HUDSON RESOURCES INC.

(An Exploration Stage Company)

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED DECEMBER 31, 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 nine months ended December 31, 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)

As at		December 31, 2011		March 31, 2011
ASSETS				
Current assets				
Cash and cash equivalents (note 4)	$	**12,567,378**	$	2,982,564
Amounts receivable (note 11(a))		**-**		20,353
Harmonized sales tax receivable		**137,310**		128,569
Deposits		**35,685**		32,555
Prepaid expenses		**36,396**		31,499
		12,776,769		**3,195,540**
Non-current assets				
Equipment (note 5)		**26,981**		5,834
Resource properties (note 6)		**702,934**		679,167
		729,915		685,001
TOTAL ASSETS	**$**	**13,506,684**	**$**	**3,880,541**
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities (notes 8 & 11(a))	$	**139,835**	$	337,930
TOTAL LIABILITIES		**139,835**		**337,930**
EQUITY				
Share capital (note 9)	$	**42,909,981**	$	27,086,518
Deferred financing costs		**-**		(138,665)
Additional paid-in capital (note 9(e))		**661,646**		661,646
Stock options reserve (note 9(e))		**2,675,479**		2,201,757
Deficit		**(32,880,257)**		(26,268,645)
TOTAL EQUITY		**13,366,849**		**3,542,611**
TOTAL EQUITY AND LIABILITIES	**$**	**13,506,684**	**$**	**3,880,541**

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		For the nine months ended	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
		(Note 16)		*(Note 16)*
EXPENSES				
Depreciation	$ 1,387	$ 479	$ 4,158	$ 1,161
Professional fees	37,090	40,480	118,675	102,908
Bank charges and interest	1,800	68	3,576	562
Evaluation and exploration costs (note 7)	778,845	629,060	5,342,487	2,935,770
Filing fees	7,021	11,222	21,691	19,234
Foreign exchange	(4,911)	(1,588)	(778)	(9,142)
Management fees	116,265	81,300	528,765	243,900
Share-based payments (note 9(d))	185,395	234,540	473,722	1,359,912
Office	13,126	11,318	42,992	26,327
Rent	10,810	10,212	32,274	29,801
Shareholder/corporate communications	44,830	13,147	107,923	39,413
Telephone	1,087	985	4,654	3,438
Travel and accommodation	6,316	1,141	35,465	4,223
Transfer agent fees	4,811	4,562	8,628	8,324
	1,203,872	1,036,926	6,724,232	4,765,831
OTHER EXPENSES (INCOME)				
Interest income	(47,742)	(4,252)	(132,714)	(5,642)
Impairment of resource properties	20,094	-	20,094	-
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	$ 1,176,224	$ 1,032,674	$ 6,611,612	$ 4,760,189
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)	$ 0.01	$ 0.02	$ 0.08	$ 0.08
Weighted average number of common shares outstanding	80,186,766	60,999,255	79,922,475	60,759,611

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)

		Share capital				Reserves			
	Note	Number of shares	Amount	Share subscription received	Deferred financing costs	Additional paid-in capital	Stock options reserve	Deficit	Total
Balance at April 1, 2010	**16**	**54,511,266**	**$ 21,276,946**	**$ 240,800**	**$ -**	**$ 661,646**	**$ 1,118,776**	**$ (20,773,353)**	**$ 2,524,815**
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		1,133,000	499,850	-	-	-	-	-	**499,850**
Reclassification of grant-date fair value on exercise of stock options		-	371,126	-	-	-	(371,126)	-	**-**
Share-based payments		-	-	-	-	-	1,125,372	-	**1,125,372**
Net loss for the period		-	-	-	-	-	-	(3,727,515)	**(3,727,515)**
Balance at December 31, 2010	**16**	**61,894,266**	**$ 26,923,634**	**$ -**	**$ -**	**$ 661,646**	**$ 1,873,022**	**$ (24,500,868)**	**$ 4,957,434**
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		100,000	80,000	-	-	-	-	-	**80,000**
Reclassification of grant-date fair value on exercise of stock options		-	55,884	-	-	-	(55,884)	-	**-**
Share-based payments		-	-	-	-	-	384,619	-	**384,619**
Net loss for the period		-	-	-	-	-	-	(1,767,777)	**(1,767,777)**
Balance at March 31, 2011		**62,016,766**	**$ 27,086,518**	**$ -**	**$ (138,665)**	**$ 661,646**	**$ 2,201,757**	**$ (26,268,645)**	**$ 3,542,611**
Shares issued for cash - private placement		18,170,000	15,823,463	-	138,665	-	-	-	**15,962,128**
Share-based payments		-	-	-	-	-	473,722	-	**473,722**
Net loss for the period		-	-	-	-	-	-	(6,611,612)	**(6,611,612)**
Balance at December 31, 2011		**80,186,766**	**$ 42,909,981**	**$ -**	**$ -**	**$ 661,646**	**$ 2,675,479**	**$ (32,880,257)**	**$ 13,366,849**

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 nine months ended December 31, 2011	December 31, 2010
Cash flows provided from (used by):		
OPERATING ACTIVITIES		
Net loss for the period	**$ (6,611,612)**	**$ (4,760,189)**
Adjustments for items not affecting cash:		
Depreciation	4,158	1,161
Share-based payments	473,722	1,359,912
Impairment of resource properties	20,094	-
	(6,113,638)	**(3,399,116)**
Net changes in non-cash working capital items:		
Amounts receivable	20,353	-
Harmonized sales tax receivable	(8,741)	(37,885)
Prepaid expenses	(4,897)	(6,986)
Deposits	(3,130)	304
Accounts payable and accrued liabilities	(198,095)	(84,454)
Net cash flows (used in) operating activities	**(6,308,148)**	**(3,528,137)**
FINANCING ACTIVITIES		
Proceeds from share issuance, net of share issue costs	15,962,128	5,034,762
Net cash flows from financing activities	**15,962,128**	**5,034,762**
INVESTING ACTIVITIES		
Equipment purchases	(25,305)	(2,641)
Mineral property acquisition costs	(43,861)	(26,918)
Net cash flows from (used in) investing activities	**(69,166)**	**(29,559)**
Net increase in cash and cash equivalents	**9,584,814**	**1,477,066**
Cash and cash equivalents, beginning of period	**2,982,564**	**1,981,878**
Cash and cash equivalents, end of period	**$ 12,567,378**	**$ 3,458,944**
Cash and cash equivalents consist of :		
Cash	**2,355,330**	**3,332,606**
Term deposits	**10,212,048**	**126,338**
	$ 12,567,378	**$ 3,458,944**
Cash paid during the period for interest	**$ -**	**$ -**
Cash paid during the period for income taxes	**$ -**	**$ -**

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

1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS

Hudson Resources Inc.(the "Company") is a publicly listed company incorporated in British Columbia on March 7, 2000and 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 December 31, 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 December 31, 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 nine months ended December 31, 2011 were reviewed by the Audit Committee and approved and authorized by the Board of Directors on February 29, 2012.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

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 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.

(Expressed in Canadian Dollars – unaudited)

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

4. CASH AND CASH EQUIVALENTS

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

		December 31, 2011		March 31, 2011
Cash	$	2,355,330	$	2,856,134
Term deposits		10,212,048		126,430
	$	**12,567,378**	**$**	**2,982,564**

(Expressed in Canadian Dollars – unaudited)

5. EQUIPMENT

The Company's equipment is broken down as follows:

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

	Computer equipment	Field equipment	Total
Cost			
As at March 31, 2011	$ 11,454	$ -	**$ 11,454**
Additions	-	25,305	**25,305**
Balance as at December 31, 2011	**$ 11,454**	**$ 25,305**	**$ 36,759**
Depreciation			
As at March 31, 2011	$ (5,620)	$ -	**$ (5,620)**
Charged for the period	(1,312)	(2,846)	**(4,158)**
Balance as at December 31, 2011	**$ (6,932)**	**$ (2,846)**	**$ (9,778)**
Net book value			
As at March 31, 2011	$ 5,834	$ -	$ 5,834
As at December 31, 2011	**$ 4,522**	**$ 22,459**	**$ 26,981**

(Expressed in Canadian Dollars – unaudited)

6. RESOURCE PROPERTIES

The Company's resource propertiesare broken down as follows:

	Balance as at April 1, 2010	Additions	Balance as at March 31, 2011	Additions	Impairment	Balance as at December 31, 2011
Greenland						
Sarfartoq Exploration Licences						
Acquisition costs / license fees	**$ 652,249**	$ 26,918	**$ 679,167**	$ 43,861	$ (20,094)	**$ 702,934**

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 expired on December 31, 2011 and a renewal application has been submitted for years 11 and 12.

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. However, In December 2011, the Company applied to consolidate portions of the licence area into one master Sarfartoq EL.

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. However, In December 2011, the Company applied to consolidate portions of the licence area into one master Sarfartoq EL.

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 Safartoq 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 expired on December 31, 2011 and a renewal application has been submitted.

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 was approved for the renewal period 2011 – 2015. However, in December 2011, the Company relinquished the licence area. As a result, the Company recognized an impairment of $20,094 during the nine months ended December 31, 2011 (December 31, 2010 - $nil).

6. RESOURCE PROPERTIES (continued)

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 expired on December 31, 2011 and is renewable. In December 2011, the Company applied to consolidate portions of the licence area into one master Sarfartoq EL.

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. However, In December 2011, the Company applied to consolidate portions of the licence area into one master Sarfartoq EL.

As at December 31, 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, other than the Sarfartoq Øst mineral claim that was relinquished . The Naajat, Sarfartoq, and Arnanganeq Exploration Licences were due to expire on December 31, 2011.

In December, Hudson submitted two renewal applications. The Sarfartoq EL was amended to include portions of the Nalussivik, Sarfartuup Qulaa, Sarfartoq Valley and Arnanganeq exploration licences as well as annex portions of the Sarfartoq EL and add additional ground that extends the licence area to the fjord. The total area was reduced from 1,351 sq. km. to approximately 687 sq. km. As a result of the application, five previous licences will be incorporated into one new Sarfartoq EL that is focused on the rare earth project. Hudson annexed and relinquished the area around the Garnet Lake diamond discovery due to the fact that it has not worked on the Garnet Lake project since 2008 and it has no plans to reactivate the bulk sampling diamond project anytime in the foreseeable future. Since the rare earth project and the diamond project occupied the same licence area, the Company determined that there was no impairment write-down necessary. The Sarfartoq Øst EL was relinquished prior the December 31, 2011 because the Company had no future exploration plans for the area as it was situated well outside the bounds of the carbonatite complex. The Naajat EL was renewed for exploration years 11 and 12 and the licence area was reduced from 190 sq. km. to approximately 96 sq. km.

(Expressed in Canadian Dollars – unaudited)

7. EVALUATION AND EXPLORATION COSTS

The evaluation and exploration costs for the Company during the nine months ended December 31, 2011 and 2010 are broken down as follows:

	For the nine months ended December 31, 2011	For the nine months ended December 31, 2010	Cumulative evaluation and exploration costs, December 31, 2011
Evaluation and exploration costs:			
Assay and analysis	$ 480,311	$ 206,446	$ 1,044,052
Camp and portable shelters	67,057	120,372	791,824
Consulting	859,746	332,635	2,622,468
Data processing	-	-	56,737
Diamond recovery plant and operations	-	-	1,672,479
Drilling	1,878,827	922,934	6,000,398
Equipment	25,723	87,559	647,711
Explosives	-	-	50,026
Fuel	74,577	34,176	309,471
Geophysical data	65,905	26,000	546,947
Helicopter	1,134,445	718,292	6,660,362
Insurance	-	-	47,166
Legal	8,330	-	14,348
Sample extraction and processing	-	-	1,599,963
Shipping	302,875	133,716	935,690
Supplies	7,905	28,749	173,705
Travel	436,786	224,925	1,546,809
Wages and benefits	-	99,966	145,745
	$ 5,342,487	$ 2,935,770	$ 24,865,901

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	December 31, 2011	March 31, 2011
Trade payables	$ 121,835	$ 293,856
Accrued liabilities	18,000	44,074
	$ 139,835	**$ 337,930**

(Expressed in Canadian Dollars – unaudited)

9. SHARE CAPITAL

a) Authorized share capital

Unlimited number of common shares without par value.

b) Issued share capital

At December 31, 2011, the Company had 80,186,766 common shares issued and outstanding (March 31, 2011 – 62,016,766).

During the nine months ended December 31, 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 overallotment 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.

c) Share Purchase Warrants

The changes in warrants during the nine months ended December 31, 2011 and the year ended March 31, 2011 are as follows:

	December 31, 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	**3,102,500**	**$ 1.20**	3,102,500	$ 1.20

(Expressed in Canadian Dollars – unaudited)

9. SHARE CAPITAL (continued)

c) Share Purchase Warrants (continued)

The following summarizes information about warrants outstanding at December 31, 2011:

Expiry date	Warrants outstanding		Exercise price	Weighted average remaining contractual life (in years)
April 6, 2012	3,102,500	$	1.20	0.27

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 nondiluted basis. The Company has granted directors, officers and consultants common share purchase options. These options are granted with an exercise price equal to the market price of the Company's stock on the date of the grant. Under the stock option plan, management has the option of determining vesting periods.

The changes in stock options during the nine months ended December 31, 2011 and the year ended March 31, 2011 are as follows:

	December 31, 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	**1,400,000**		**0.71**	2,250,000		0.80
Exercised	**-**		**-**	(1,233,000)		0.47
Outstanding, end of period	**5,845,000**	**$**	**0.63**	4,445,000	$	0.60

(Expressed in Canadian Dollars – unaudited)

9. SHARE CAPITAL (continued)

d) Stock Options (continued)

The following summarizes information about stock options outstanding and exercisable at December 31, 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	$ 397,442	0.46
April 23, 2013	370,000	370,000	0.51	166,656	1.31
April 6, 2014	1,300,000	1,300,000	0.10	105,922	2.27
January 25, 2015	100,000	100,000	0.95	84,505	3.07
April 30, 2015	2,225,000	2,225,000	0.80	1,588,033	3.33
June 6, 2016	200,000	100,000	1.04	20,716	4.44
September 28, 2016	1,200,000	450,000	0.65	126,810	4.75
	5,845,000	**4,995,000**		**$ 2,490,084**	**3.07**

During the nine months ended December 31, 2011, the Company granted 1,200,000 options to the Company's officers, directors and field staff (December 31, 2010 – 2,250,000). The Company also granted 200,000 options to a consultant during the nine months ended December 31, 2011 (December 31, 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 nine months ended	
	December 31, 2011	**December 31, 2010**
Risk-free interest rate	1.07%	2.71%
Expected annual volatility	112%	144%
Expected life	3.24	5.00
Expected dividend yield	-	-
Weighted average grant date fair value per option	0.39	0.72

(Expressed in Canadian Dollars – unaudited)

9. SHARE CAPITAL (continued)

d) Stock Options (continued)

During the nine months ended December 31, 2011, the Company recognized share-based payments expense of $473,722 (December 31, 2010 – $1,359,912). For the nine months ended December 31, 2011 and 2010, share-based payments expense consists of the following:

	For the nine months ended	
	December 31, 2011	**December 31, 2010**
For services in respect of:		
Accounting	**$ 22,739**	$ 44,082
Directors' fees	**142,801**	228,439
Evaluation and exploration costs	**24,399**	58,780
Investor relations	**37,351**	-
Management fees	**246,432**	1,028,611
	$ 473,722	$ 1,359,912

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 nine months December 31, 2011 is based on the net loss attributable to common shareholders of $6,611,612 (December 31, 2010: $4,760,189) and a weighted average number of common shares outstanding during the period of 79,922,475 (December 31, 2010: 60,759,611).

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

(Expressed in Canadian Dollars – unaudited)

11. RELATED PARTY TRANSACTIONS AND BALANCES

a) Related party balances

The balances due to related parties included in trade payables and accrued liabilities were $8,154 as at December 31, 2011 (March 31, 2011 – $36,987). These amounts are unsecured and non-interest bearing.

As at December 31, 2011, there was no amounts due from related parties (March 31, 2011 - $20,353).

b) Key management personnel compensation

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

	For the nine months ended			
	December 31, 2011		**December 31, 2010**	
Short-term employee benefits - management fees	**$**	**538,430**	$	291,670
Short-term employee benefits - directors' fees		**60,015**		-
Share-based payments - management fees		**269,171**		1,072,693
Share-based payments - directors' fees		**142,801**		228,439
	$	**1,010,417**	$	1,592,802

For the nine months ended December 31, 2011, short-term employee benefits – management fees included bonuses of $180,000 (2010 – nil).

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. This lease agreement was renewed for an additional two years ending October 1, 2013. Total minimum lease payments are as follows:

For the year ended		
March 31, 2012	$	6,512
March 31, 2013		26,048
March 31, 2014		13,024
	$	**45,584**

(Expressed in Canadian Dollars – unaudited)

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
As at December 31, 2011			
Resource properties	$ -	$ 702,934	**$ 702,934**
Other assets	12,803,750	-	**12,803,750**
Liabilities	(139,835)	-	**(139,835)**
	$ 12,663,915	**$ 702,934**	**$ 13,366,849**
As at March 31, 2011			
Resource properties	$ -	$ 679,167	**$ 679,167**
Other assets	3,201,374	-	**3,201,374**
Liabilities	(337,930)	-	**(337,930)**
	$ 2,863,444	**$ 679,167**	**$ 3,542,611**
As at April 1, 2010			
Resource properties	$ -	$ 652,249	**$ 652,249**
Other assets	2,056,589	-	**2,056,589**
Liabilities	(184,023)	-	**(184,023)**
	$ 1,872,566	**$ 652,249**	**$ 2,524,815**

	Canada	Greenland	Total
Net loss:			
For the nine months ended December 31, 2011	$ 1,269,125	$ 5,342,487	**$ 6,611,612**
For the nine months ended December 31, 2010	1,824,419	2,935,770	**4,760,189**

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 nine months ended December 31, 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).

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 December 31, 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 December 31, 2011 in the amount of $12,567,378, in order to meet short-term business requirements. At December 31, 2011, the Company had accounts payable and accrued liabilities of $139,835. 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 December 31, 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.

(Expressed in Canadian Dollars – unaudited)

15. FINANCIAL INSTRUMENTS (continued)

b) Financial risk management (continued)

The Company had the following balances in foreign currency as at December 31, 2011:

	in CAD	in USD	in DKK
Cash and cash equivalents	$ 12,567,378	$ -	$ -
Accrued interest and amounts receivable	-	-	-
Deposits	4,298	30,000	4,480
Accounts payable and accrued liabilities	(119,092)	(20,314)	(159)
	12,452,585	**9,686**	**4,321**
Rate to convert to $1.00 CAD	1.000	0.9807	5.6306
Equivalent to Canadian dollars	**12,452,585**	**9,876**	**767**

Based on the above net exposures as at December 31, 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**
For the nine months ended December 31, 2011			
If CAD appreciated by 10%	**(898)**	**(70)**	**(968)**
If CAD depreciated by 10%	**1,097**	**85**	**1,183**

<u>*Other price risk*</u>

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.

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.

(Expressed in Canadian Dollars – unaudited)

16. TRANSITION TO IFRS (continued)

Reconciliation of loss and comprehensive loss for the three month period ended December 31, 2010

		For the three months ended December 31, 2010		
	Notes	*Canadian GAAP*	*Effect of Transition*	*IFRS*
EXPENSES				
Depreciation		$479	$ -	$ 479
Professional fees		40,480	-	40,480
Bank charges and interest		68	-	68
Evaluation and exploration costs		629,060	-	629,060
Filing fees		11,222	-	11,222
Foreign exchange		(1,588)	-	(1,588)
Management fees		81,300	-	81,300
Share-based payments	16(b)	357,513	(122,973)	234,540
Office		11,318	-	11,318
Rent		10,212	-	10,212
Shareholder/corporate communications		13,147	-	13,147
Telephone		985	-	985
Travel and accommodation		1,141	-	1,141
Transfer agent fees		4,562	-	4,562
		1,159,899	(122,973)	1,036,926
OTHER EXPENSES (INCOME)				
Interest income		(4,252)	**-**	**(4,252)**
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**$ 1,155,647**	**$ (122,973)**	**$ 1,032,674**
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)		**0.02**	**-**	**0.02**
Weighted average number of common shares outstanding		**60,999,255**	**60,999,255**	**60,999,255**

(Expressed in Canadian Dollars – unaudited)

16. TRANSITION TO IFRS (continued)

Reconciliation of loss and comprehensive loss for the nine month period ended December 31, 2010

		For the nine months ended December 31, 2010		
	Notes	*Canadian GAAP*	*Effect of Transition*	*IFRS*
EXPENSES				
Depreciation		$1,161	$ -	$ 1,161
Professional fees		102,908	-	102,908
Bank charges and interest		562	-	562
Evaluation and exploration costs		2,935,770	-	2,935,770
Filing fees		19,234	-	19,234
Foreign exchange		(9,142)	-	(9,142)
Management fees		243,900	-	243,900
Share-based payments	16(b)	985,171	374,741	1,359,912
Office		26,327	-	26,327
Rent		29,801	-	29,801
Shareholder/corporate communications		39,413	-	39,413
Telephone		3,438	-	3,438
Travel and accommodation		4,223	-	4,223
Transfer agent fees		8,324	-	8,324
		4,391,090	374,741	4,765,831
OTHER EXPENSES (INCOME)				
Interest income		(5,642)	**-**	**(5,642)**
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD		**$ 4,385,448**	**$ 374,741**	**$ 4,760,189**
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)		**0.07**	**0.01**	**0.08**
Weighted average number of common shares outstanding		**60,759,611**	**60,759,611**	**60,759,611**

(Expressed in Canadian Dollars – unaudited)

16. TRANSITION TO IFRS (continued)

Reconciliation of equity

		December 31, 2010
Equity reported under Canadian GAAP and under IFRS	**$**	**3,542,611**

Reconciliation of comprehensive loss

For the three months ended December 31, 2010:

	Notes		
Comprehensive loss previously reported under Canadian GAAP		**$**	**1,155,647**
Adjustments upon adoption of IFRS:			
Differences in accounting for share-based payments	16(b)		(122,973)
Comprehensive loss reported under IFRS		**$**	**1,032,674**

For the nine months ended December 31, 2010:

	Notes		
Comprehensive loss previously reported under Canadian GAAP		**$**	**4,385,448**
Adjustments upon adoption of IFRS:			
Differences in accounting for share-based payments	16(b)		374,741
Comprehensive loss reported under IFRS		**$**	**4,760,189**

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.