nature and Continuance of Operations – Note 1
Commitments – Notes 3, 4 and 6
Subsequent Events – Note 6

APPROVED BY THE DIRECTORS:

"James Tuer", Director
JAMES TUER

"Robert Chase", Director
ROBERT CHASE

SEE ACCOMPANYING NOTES

HUDSON RESOURCES INC.
(An Exploration Stage Company)
STATEMENTS OF OPERATIONS
for the third quarter ended December 31, 2004 and 2003

	Three Months Ended December 31,		Nine Months Ended December 31,	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Administrative Expenses				
Accounting and legal fees	\$ -	\$ -	\$ 15,665	\$ 3,358
Bank	58	-	172	264
Filing Fees	1,401	-	8,123	2,394
Management Fees - Note 5	26,600	15,000	62,600	45,000
Non-cash compensation - Note 4	46,813	-	61,188	-
Office	1,963	1,330	7,681	5,840
Rent - Note 5	1,816	2,653	7,531	10,556
Shareholder communication	28,529	11,073	65,988	20,762
Telephone	1,773	947	4,170	2,664
Travel & Entertainment	6,264	-	14,487	777
Trust Company	2,279	1,282	5,668	3,906
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Loss before other items	(117,496)	(32,285)	(253,273)	(95,521)
Other items:				
Write-off deferred exploration costs	-	(2,384)	-	(2,384)
Write-off deferred mineral property	-	(28,118)	-	(28,118)
Interest income	6,375	1,152	10,228	4,764
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
	6,375	(29,350)	10,228	(25,738)
Net loss for the period	<u>(111,121)</u>	<u>(61,635)</u>	<u>(243,045)</u>	<u>(121,259)</u>
Retained Earnings, beginning of the period	(463,660)	(204,652)	(331,736)	(145,028)
Retained Earnings, end of the period	<u>\$ (574,781)</u>	<u>\$ (266,287)</u>	<u>\$ (574,781)</u>	<u>\$ (266,287)</u>
Earnings per share	<u>\$ (0.01)</u>	<u>\$ (0.01)</u>	<u>\$ (0.03)</u>	<u>\$ (0.01)</u>
Weighted average number of shares outstanding	<u>10,694,680</u>	<u>6,379,335</u>	<u>7,958,842</u>	<u>5,223,003</u>

SEE ACCOMPANYING NOTES

HUDSON RESOURCES INC.
(An Exploration Stage Company)
STATEMENTS OF CASH FLOWS
for the third quarter ended December 31, 2004 and 2003

	Three Months Ended December 31,		Nine Months Ended December 31,	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
Operating Activities				
Net Income for the period	\$(111,121)	\$(61,635)	\$(243,045)	\$(121,259)
Add item not involving cash:				
Write-off of mineral properties	-	28,118	-	28,118
Write-off of deferred exploration costs	-	2,384	-	2,384
	<u>(111,121)</u>	<u>(31,133)</u>	<u>(243,045)</u>	<u>(90,757)</u>
Items not involving cash:				
Non-cash compensation	46,813	-	61,188	-
Changes in non-cash working capital items related to operations				
Accrued interest and account receivable	(4,841)	1,722	(8,005)	7,621
Goods and services tax receivable	(14,467)	566	(17,393)	1,809
Accounts payable and accrued liabilities	(5,038)	(42,855)	4,274	12,415
Prepaid Expense	84,578	-	(9,916)	1,859
	<u>(4,076)</u>	<u>(71,700)</u>	<u>(212,897)</u>	<u>(67,053)</u>
Investing Activities				
Deferred Exploration Expenses	(222,167)	(25,900)	(562,347)	(163,962)
Property acquisition costs	(10,719)	-	(16,464)	21,135
	<u>(232,886)</u>	<u>(25,900)</u>	<u>(578,811)</u>	<u>(142,827)</u>
Financing Activities				
Common shares - net	1,472,876	231,267	1,873,526	231,267
	<u>1,472,876</u>	<u>231,267</u>	<u>1,873,526</u>	<u>231,267</u>
Increase in cash during the period	1,235,914	133,667	1,081,818	21,387
Cash and term deposits, beginning of the period	423,384	249,019	577,480	391,801
Cash and term deposits, end of the period	<u>\$ 1,659,298</u>	<u>\$ 382,686</u>	<u>\$ 1,659,298</u>	<u>\$ 413,188</u>

HUDSON RESOURCES INC.
 (An Exploration Stage Company)
SCHEDULE OF RESOURCE PROPERTY COSTS
for the nine months ended December 31, 2004 and 2003

Resource Properties	March 31, <u>2004</u> (Audited)	<u>Additions</u>	December 31, <u>2004</u> (Unaudited)	December 31, <u>2003</u>
Greenland				
Naajat & Nalussivik				
Acquisition costs	13,281	16,464	29,745	13,281
Deferred exploration expenditures				
Assay & analysis	44,916	58,109	103,025	44,917
Consulting	25,030	51,819	76,849	19,157
Data processing	32,922	7,850	40,772	32,922
Drilling costs	-	45,065	45,065	-
Equipment	-	3,638	3,638	-
Geophysical data	22,221	165,986	188,207	24,721
Helicopter	52,462	184,167	236,629	52,461
Legal	-	6,018	6,018	-
Software	2,526	-	2,526	-
Supplies & sundry	1,128	1,282	2,410	1,122
Travel	26,110	38,413	64,523	26,110
	<u>207,315</u>	<u>562,347</u>	<u>769,662</u>	<u>201,410</u>
Total resource property costs	<u>220,596</u>	<u>578,811</u>	<u>799,407</u>	<u>214,691</u>

HUDSON RESOURCES INC.
(An Exploration Stage Company)
NOTES TO THE FINANCIAL STATEMENTS
Nine months ended December 31, 2004

Note 1 Nature and Continuance of Operations

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 was classified as a Capital Pool Company as defined in the TSX Venture Exchange ("Exchange") Policy 2.4. The common shares of the Company began trading on the Exchange on February 7, 2001.

On December 6, 2002 the Exchange accepted the Company's qualifying transaction and it is no longer considered a Capital Pool Company. As a result of the qualifying transaction, the Company now is in the business of acquiring, exploring and evaluating mineral resource properties, and either joint venturing or developing these properties further or disposing of them when the evaluation is completed. At December 31, 2004, 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, continuation 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 using Canadian generally accepted accounting principles applicable for a going concern which assumes that the Company will realize its assets and discharge its liabilities in the ordinary course of business. The Company is in the exploration stage, has not yet generated revenues and has accumulated losses of \$463,660 since its commencement. Its ability to continue as a going concern is dependent upon the ability of the Company to obtain the necessary financing to meet its obligations and pay its liabilities arising from normal business operations when they come due.

Note 2 Significant Accounting Policies

The financial statements of the Company have been prepared in accordance with accounting principles generally accepted ("GAAP") in Canada and are stated in Canadian dollars. Because a precise determination of any 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) Financial Instruments

The carrying value of the Company's financial instruments, consisting of cash and term deposits, accrued interest and amounts receivable and accounts payable and accrued liabilities approximate their fair value due to the short-term maturity of such instruments. Unless otherwise noted, it is management's opinion that the Company is not exposed to significant interest, currency or credit risks arising from these financial instruments.

(b) Loss Per Share

Basic earnings per share are computed by dividing the loss for the year by the weighted average number of common shares outstanding during the year. Diluted earnings per share reflect the potential dilution that could occur if potentially dilutive securities were exercised or converted to common stock. The dilutive effect of options and warrants and their equivalent is computed by application of the treasury stock method and the effect of convertible securities by the "if converted" method. Fully diluted amounts are not presented when the effect of the computations are anti-dilutive due to the losses incurred. Accordingly, there is no difference in the amounts presented for basic and diluted loss per share.

(c) Stock-based Compensation

The Company has a stock-based compensation plan as disclosed in Note 4, whereby stock options are granted in accordance with the policies of regulatory authorities. The Company applies the "settlement method" of accounting for stock-based compensation awards. No compensation expense is recognized for those options when issued to employees and directors. Any consideration paid by employees and directors upon exercise of stock options is credited to share capital.

Effective for fiscal years beginning on or after January 1, 2002, public companies are required to adopt the new recommendations of the Canadian Institute of Chartered Accountants regarding accounting for stock-based compensation. These new requirements require that all stock-based payments to non-employees and direct awards of stock to employees be accounted for using a fair value based method of accounting. However, the new standard permits the Company to continue its existing policy of not recording compensation cost on the grant of stock options to employees with the addition of pro forma information. The Company has elected to apply the pro forma disclosure provisions of the new standard to awards granted on or after April 1, 2002.

(d) 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 mineral properties are credited to the carrying value of the mineral 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.

(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 that are likely to 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) Exploration Stage Company

The Securities and Exchange Commission's Exchange Act Guide 7 "Description of property by issuers engaged or to be engaged in significant mining operations" requires that mining companies in the exploration stage should not refer to themselves as development stage companies in the financial statements, even though such companies should comply with Financial Accounting Standard Board Statement No. 7, if applicable. Accordingly, the Company has not been referred to as being a development stage company.

Note 3 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. In December, 2003, the Company reduced the area to 325 square kilometres, based on the results of the 2003 exploration program and reduced exploration commitments for 2003. The Company has met all of the exploration expenditures for 2003. Work expenditures are approved each April by the Bureau of Minerals and Petroleum ("BMP") for Greenland based on Company submissions due April 1 of each year. In December, 2004, the Company reduced the area to 243 square kilometres. Work commitments for calendar 2004 are approximately \$270,000. Expenditures in excess of this amount can be carried forward to future years. This amount can be reduced or eliminated by reducing or dropping the licence by December 31, 2005.

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. The Company was required to incur net exploration expenses of \$55,350 (260,157 DKK) in 2003 in order to maintain ownership of the Nalussivik claim. The Company, which defers some of the expenditures and expenses others, has met this requirement. The Company has applied for and been granted an additional 193 square kilometres under the Nalussivik EL bringing the total to 401 square kilometres. Work commitments for calendar 2004 are approximately \$100,000. Expenditures in excess of this amount can be carried forward to future years. This amount can be reduced or eliminated by reducing or dropping the licence by December 31, 2005.

Nalussivik 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. The Company was required to

incur net exploration expenses of approximately \$35,000 in 2005 in order to maintain ownership of the Nalussivik claim.

New Millennium Resources NL Joint Venture, 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 per cent interest of the diamond mineral rights (including all other minerals except for tantalum and niobium) on the Saraftoq exploration license on property located in West Greenland. This property is contiguous to the southeast margin of the Company's Nalussivik exploration license. In order to earn its interest, the Company must make minimum annual exploration expenditures in Australian dollars as follows:

	Canadian Equivalent (exchange \$0.9775)	Australian Dollars
2004	\$ 97,750	\$ 100,000
2005	146,625	150,000
2006	244,375	250,000
2007	<u>488,750</u>	<u>500,000</u>
	<u>\$ 977,550</u>	<u>\$1,000,000</u>

Note 4 Share Capital

a) Authorized:

Unlimited number of common shares without par value

b) Issued:

	Number	\$
Balance as at March 31, 2002	3,883,334	409,739
For cash		
– pursuant to a non-brokered private placement – at \$0.15	<u>1,339,669</u>	<u>200,950</u>
Balance as at March 31, 2003	<u>5,223,003</u>	<u>610,689</u>
For cash		
– pursuant to the exercise of warrants – at \$0.20	1,156,334	231,267
– pursuant to a brokered private placement – at \$0.225 (before commissions and expenses)	1,350,000	267,375
Balance as at March 31, 2004	<u>7,729,337</u>	<u>1,109,331</u>
For cash		
– pursuant to a non-brokered private placement – at \$0.30 (before commissions and expenses)	1,455,000	436,500
– pursuant to a brokered private placement – at	2,422,700	1,332,485

\$0.55 (before commissions and expenses)		
– pursuant to a non-brokered private placement – at \$0.55 (before commissions and expenses)	480,000	264,000
– pursuant to the exercise of warrants – at \$0.30 For Non-Cash	40,000	12,000
– pursuant to a commissions regarding the brokered private placement – at \$0.55	77,986	-
Balance as at December 31, 2004	<u>12,205,023</u>	<u>3,154,316</u>

c) Escrow Shares:

At December 31, 2004, the Company has 400,000 (2003: 800,000) common shares held in escrow by the Company's transfer agent. The remaining escrow shares will be released in amounts of 200,000 common shares semi-annually on June 6 and December 6 of each year.

d) Commitments:

Stock-based Compensation Plan:

The Company has granted directors and officers 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.

A summary of the status of the stock option plan as of December 31, 2004 and March 31, 2004 and the changes during the periods ending on those dates is presented below:

	Period ended December 31, 2004		Year ended March 31, 2004	
	Shares	Weighted Average Exercise Price	Shares	Weighted Average Exercise Price
Options outstanding and exercisable, beginning of period	696,833	\$0.15	646,833	\$0.15
Cancelled	-	(\$0.20)	(100,000)	(\$0.20)
Granted	<u>848,167</u>	<u>\$0.56</u>	<u>150,000</u>	\$0.20
Options outstanding and exercisable, end of period	<u>1,495,000</u>	<u>\$0.37</u>	<u>696,833</u>	<u>\$0.15</u>

As at December 31, 2004, there are 846,833 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>Price</u>	<u>Expiry</u>
271,833	\$0.15	February 7, 2006
375,000	\$0.15	January 8, 2008
50,000	\$0.20	December 5, 2008
100,000	\$0.35	May 12, 2009
50,000	\$0.35	May 25, 2009
<u>698,167</u>	\$0.60	December 1, 2009
<u>1,495,000</u>		

Share Purchase Warrants:

As at December 31, 2004, there were 3,897,843 share purchase warrants outstanding, including 100,000 Agent's Warrants exercisable at \$0.30 per share and 270,000 Agent's Warrants exercisable at \$0.55 per share. The warrants have acceleration provisions that allow the Company to call for the early conversion of the warrants if the shares trade above the Early Conversion Price for a set number of trading days.

<u>Number</u>	<u>Price</u>	<u>Expiry</u>	<u>Early Conversion Price</u>
1,410,000	\$0.30	April 1, 2005	\$0.75
727,500	\$0.40	August 18, 2005	\$0.80
270,000	\$0.55	November 15, 2005	N/A
1,250,343	\$0.85	November 15, 2006	\$1.40
<u>240,000</u>	\$0.85	November 25, 2006	\$1.40
<u>3,897,843</u>			

Note 5 Related Party Transactions

During the three months ended December 31, 2004 and 2003, the Company incurred the following transactions with a director/officer and an officer of the Company:

	<u>2004</u>	<u>2003</u>
Management fees	<u>\$26,600</u>	<u>\$15,000</u>

Note 6 Subsequent Events

There are no material events subsequent to the period ended December 31, 2004, other than the granting of the Sarfartuup Qulaa Exploration Licence.