HUDSON RESOURCES INC

HUDSON RESOURCES INC.

(An Exploration Stage Company)

CONDENSED INTERIM FINANCIAL STATEMENTS

FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 2014

(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 nine months ended December 31, 2014 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, 2014		March 31, 2014
ASSETS				
Current assets				
Cash and cash equivalents (note 4)	$	**1,278,263**	$	2,367,811
Amounts receivable		**5,592**		163,101
Sales tax receivable		**17,372**		58,224
Deposits		**4,109**		8,344
Prepaid expenses		**37,920**		35,373
		1,343,256		**2,632,853**
Non-current assets				
Equipment (note 5)		**583,361**		625,459
Resource properties (note 6)		**794,142**		793,193
		1,377,503		1,418,652
TOTAL ASSETS	**$**	**2,720,759**	**$**	**4,051,505**
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities (notes 8 & 11(a))	$	**177,867**	$	361,803
TOTAL LIABILITIES		**177,867**		**361,803**
EQUITY				
Share capital (note 9)	$	**43,145,903**	$	43,145,903
Additional paid-in capital (note 9(d))		**1,432,242**		1,432,242
Stock options reserve (note 9(d))		**3,396,656**		2,928,136
Deficit		**(45,431,909)**		(43,816,579)
TOTAL EQUITY		**2,542,892**		**3,689,702**
TOTAL EQUITY AND LIABILITIES	**$**	**2,720,759**	**$**	**4,051,505**

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 interim condensed financial statements.

These financial statements were approved for issue by the Board of Directors and signed on its behalf by:

/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, 2014		December 31, 2013		December 31, 2014		December 31, 2013
EXPENSES								
Bank charges and interest	**$**	**833**	$	1,186	**$**	**2,097**	$	3,288
Depreciation		**20,507**		24,506		**60,814**		34,023
Directors' fees		**25,000**		25,000		**75,000**		75,000
Evaluation and exploration costs (note 7)		**96,170**		317,645		**451,501**		2,207,252
Filing fees		**5,396**		4,781		**21,481**		23,134
Foreign exchange		**2,596**		17,698		**2,242**		12,534
Management fees		**110,000**		110,000		**330,000**		330,000
Office		**29,046**		13,158		**50,470**		34,523
Professional fees		**34,879**		38,720		**111,540**		115,872
Rent		**11,256**		11,134		**33,410**		32,993
Share-based payments (note 9(c))		**26,797**		32,036		**468,520**		171,505
Shareholder/corporate communications		**5,781**		14,865		**12,668**		52,630
Telephone		**692**		1,128		**2,604**		4,304
Transfer agent fees		**4,160**		4,475		**6,707**		6,908
Travel and accommodation		**1,496**		1,486		**2,050**		19,249
		374,609		617,818		**1,631,104**		3,123,215
OTHER INCOME								
Interest income		**(1,121)**		(2,652)		**(15,774)**		(25,021)
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**$**	**373,488**	$	615,166	**$**	**1,615,330**	$	3,098,194
Basic and diluted loss per share for the period attributable to common shareholders (note 10)	**$**	**0.00**	$	0.01	**$**	**0.02**	$	0.04
Weighted average number of common shares outstanding		**81,486,766**		80,186,766		**81,486,766**		80,186,766

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

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

	Share capital		Reserves			
	Number of shares	Amount	Additional paid-in capital	Stock options reserve	Deficit	Total
Balance at March 31, 2013	**80,186,766**	**$ 42,909,981**	**$ 1,224,291**	**$ 3,055,346**	**$ (40,097,793)**	**$ 7,091,825**
Reclassification of grant-date fair value on expired options	-	-	166,656	(166,656)	-	**-**
Share-based payments	-	-	-	171,505	-	**171,505**
Total comprehensive loss	-	-	-	-	(3,098,194)	**(3,098,194)**
Balance at December 31, 2013	**80,186,766**	**$ 42,909,981**	**$ 1,390,947**	**$ 3,060,195**	**$ (43,195,987)**	**$ 4,165,136**
Balance at March 31, 2014	**81,486,766**	**$ 43,145,903**	**$ 1,432,242**	**$ 2,928,136**	**$ (43,816,579)**	**$ 3,689,702**
Share-based payments	-	-	-	468,520	-	**468,520**
Total comprehensive loss	-	-	-	-	(1,615,330)	**(1,615,330)**
Balance at December 31, 2014	**81,486,766**	**$ 43,145,903**	**$ 1,432,242**	**$ 3,396,656**	**$ (45,431,909)**	**$ 2,542,892**

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

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

	For the nine months ended December 31, 2014	For the nine months ended December 31, 2013
Cash flows provided from (used by):		
OPERATING ACTIVITIES		
Net loss for the period	**$ (1,615,330)**	**$ (3,098,194)**
Adjustments for items not affecting cash:		
Depreciation	60,814	34,023
Share-based payments	468,520	171,505
	(1,085,996)	**(2,892,666)**
Net changes in non-cash working capital items:		
Amounts receivable	157,509	-
Harmonized sales tax receivable	40,852	136,933
Prepaid expenses	(2,547)	(20,381)
Deposits	4,235	45,121
Accounts payable and accrued liabilities	(183,936)	(143,677)
Net cash flows used in operating activities	**(1,069,883)**	**(2,874,670)**
INVESTING ACTIVITIES		
Equipment purchases	(18,716)	(589,398)
Mineral property acquisition costs	(949)	(19,720)
Net cash flows used in investing activities	**(19,665)**	**(609,118)**
Net decrease in cash and cash equivalents	**(1,089,548)**	**(3,483,788)**
Cash and cash equivalents, beginning of period	**2,367,811**	**6,476,099**
Cash and cash equivalents, end of period	**$ 1,278,263**	**$ 2,992,311**
Cash received during the period for interest	**$ 15,774**	**$ 25,021**
Cash paid during the period for interest	**$ -**	**$ -**
Cash paid during the period for income taxes	**$ -**	**$ -**

The accompanying notes are an integral part of these interim condensed 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, 2014, 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, 2014, 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 nine months ended December 31, 2014 were reviewed by the Audit Committee and approved and authorized by the Board of Directors on February 20, 2015.

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").

Basis of presentation

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, 2014. 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.

(Expressed in Canadian Dollars)

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

Basis of presentation (continued)

These unaudited interim condensed financial statements follow the same accounting policies and methods of application as the annual audited financial statements for the year ended March 31, 2014, with the exception of the following new accounting standards and amendments which the Company adopted and are effective for the Company's interim and annual financial statements commencing April 1, 2014.

- ***IAS 32 (Amendment) Financial Instruments: Presentation***

  IAS 32 was amended to clarify that an entity currently has a legally enforceable right to set-off financial assets and liabilities if that right is (1) not contingent on a future event; and (2) enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties. The adoption of the new standard did not have significant impacts to the financial statements.

3. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning on or after January 1, 2015. Updates which are not applicable or are not consequential to the Company have been excluded thereof. The following have not yet been adopted by the Company and are being evaluated to determine their impact.

- IFRS 7: Amended to require additional disclosures on transition from IAS 39 and IFRS 9, effective for annual periods beginning on or after January 1, 2015
- IFRS 9: New standard that replaced IAS 39 for classification and measurement
- IFRS 14: Regulatory deferral accounts, effective for annual periods beginning on or after January 1, 2016

4. CASH AND CASH EQUIVALENTS

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

		December 31, 2014		March 31, 2014
Cash	$	85,847	$	239,563
Term deposits		1,192,416		2,128,248
	$	**1,278,263**	**$**	**2,367,811**

(Expressed in Canadian Dollars)

5. EQUIPMENT

The Company's equipment is broken down as follows:

	Computer equipment	Field equipment	Land improvements	Total
Cost				
As at March 31, 2014	$ 16,522	$ 337,510	$ 356,742	**$ 710,774**
Additions	4,742	-	13,974	**18,716**
Balance as at December 31, 2014	**$ 21,264**	**$ 337,510**	**$ 370,716**	**$ 729,490**
Depreciation				
As at March 31, 2014	$ (11,503)	$ (73,812)	$ -	**$ (85,315)**
Charged for the period	(1,484)	(59,330)	-	**(60,814)**
Balance as at December 31, 2014	**$ (12,987)**	**$ (133,142)**	**$ -**	**$ (146,129)**
Net book value				
As at March 31, 2014	$ 5,019	$ 263,698	$ 356,742	$ 625,459
As at December 31, 2014	**$ 8,277**	**$ 204,368**	**$ 370,716**	**$ 583,361**

6. RESOURCE PROPERTIES

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

	Balance as at March 31, 2014	Additions	Balance as at December 31, 2014
Greenland			
Sarfartoq Exploration Licences			
Acquisition costs / license fees	**$ 753,525**	$ 949	**$ 754,474**
Naajat / White Mountain Exploration Licences			
Acquisition costs / license fees	**$ 39,668**	$ -	**$ 39,668**
	$ 793,193	$ 949	**$ 794,142**

6. RESOURCE PROPERTIES (continued)

The Company currently has three exploration licences in Greenland, the Naajat EL (2002/06), the Sarfartoq EL (2010/40) and the Pingasut EL (2013/01). In 2014, Hudson was granted licence renewals on the Naajat and Sarfartoq EL's. Prior to that, in 2012, Hudson was granted two licence renewals. 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. In 2013, the licence area was further reduced to 92 sq. km. This reduced the exploration burden on the area while still maintaining 100% interest in the Sarfartoq 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. In addition, Hudson applied for and was granted a non-exclusive prospecting licence for the west coast of Greenland. The Naajat EL includes the White Mountain Anorthosite Project ("White Mountain"). The licence allows the Company to prospect ground outside of its existing 3 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.

<u>**Current Resource Properties**</u>

Naajat (White Mountain) Mineral Claim (2002/06), Greenland

The total work commitment for calendar 2013 was 3,000,000 DKK (approximately $600,000). The Company must submit an annual report by April 1 of each year detailing its' activities and expenditures for approval. These work commitments for calendar 2013 have now been approved by the Greenland government. The Company's licence has been renewed to December 31, 2014. Total work commitment for calendar 2014 is 4,259,720 DKK (approximately $850,000). Hudson has accrued sufficient credits from previous expenditures to carry the licence beyond December 31, 2014. Hudson is in the exploitation licence approval process for the Naajat EL. The license will not expire during the application period.

Sarfartoq Mineral Claim (2010/40), Greenland

The total work commitment for calendar 2013 was 6,000,000 DKK (approximately $1,200,000). The Company must submit an annual report by April 1 of each year detailing its' activities and expenditures for approval. These work commitments for calendar 2013 have now been approved by the Greenland government. The Company's licence has been renewed to December 31, 2014. Total work commitment for calendar 2014 is 16,538,600 DKK (approximately $3,307,720). Hudson has accrued sufficient credits from previous expenditures to carry the licence beyond December 31, 2014. In December, Hudson applied to have the licence extended until December 31, 2017 and this has been approved pending final government signatures.

6. RESOURCE PROPERTIES (continued)

Pingasut Mineral Claim (2013/01), Greenland

This licence was granted on August 9, 2013. The total work commitment for calendar 2013 and calendar 2014 is 360,000 DKK (approximately $72,000). The Company must submit an annual report by April 1 of each year detailing its' activities and expenditures for approval. Due to the timing of the licence grant, exploration commitments in calendar 2013 have been carried over to calendar 2014. The Company's license expires December 31, 2018.

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.

(Expressed in Canadian Dollars)

7. EVALUATION AND EXPLORATION COSTS

The evaluation and exploration costs for the Company during the nine months ended December 31, 2014 and 2013 are broken down as follows:

	For the nine months ended		Cumulative evaluation and exploration costs,
	December 31, 2014	December 31, 2013	December 31, 2014
Evaluation and exploration costs:			
Sarfartoq			
Assay and analysis	$ 1,922	$ 30,355	$ 1,367,724
Camp and portable shelters	-	6,920	1,171,747
Consulting	5,950	31,580	2,890,551
Data processing	-	-	56,737
Diamond recovery plant and operations	-	-	1,672,479
Drilling	-	10,586	6,717,631
Equipment	434	72	656,575
Explosives	-	-	50,026
Fuel	-	1,142	323,730
Geophysical data	-	-	611,754
Helicopter	7,853	23,242	7,433,327
Insurance	-	-	47,166
Legal	-	-	14,348
Miscellaneous	-	-	85
Recoveries	(598)	(138,000)	(208,598)
Sample extraction and processing	-	-	1,599,963
Shipping	775	2,081	1,064,745
Supplies	-	395	200,448
Travel	6,030	2,094	1,715,084
Wages and benefits	-	27	223,876
Total	$ 22,366	$ (29,506)	$ 27,609,398

(Expressed in Canadian Dollars)

7. EVALUATION AND EXPLORATION COSTS (continued)

	For the nine months ended December 31, 2014	For the nine months ended December 31, 2013	Cumulative evaluation and exploration costs, December 31, 2014
Naajat / White Mountain			
Assay and analysis	$ 68,935	$ 264,214	$ 990,132
Camp and portable shelters	-	64,732	201,694
Consulting	206,426	514,970	953,469
Drilling	-	64,972	582,612
Equipment	8,540	189,240	208,690
Fuel	11	16,484	27,227
Geophysical data	-	14,922	42,627
Helicopter	62,825	656,712	1,319,692
Legal	-	9,092	4,361
Miscellaneous	-	-	5,867
Recoveries	(4,821)	-	(4,821)
Shipping	18,288	154,038	330,131
Supplies	-	104,948	107,385
Travel	48,469	164,642	309,291
Wages and benefits	-	3,845	67,790
Total	$ 408,673	$ 2,222,811	$ 5,146,147
Pingasut Mineral Claim			
Assay and analysis	$ 18	$ -	$ 18
Camp and portable shelters	-	351	367
Consulting	5,950	7,350	17,409
Equipment	434	72	434
Fuel	-	1,142	1,142
Helicopter	7,853	4,468	12,321
Recoveries	(598)	-	(598)
Shipping	775	106	881
Supplies	-	115	189
Travel	6,030	343	6,373
Total	$ 20,462	$ 13,947	$ 38,536
Total evaluation and exploration costs:	$ 451,501	$ 2,207,252	$ 32,794,081

(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, 2014	March 31, 2014
Trade payables	$ 46,495	$ 298,154
Accrued liabilities	131,372	63,649
	$ 177,867	**$ 361,803**

9. SHARE CAPITAL

a) Authorized share capital

Unlimited number of common shares without par value.

b) Issued share capital

At December 31, 2014, the Company had 81,486,766 common shares issued and outstanding (March 31, 2014 – 81,486,766).

c) 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)

c) Stock Options (continued)

The changes in stock options during the nine months ended December 31, 2014 are as follows:

	Number outstanding		Weighted average exercise price
Balance, March 31, 2014	**5,800,000**	**$**	**0.59**
Granted	2,100,000		0.34
Balance, December 31, 2014	**7,900,000**	**$**	**0.52**

<u>During the nine months ended December 31, 2014</u>

- On April 24, 2014, The Company granted 2,100,000 options with an exercise price of $0.34 to its officers, directors and employees. The options are exercisable for a period of five years. 25% of the options granted vested immediately at the date of grant and 12.5% will vest every three months thereafter.

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, 2014	**December 31, 2013**
Share price at the grant date	$	0.37	N/A
Risk-free interest rate		1.45%	N/A
Expected annual volatility		85%	N/A
Expected life		4.34	N/A
Expected dividend yield		0.00%	N/A
Grant date fair value per option	$	0.24	N/A

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.

(Expressed in Canadian Dollars)

9. SHARE CAPITAL (continued)

c) Stock Options (continued)

The following summarizes information about stock options outstanding and exercisable at December 31, 2014:

Expiry date	Options outstanding	Options exercisable		Exercise price		Estimated grant date fair value	Weighted average remaining contractual life (in years)
January 25, 2015	100,000	100,000	$	0.95	$	84,505	0.07
April 30, 2015	2,200,000	2,200,000	$	0.80	$	1,581,475	0.33
September 28, 2016	1,150,000	1,150,000	$	0.65	$	536,461	1.75
October 12, 2017	2,225,000	2,225,000	$	0.36	$	692,198	2.78
November 5, 2017	125,000	125,000	$	0.36	$	35,334	2.85
April 24, 2019	2,100,000	1,050,000	$	0.34	$	503,319	4.32
	7,900,000	**6,850,000**			**$**	**3,433,292**	**2.32**

The weighted average exercise price of the exercisable options was $0.53.

During the nine months ended December 31 2014, the Company recognized share-based payments expense of $468,520 (December 31, 2013 – $171,505). For the nine months ended December 31, 2014 and 2013, share-based payments expense consists of the following:

	For the nine months ended			
		December 31, 2014		**December 31, 2013**
For services in respect of:				
Accounting	**$**	**11,166**	$	5,482
Directors' fees		**111,703**		45,432
Evaluation and exploration costs		**11,147**		3,653
Management fees		**334,504**		116,938
	$	**468,520**	$	171,505

d) 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 nine months ended December 31, 2014 is based on the net loss attributable to common shareholders of $1,631,104 (December 31, 2013 – $3,123,215) and a weighted average number of common shares outstanding during the period of 81,486,766 (December 31, 2013 – 80,186,766).

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

As at March 31, 2014, the balances due from related parties included in amounts receivable were $115,000. These amounts were received during the nine months ended December 31, 2014. The balance due from related parties as at December 31, 2014 was $nil.

The balances due to related parties included in trade payables and accrued liabilities were $13,537 as at December 31, 2014 (March 31, 2014 – $39,347). 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 is comprised of:

	For the nine months ended	
	December 31, 2014	**December 31, 2013**
Short-term employee benefits - management fees	**$ 330,000**	$ 409,196
Short-term employee benefits - professional fees (1)	**74,360**	75,000
Short-term employee benefits - directors' fees	**75,000**	-
Share-based payments - management fees	**345,670**	122,420
Share-based payments - directors' fees	**111,703**	45,432
	$ 936,733	$ 652,048

(1) The Company paid $74,360 (December 31, 2013 - $79,196) for accounting services to Quantum Advisory Partners LLP whose incorporated partner is the Company's Chief Financial Officer. Fees have been measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

(Expressed in Canadian Dollars)

12. COMMITMENTS AND CONTINGENCIES

During the year ended March 31, 2014, the Company renewed the office lease for an additional two years ending September 30, 2015. Total minimum lease payments are as follows:

For the year ended		
March 31, 2015		6,716
March 31, 2016		13,431
	$	**20,147**

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, 2014						
Resource properties	$	-	$	794,142	**$**	**794,142**
Other assets		1,926,617		-		**1,926,617**
Liabilities		(177,867)		-		**(177,867)**
	$	**1,748,750**	**$**	**794,142**	**$**	**2,542,892**
As at March 31, 2014						
Resource properties	$	-	$	793,193	**$**	**793,193**
Other assets		3,258,312		-		**3,258,312**
Liabilities		(361,803)		-		**(361,803)**
	$	**2,896,509**	**$**	**793,193**	**$**	**3,689,702**

		Canada		Greenland		Total
Net loss:						
For the nine months ended December 31, 2014	$	1,163,829	$	451,501	**$**	**1,615,330**
For the nine months ended December 31, 2013		890,942		2,207,252		**3,098,194**

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, 2014.

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 are measured using Level 1 of the fair value hierarchy. There were no significant transfers between Level 1 and Level 2 (March 31, 2014 – 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, 2014 – 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, 2014, 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, 2014 in the amount of $1,278,263 (March 31, 2014 – $2,367,811), in order to meet short-term business requirements. At December 31, 2014, the Company had accounts payable and accrued liabilities of $177,867 (March 31, 2014 – $361,803). All accounts payable and accrued liabilities are current.

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 period in the financial statements is interest income on Canadian dollar cash and cash equivalents. As at December 31, 2014, the Company's cash is subject to or exposed to interest rate risk. A 10% increase/decrease in the interest rate received would have a $1,547 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.

(Expressed in Canadian Dollars)

15. FINANCIAL INSTRUMENTS (continued)

b) Financial risk management (continued)

Market Risk (continued)

Currency risk (continued)

The Company had the following balances in Canadian and foreign currencies as at December 31, 2014:

As at December 31, 2014:

	in CAD	in USD	in DKK
Cash and cash equivalents	$ 1,278,263	$ -	$ -
Accrued interest and amounts receivable	5,592	-	-
Deposits	3,259	-	4,480
Accounts payable and accrued liabilities	(172,724)	-	(27,100)
	1,114,390	**-**	**(22,620)**
Rate to convert to $1.00 CAD	1.000	0.8964	5.2687
Equivalent to Canadian dollars	**1,114,390**	**-**	**(4,293)**

Based on the above net exposures as at December 31, 2014, and assuming that all other variables remain constant, a 10% appreciation or depreciation of the CAD against the USD and DKK by 10% would increase/ decrease profit or loss by $429.

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.

16. SUBSEQUENT EVENT

Subsequent to December 31, 2014:

- 100,000 options with an expiry date of January 25, 2015 expired unexercised.