HUDSON RESOURCES INC

HUDSON RESOURCES INC.

(An Exploration Stage Company)

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 2012

(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 condensed interim financial statements of Hudson Resources Inc. for the three and nine months ended December 31, 2012 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 condensed 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 (unaudited)
(Expressed in Canadian Dollars)

As at		December 31, 2012		March 31, 2012
ASSETS				
Current assets				
Cash and cash equivalents (note 4)	$	**7,005,653**	$	11,942,311
Harmonized sales tax receivable		**129,015**		166,649
Deposits		**93,312**		32,226
Prepaid expenses		**26,774**		204,231
		7,254,754		**12,345,417**
Non-current assets				
Equipment (note 5)		**67,445**		25,594
Resource properties (note 6)		**734,770**		705,221
		802,215		730,815
TOTAL ASSETS	**$**	**8,056,969**	**$**	**13,076,232**
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities (notes 8 & 11(a))	$	**149,389**	$	205,473
TOTAL LIABILITIES		**149,389**		**205,473**
EQUITY				
Share capital (note 9)	$	**42,909,981**	$	42,909,981
Additional paid-in capital (note 9(e))		**1,224,291**		661,646
Stock options reserve (note 9(e))		**2,836,404**		2,929,158
Deficit		**(39,063,096)**		(33,630,026)
TOTAL EQUITY		**7,907,580**		**12,870,759**
TOTAL EQUITY AND LIABILITIES	**$**	**8,056,969**	**$**	**13,076,232**

The accompanying notes are an integral part of these 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 (unaudited)
(Expressed in Canadian Dollars)

	For the three months ended		For the nine months ended	
	December 31, 2012	**December 31, 2011**	**December 31, 2012**	**December 31, 2011**
EXPENSES				
Bank charges and interest	**$ 943**	$ 1,800	**$ 3,071**	$ 3,576
Depreciation	**4,430**	1,387	**11,125**	4,158
Evaluation and exploration costs (note 7)	**599,375**	778,845	**4,092,209**	5,342,487
Filing fees	**4,921**	7,021	**22,978**	21,691
Foreign exchange	**6,827**	(4,911)	**12,568**	(778)
Management fees	**133,333**	116,265	**573,333**	528,765
Office	**22,296**	13,126	**49,810**	42,992
Professional fees	**37,942**	37,090	**135,884**	118,675
Rent	**10,714**	10,810	**32,733**	32,274
Share-based payments (note 9(d))	**355,496**	185,395	**469,891**	473,722
Shareholder/corporate communications	**22,385**	44,830	**40,884**	107,923
Telephone	**1,270**	1,087	**4,188**	4,654
Transfer agent fees	**3,593**	4,811	**6,891**	8,628
Travel and accommodation	**10,944**	6,316	**63,171**	35,465
	1,214,469	1,203,872	**5,518,736**	6,724,232
OTHER INCOME				
Impairment of resource properties	**-**	20,094	**-**	20,094
Interest income	**(23,478)**	(47,742)	**(85,666)**	(132,714)
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**$ 1,190,991**	$ 1,176,224	**$ 5,433,070**	$ 6,611,612
Basic and diluted loss per share for the period attributable to common shareholders	**$ 0.01**	$ 0.01	**$ 0.07**	$ 0.08
Weighted average number of common shares outstanding	**80,186,766**	80,186,766	**80,186,766**	79,922,475

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

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

	Share capital				Reserves			
	Number of shares	Amount	Share subscription received	Deferred financing costs	Additional paid-in capital	Stock options reserve	Deficit	Total
Balance at March 31, 2012	**80,186,766**	**$ 42,909,981**	**$ -**	**$ -**	**$ 661,646**	**$ 2,929,158**	**$ (33,630,026)**	**$ 12,870,759**
Reclassification of grant-date fair value on expired options	-	-	-	-	562,645	(562,645)	-	**-**
Share-based payments	-	-	-	-	-	469,891	-	**469,891**
Total comprehensive loss	-	-	-	-	-	-	(5,433,070)	**(5,433,070)**
Balance at December 31, 2012	**80,186,766**	**$ 42,909,981**	**$ -**	**$ -**	**$ 1,224,291**	**$ 2,836,404**	**$ (39,063,096)**	**$ 7,907,580**
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**
Total comprehensive loss	-	-	-	-	-	-	(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 financial statements.

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

	For the nine months ended December 31, 2012	For the nine months ended December 31, 2011
Cash flows provided from (used by):		
OPERATING ACTIVITIES		
Net loss for the period	**$ (5,433,070)**	**$ (6,611,612)**
Adjustments for items not affecting cash:		
Depreciation	11,125	4,158
Share-based payments	469,891	473,722
Impairment of resource properties	-	20,094
	(4,952,054)	**(6,113,638)**
Net changes in non-cash working capital items:		
Amounts receivable	-	20,353
Harmonized sales tax receivable	37,634	(8,741)
Prepaid expenses	177,457	(4,897)
Deposits	(61,086)	(3,130)
Accounts payable and accrued liabilities	(56,084)	(198,095)
Net cash flows used in operating activities	**(4,854,133)**	**(6,308,148)**
FINANCING ACTIVITIES		
Proceeds from share issuance	-	15,962,128
Net cash flows from financing activities	**-**	**15,962,128**
INVESTING ACTIVITIES		
Equipment purchases	(52,976)	(25,305)
Mineral property acquisition costs	(29,549)	(43,861)
Net cash flows used in investing activities	**(82,525)**	**(69,166)**
Net increase (decrease) in cash and cash equivalents	**(4,936,658)**	**9,584,814**
Cash and cash equivalents, beginning of period	**11,942,311**	**2,982,564**
Cash and cash equivalents, end of period	**$ 7,005,653**	**$ 12,567,378**
Cash and cash equivalents consist of :		
Cash	**171,664**	**2,355,330**
Term deposits	**6,833,989**	**10,212,048**
	$ 7,005,653	**$ 12,567,378**
Cash received during the period for interest	**$ -**	**$ -**
Cash paid during the period for interest	**$ -**	**$ -**
Cash paid during the period for income taxes	**$ -**	**$ -**

The accompanying notes are an integral part of these 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, 2000. The Company's 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 records office are 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, 2012, the Company was in the exploration stage and had interests in properties located in Greenland.

These 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, 2012, 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. The Company currently has sufficient funds to meet its obligations for at least twelve months from the end of the reporting year.

The condensed interim financial statements of the Company for the three and nine months ended December 31, 2012 were reviewed by the Audit Committee and approved and authorized by the Board of Directors on February 28, 2013.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

Statement of compliance 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 condensed 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, 2012. However, this condensed interim financial report provides selected significant disclosures that are required in the annual financial statements under IFRS.

Certain amounts in prior periods have been reclassified to conform to the current period presentation.

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 7, Financial Instruments

Disclosures ("IFRS 7") was amended by the IASB in October 2010 and provides guidance on identifying transfers of financial assets and continuing involvement in transferred assets for disclosure purposes. The amendments introduce new disclosure requirements for transfers of financial assets including disclosures for financial assets that are not derecognized in their entirety, and for financial assets that are derecognized in their entirety but for which continuing involvement is retained. The amendments to IFRS 7 are effective for annual periods beginning on or after July 1, 2011. The Company has not yet determined the impact of the amendments to IFRS 7 on its financial statements.

IAS 1 Presentation of Financial Statements

IAS 1 was amended by the IASB in June 2011 in order to align the presentation of items in other comprehensive income with US GAAP standards. Items in other comprehensive income will be required to be presented in two categories: items that will be reclassified into profit or loss and those that will not be reclassified. The flexibility to present a statement of comprehensive income as one statement or two separate statements of profit and loss and other comprehensive income remains unchanged. The amendments to IAS 1 are effective for annual periods beginning on or after July 1, 2012.

IFRS 10 Consolidated Financial Statements

IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Company is yet to assess the full impact of IFRS 10 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.

IFRS 9 Financial Instruments

The IASB intends to replace IAS 39 – Financial Instruments: Recognition and Measurement in its entirety with IFRS 9 – Financial Instruments in three main phases. IFRS 9 will be the new standard for financial reporting of financial instruments that is principles-based and less complex than IAS 39. In November, 2009 and October, 2010, phase one of IFRS 9 was issued and amended, respectively, which addressed the classification and measurement of financial assets and financial liabilities. IFRS 9 requires that all financial assets be classified and subsequently measured at amortized cost or at fair value based on the Company's business model for managing financial assets and the contractual cash flow characteristics of the financial assets. Financial liabilities are classified and subsequently measured at amortized cost except for financial liabilities classified as FVTPL, financial guarantees and certain other exceptions. In response to delays to the completion of the remaining phases of the project, principally on impairment and hedging, on December 16, 2011, the IASB issued amendments to IFRS 9 which deferred the mandatory effective date of IFRS 9 to annual periods beginning on or after January 1, 2015. The amendments also provided relief from the requirement to restate comparative financial statements for the effects of applying IFRS 9. The Company is currently evaluating the impact the final standard is expected to have on its financial statements.

(Expressed in Canadian Dollars)

3. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE (continued)

IFRS 11 Joint Arrangements

IFRS 11 describes the accounting for arrangements in which there is joint control; proportionate consolidation is not permitted for joint ventures (as newly defined). IFRS 11 replaces IAS 31 Interests in Joint Ventures and SIC 13 Jointly Controlled Entities — Non-Monetary Contributions by Venturers. The Company is yet to assess the full impact of IFRS 11 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.

IFRS 12 Disclosures of Interests in Other Entities

IFRS 12 includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Company is yet to assess the full impact of IFRS 12 and intends to adopt the standard no later than the accounting period beginning on January 1, 2013.

IFRS 13 Fair Value Measurement

In May 2011, as a result of the convergence project undertaken by the IASB with the US Financial Accounting Standards Board to develop common requirements for measuring fair value and for disclosing information about fair value measurements, the IASB issued IFRS 13 – Fair Value Measurement. IFRS 13 is effective for annual periods beginning on or after January 1, 2013, with earlier application permitted. IFRS 13 defines fair value and sets out a single framework for measuring fair value which is applicable to all IFRSs that require or permit fair value measurements or disclosures about fair value measurements. IFRS 13 requires an exit price be used; a valuation technique to measure fair value, the use of relevant observable inputs should be maximized while unobservable inputs should be minimized. The Company is currently evaluating the impact of this new standard on its financial statements.

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

In IFRIC 20, the IFRS Interpretations Committee sets out principles for the recognition of production stripping costs in the balance sheet. The interpretation recognizes that some production stripping in surface mining activity will benefit production in future periods and sets out criteria for capitalizing such costs. While the Company is not yet in the production phase, the Company is currently assessing the future impact of this interpretation.

There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Company.

4. CASH AND CASH EQUIVALENTS

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

		December 31, 2012		March 31, 2012
Cash	$	171,664	$	1,685,629
Term deposits		6,833,989		10,256,682
	$	**7,005,653**	**$**	**11,942,311**

(Expressed in Canadian Dollars)

5. EQUIPMENT

The Company's equipment is broken down as follows:

		Computer equipment		Field equipment		Total
Cost						
As at March 31, 2012	$	11,454	$	25,305	**$**	**36,759**
Additions		5,068		47,908		**52,976**
Balance as at December 31, 2012	**$**	**16,522**	**$**	**73,213**	**$**	**89,735**
Depreciation						
As at March 31, 2012	$	(7,369)	$	(3,796)	**$**	**(11,165)**
Charged for the period		(1,201)		(9,924)		**(11,125)**
Balance as at December 31, 2012	**$**	**(8,570)**	**$**	**(13,720)**	**$**	**(22,290)**
Net book value						
As at March 31, 2012	$	4,085	$	21,509	$	25,594
As at December 31, 2012	**$**	**7,952**	**$**	**59,493**	**$**	**67,445**

(Expressed in Canadian Dollars)

6. RESOURCE PROPERTIES

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

	Balance as at March 31, 2012	Additions	Balance as at December 31, 2012
Greenland			
Sarfartoq Exploration Licences			
Acquisition costs / license fees	**$ 705,221**	$ 29,549	**$ 734,770**

The Company currently has two exploration licences in Greenland, the Naajat EL (2002/06) and the Sarfartoq EL (2010/40). In December 2011, Hudson submitted 2 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. The Sarfartoq Øst EL was relinquished prior to 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 its industrial mineral potential for exploration years 11 and 12 and the licence area was reduced from 190 sq. km. to approximately 96 sq. km. These licences have now been granted by the government. In addition, Hudson applied for and has been granted a non-exclusive prospecting licence for the west coast of Greenland. The licence allows the Company to prospect ground outside of its existing 2 licences. In the event that Hudson wishes to apply for a future exploration licence on additional areas, funds expended from the prospecting can be carried over to the new licence area. No changes to the licences were made in 2012.

Current Resource Properties

Naajat Mineral Claim (2002/06), Greenland

The total work commitment for 2012 is 4,000,000 DKK and the Company made expenditures in excess of this amount. The Company must submit an annual report by April 1 of each year detailing its' activities and expenditures for approval. Substantial work commitments can be carried forward from the previous 3 years. The Company's license expires December 31, 2013. Prior to December 31, 2011, the Company applied for and was granted the licence for the additional 2 year period.

Sarfartoq Mineral Claim (2010/40), Greenland

The total work commitment for 2012 is 6,000,000 DKK and the Company made expenditures in excess of this amount. The Company must submit an annual report by April 1 of each year detailing its' activities and expenditures for approval. Substantial work commitments can be carried forward from the previous 3 years. The Company's license expires December 31, 2013. Prior to December 31, 2011, the Company applied for and was granted the licence for the additional 2 year period.

6. RESOURCE PROPERTIES (continued)

Previous Resource Properties

Nalussivik Mineral Claim, Greenland

The Company held the Nalussivik mineral claim (EL 2003/04) comprising 121 square kilometres in Western Greenland a portion of which was subsequently incorporated into the Sarfartoq EL.

Sarfartuup Qulaa Mineral Claim, Greenland

The Company held the Sarfartuup Qulaa mineral claim (EL 2005/03), comprising 89 square kilometres in Western Greenland a portion of which was subsequently incorporated into the Sarfartoq EL.

Arnanganeq Mineral Claim, Greenland

The Company held the Arnanganeq mineral claim (EL 2007/28) comprising 236 square kilometres in Western Greenland a portion of which was subsequently incorporated into the Sarfartoq EL.

Sarfartoq Valley Claim, Greenland

The Company held the Sarfartoq Valley mineral claim (EL 2009/20) comprising 5 square kilometres in Western Greenland a portion of which was subsequently incorporated into the Sarfartoq EL.

Sarfartoq Øst Mineral Claim, Greenland

The Company's held the Sarfartoq Øst mineral claim (EL 2006/02) comprising 248 square kilometres in Western Greenland. In December 2011, the Company relinquished the licence area. As a result, the Company recognized an impairment of $20,094 during the year ended March 31, 2012.

(Expressed in Canadian Dollars)

7. EVALUATION AND EXPLORATION COSTS

The evaluation and exploration costs for the Company during the nine months ended December 31, 2012 and 2011 are broken down as follows:

	For the nine months ended December 31, 2012	For the nine months ended December 31, 2011	Cumulative evaluation and exploration costs, December 31, 2012
Evaluation and exploration costs:			
Sarfartoq			
Assay and analysis	$ 212,527	$ 480,311	$ 1,286,796
Camp and portable shelters	339,603	67,057	1,164,413
Consulting	-	859,746	2,736,251
Data processing	-	-	56,737
Diamond recovery plant and operations	-	-	1,672,479
Drilling	645,389	1,878,827	6,694,919
Equipment	5,192	25,723	654,903
Explosives	-	-	50,026
Fuel	13,117	74,577	322,588
Geophysical data	18,947	65,905	565,894
Helicopter	735,131	1,134,445	7,403,842
Insurance	-	-	47,166
Legal	-	8,330	14,348
Recoveries	(70,000)	-	(70,000)
Sample extraction and processing	-	-	1,599,963
Shipping	121,977	302,875	1,062,647
Supplies	2,978	7,905	199,952
Travel	112,152	436,786	1,705,517
Wages and benefits	91,282	-	237,027
Total	$ 2,228,295	$ 5,342,487	$ 27,405,468
White Mountain			
Assay and analysis	$ 254,681	$ -	$ 254,681
Camp and portable shelters	136,051	-	136,051
Drilling	528,043	-	528,043
Equipment	6,102	-	6,102
Fuel	10,732	-	10,732
Geophysical data	27,705	-	27,705
Helicopter	601,471	-	601,471
Miscellaneous	845	-	845
Shipping	137,803	-	137,803
Supplies	2,437	-	2,437
Travel	83,359	-	83,359
Wages and benefits	74,685	-	74,685
Total	$ 1,863,914	$ -	$ 1,863,914
Total evaluation and exploration costs:	$ 4,092,209	$ 5,342,487	$ 29,269,382

(Expressed in Canadian Dollars)

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	December 31, 2012	March 31, 2012
Trade payables	$ 122,389	$ 150,042
Accrued liabilities	27,000	55,431
	$ 149,389	**$ 205,473**

9. SHARE CAPITAL

a) Authorized share capital

Unlimited number of common shares without par value.

b) Issued share capital

At December 31, 2012 and March 31, 2012, the Company had 80,186,766 common shares issued and outstanding.

c) Share Purchase Warrants

The changes in warrants during the nine months ended December 31, 2012 are as follows:

	Number outstanding	Weighted average exercise price
Balance, March 31, 2012	**3,102,500**	**$ 1.20**
Expired	(3,102,500)	1.20
Balance, December 31, 2012	-	$ -

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.

(Expressed in Canadian Dollars)

9. SHARE CAPITAL (continued)

d) Stock Options (continued)

The changes in stock options during the nine months ended December 31, 2012 are as follows:

	Number outstanding		Weighted average exercise price
Balance, March 31, 2012	**5,845,000**	**$**	**0.63**
Granted	2,350,000		0.36
Expired	(650,000)		1.01
Balance, December 31, 2012	**7,545,000**	**$**	**0.51**

The following summarizes information about stock options outstanding and exercisable at December 31, 2012:

Expiry date	Options outstanding	Options exercisable	Exercise price	Estimated grant date fair value	Weighted average remaining contractual life (in years)
April 23, 2013	370,000	370,000	0.51	166,656	0.31
April 6, 2014	1,300,000	1,300,000	0.10	105,922	1.26
January 25, 2015	100,000	100,000	0.95	84,505	2.07
April 30, 2015	2,225,000	2,225,000	0.80	1,599,450	2.33
September 28, 2016	1,200,000	1,050,000	0.65	549,086	3.75
October 12, 2017	2,225,000	556,250	0.36	318,284	4.78
November 5, 2017	125,000	31,250	0.36	12,501	4.85
	7,545,000	**5,632,500**		**$ 2,836,404**	**3.03**

The weighted average exercise price of the exercisable options was $0.51.

During the three months ended December 31, 2012

- During the three months ended December 31, 2012, the Company granted 2,350,000 five-year options with an exercise price of $0.36 to the Company's officers, directors and field staff. There were no options granted during the three months ended December 31, 2011.

During the nine months ended December 31, 2012

- During the nine months ended December 31, 2012, the Company granted 2,350,000 five-year options with an exercise price of $0.36 to the Company's officers, directors and field staff (December 31, 2011 – 1,200,000 options with an exercise price of $0.65).

- During the nine months ended December 31, 2011 the Company granted 200,000 options with an exercise price of $1.04 to an investor relations consultant. The Company did not grant any options to investor relations consultants during the nine months ended December 31, 2012.

(Expressed in Canadian Dollars)

9. SHARE CAPITAL (continued)

d) Stock Options (continued)

The estimated fair value of the options granted was calculated using the Black-Scholes Option Pricing Model with the following weighted average assumptions:

	For the nine months ended	
	December 31, 2012	**December 31, 2011**
Share price at the grant date	$0.31 - $0.39	$0.57 - $0.98
Risk-free interest rate	1.31% - 1.25%	1.17% - 2.07%
Expected annual volatility	87.53% - 94.49%	131% - 141%
Expected life	3.5 - 5	3 - 5
Expected dividend yield	0.00%	0.00%
Weighted average grant date fair value per option	$0.18 - $0.28	$0.45 to $0.84

The expected life of options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

During the nine months ended December 31, 2012, the Company recognized share-based payments expense of $469,891 (December 31, 2011 – $473,722). For the nine months ended December 31, 2012 and 2011, share-based payments expense consists of the following:

For stock options:

	For the three months ended		For the nine months ended	
	December 31, 2012	**December 31, 2011**	**December 31, 2012**	**December 31, 2011**
For services in respect of:				
Accounting	**$ 12,274**	$ 10,213	**$ 18,961**	$ 22,739
Directors' fees	**94,318**	67,210	**138,898**	142,801
Evaluation and exploration costs	**8,695**	10,342	**15,383**	24,399
Investor relations	**-**	16,641	**7,399**	37,351
Management fees	**240,209**	80,989	**289,250**	246,432
	$ 355,496	$ 185,395	**$ 469,891**	$ 473,722

e) Reserves

Additional paid-in capital

Additional paid in capital records the fair value of the expired options and warrants initially recorded in stock options 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 additional paid in capital.

(Expressed in Canadian Dollars)

10. LOSS PER SHARE

The calculation of basic and diluted loss per share for the three months ended December 31, 2012 is based on the net loss attributable to common shareholders of $1,190,991 (December 31, 2011 – $1,176,224) and a weighted average number of common shares outstanding during the period of 80,186,766 (December 31, 2011 – 80,186,766).

The calculation of basic and diluted loss per share for the nine months ended December 31, 2012 is based on the net loss attributable to common shareholders of $5,433,070 (December 31, 2011 – $6,611,612) and a weighted average number of common shares outstanding during the period of 80,186,766 (December 31, 2011 – 79,922,475).

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

11. RELATED PARTY TRANSACTIONS AND BALANCES

a) Related party balances
The balances due to related parties included in trade payables and accrued liabilities were $16,939 as at December 31, 2012 (March 31, 2012 – $8,154). These amounts are unsecured and non-interest bearing.

b) Key management personnel compensation
Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include executive and non-executive directors. Key management personnel compensation comprised of:

	For the nine months ended			
	December 31, 2012		**December 31, 2011**	
Short-term employee benefits - management fees	**$**	**585,760**	$	538,430
Short-term employee benefits - directors' fees		**63,333**		60,000
Share-based payments - management fees		**308,211**		269,171
Share-based payments - directors' fees		**138,898**		142,801
	$	**1,096,202**	$	1,010,402

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, 2013		6,512
March 31, 2014		13,024
	$	**19,536**

(Expressed in Canadian Dollars)

13. SEGMENTED INFORMATION

The Company has two operating segments: the exploration and development of the Sarfartoq and Naajat exploration licenses in Greenland and corporate administrative functions in Canada. The Company's total assets and losses by one operating segment, 2 geographic locations are as follows:

	Canada	Greenland	Total
As at December 31, 2012			
Resource properties	$ -	$ 734,770	**$ 734,770**
Other assets	7,322,199	-	**7,322,199**
Liabilities	(149,389)	-	**(149,389)**
	$ 7,172,810	**$ 734,770**	**$ 7,907,580**
As at March 31, 2012			
Resource properties	$ -	$ 705,221	**$ 705,221**
Other assets	12,371,011	-	**12,371,011**
Liabilities	(205,473)	-	**(205,473)**
	$ 12,165,538	**$ 705,221**	**$ 12,870,759**

	Canada	Greenland	Total
Net loss:			
For the nine months ended December 31, 2012	$ 1,340,861	$ 4,092,209	**$ 5,433,070**
For the nine months ended December 31, 2011	1,269,125	5,342,487	**6,611,612**

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 exploration activities, preparing cash flow analyses to ensure an adequate amount of liquidity and monthly review of financial results.

There were no changes in the Company's approach to capital management during the nine months ended December 31, 2012.

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 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 statements of financial position 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 (March 31, 2012 – no significant transfers).
There were no financial assets which are measured at fair value that applied Level 2 or Level 3 fair value measurements (March 31, 2012 – no Level 2 or Level 3 fair value measurements).

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, 2012, the Company's exposure is the carrying value of the financial instruments.

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 maintained sufficient cash and cash equivalents at December 31, 2012 in the amount of $7,005,653, in order to meet short-term business requirements. At December 31, 2012, the Company had accounts payable and accrued liabilities of $149,389. All accounts payable and accrued liabilities are current.

15. FINANCIAL INSTRUMENTS (continued)

b) Financial risk management (continued)

Market Risk

The significant market risks to which the Company is exposed are interest rate risk and currency 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, 2012, the Company's cash is subject to or exposed to interest rate risk. A 10% increase/decrease of the interest rate received would have a $9,571 impact on profit or loss.

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 Danish kroners ("DKK"); therefore, USD, and DKK accounts are subject to fluctuation against the Canadian dollar.

The Company had the following balances in Canadian and foreign currencies as at December 31, 2012:

	in CAD	in USD	in DKK
Cash and cash equivalents	$ 7,005,653	$ -	$ -
Accrued interest and amounts receivable	-	-	-
Deposits	67,815	1,764	134,422
Accounts payable and accrued liabilities	(107,761)	(31,001)	(60,775)
	6,965,707	**(29,237)**	**73,647**
Rate to convert to $1.00 CAD	1.000	1.0034	5.6625
Equivalent to Canadian dollars	**6,965,707**	**(29,138)**	**13,006**

Based on the above net exposures as at December 31, 2012, 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 increase/ decrease profit or loss by $1,613.

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.