HUDSON RESOURCES INC

HUDSON RESOURCES INC.

(An Exploration Stage Company)

FINANCIAL STATEMENTS

For The Years Ended March 31, 2011 and 2010

Tel: 604 688 5421
Fax: 604 688 5132
www.bdo.ca

BDO Canada LLP
600 Cathedral Place
925 West Georgia Street
Vancouver BC V6C 3L2 Canada

INDEPENDENT AUDITOR'S REPORT

To the shareholders of
Hudson Resources Inc.

We have audited the accompanying financial statements of Hudson Resources Inc., which comprise the balance sheets as at March 31, 2011 and 2010 and the statements of operations and deficit and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian generally accepted accounting principles, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Hudson Resources Inc. as at March 31, 2011 and 2010 and the results of its operations and its cash flows for the years then ended in accordance with Canadian generally accepted accounting principles.

(signed) “BDO Canada LLP”

Chartered Accountants
July 26, 2011

As at		**March 31, 2011**		**March 31, 2010**
				Restated
				(See Note 3)
ASSETS				
CURRENT				
Cash and cash equivalents (note 6)	**$**	**2,982,564**	$	1,981,878
Amounts receivable (note 10)		**20,353**		-
Harmonized sales tax receivable		**128,569**		38,119
Deposits		**32,555**		4,365
Prepaid expenses		**31,499**		28,385
		3,195,540		2,052,747
Equipment (note 7)		**5,834**		3,842
Resource properties (note 8 and schedule 1)		**679,167**		652,249
	$	**3,880,541**	$	2,708,838
LIABILITIES				
CURRENT				
Accounts payable and accrued liabilities (note 10)	**$**	**337,930**	$	184,023
SHAREHOLDERS' EQUITY				
Share capital (note 9)		**27,086,518**		21,276,946
Share subscription received (note 9)		**-**		240,800
Deferred financing costs (note 13)		**(138,665)**		-
Contributed surplus (note 9)		**2,529,308**		1,761,837
Deficit		**(25,934,550)**		(20,754,768)
		3,542,611		2,524,815
	$	**3,880,541**	$	2,708,838

Nature of operations (note 1)
Commitment (note 11)
Subsequent events (note 13)

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

Approved on behalf of the Board:

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

STATEMENTS OF OPERATIONS AND DEFICIT

	For the years ended March 31, 2011	For the years ended March 31, 2010
		Restated (See Note 3)
EXPENSES		
Amortization	$ 1,707	$ 1,062
Legal, audit and accounting fees (note 10)	133,956	53,210
Bank charges and interest	1,004	1,977
Evaluation and exploration costs (note 8 and schedule 1)	3,254,226	1,500,034
Filing fees	54,764	18,747
Foreign exchange	(7,180)	(3,284)
Management fees (note 10)	325,200	325,200
Non-cash compensation (note 9(e))	1,194,481	222,733
Office	42,077	35,604
Rent	40,313	36,231
Shareholder and corporate communications	79,084	48,015
Telephone	5,001	6,376
Travel and accommodation	50,248	17,123
Transfer agent fees	10,636	9,156
	(5,185,517)	(2,272,184)
OTHER INCOME		
Interest income	5,735	122
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	(5,179,782)	(2,272,062)
OPENING DEFICIT	(20,754,768)	(18,482,706)
CLOSING DEFICIT	$ (25,934,550)	$ (20,754,768)
Basic and diluted loss per share	$ (0.09)	$ (0.05)
Weighted average number of common shares outstanding	61,059,698	47,903,759

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

HUDSON RESOURCES INC.
(An Exploration Stage Company)
STATEMENTS OF CASH FLOWS

		For the years ended March 31, 2011		March 31, 2010 *Restated (See Note 3)*
OPERATING ACTIVITIES				
Net loss for the period	$	**(5,179,782)**	$	**(2,272,062)**
Adjustments for items not affecting cash:				
Amortization		1,707		1,062
Non-cash compensation		1,194,481		222,733
		(3,983,594)		**(2,048,267)**
Net changes in non-cash working capital items:				
Accrued interest and amounts receivable		(20,353)		1,687
Harmonized sales tax receivable		(90,450)		26,511
Deposits		(28,190)		(4,365)
Prepaid expenses		(3,114)		(18,457)
Accounts payable and accrued liabilities		153,907		(125,375)
		(3,971,794)		**(2,168,266)**
FINANCING ACTIVITIES				
Issuance of common shares		5,141,762		3,206,886
Share subscription received		-		240,800
Deferred financing costs		(138,665)		-
		5,003,097		**3,447,686**
INVESTING ACTIVITIES				
Resource properties acquisition costs		(26,918)		(7,690)
Equipment		(3,699)		(2,729)
		(30,617)		**(10,419)**
Net increase in cash and cash equivalents		**1,000,686**		**1,269,001**
Cash and cash equivalents, beginning of period		**1,981,878**		**712,877**
Cash and cash equivalents, end of period	**$**	**2,982,564**	**$**	**1,981,878**
Cash and cash equivalents consist of :				
Cash		**2,856,134**		**1,855,697**
Term deposits		**126,430**		**126,181**
	$	**2,982,564**	**$**	**1,981,878**
Supplemental disclosure of cash flow information:				
Cash paid for:				
Interest	$	-	$	-
Income taxes	$	-	$	-

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

NOTE 1 - NATURE OF OPERATIONS

The Company was incorporated on March 7, 2000 under the Company Act of the Province of British Columbia as Evolution Networking Corp. and changed its name on September 25, 2000 to Tekwerks Solutions Inc. and on December 6, 2002 to Hudson Resources Inc.

The Company 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 March 31, 2011, the Company was in the exploration stage and had interests in properties located in Greenland.

The recoverability of amounts shown for resource properties is dependent upon the discovery of economically recoverable reserves, confirmation of the Company's interest in the underlying mineral claims, the ability of the Company to obtain financing to complete their exploration, and future profitable production or disposition thereof.

These financial statements are prepared on a going concern basis which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. The Company has not earned significant revenues as it is currently in the process of evaluating mineral property opportunities. The Company has not generated operating cash flows, however, management believes cash and cash equivalents at March 31, 2011 and raised subsequently (Note 5) is sufficient to meet its obligations and sustain planned operations for the year ending March 31, 2012. There is no assurance that the Company will be able to obtain adequate financing in the future or that such financing will be on terms that are advantageous to the Company.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Company have been prepared in accordance with generally accepted accounting principles in Canada and are stated in Canadian dollars. Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements for a period necessarily involves the use of estimates which have been made using careful judgment. Actual results may differ from these estimates.

These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies summarized below:

a) Basic and Diluted Loss Per Share

Basic loss per share is calculated by dividing the net loss available to common shareholders by the weighted average number of shares outstanding during the year. Diluted earnings per share reflect the potential dilution of securities that could share in earnings of an entity. In a loss year, potentially dilutive common shares are excluded from the loss per share calculation, as the effect would be anti-dilutive. Basic and diluted loss per share are the same for the years presented.

For the years ended March 31, 2011 and 2010, potentially dilutive common shares (relating to options and warrants outstanding at the end of each period) totaling 7,547,500 at March 31, 2011 and 3,428,000 at March 31, 2010 were not included in the computation of loss per share because their effect was anti-dilutive.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

b) Resource Properties

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

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

c) Evaluation and Exploration Costs

During the year ended March 31, 2011, the Company retroactively changed its accounting policy relating to mineral property exploration expenditures. Exploration expenditures incurred prior to the date of a positive economic analysis on a mineral property are expensed as incurred (See Note 3). When proven and probable reserves are determined for a property, subsequent exploration and development costs of the property are capitalized and amortized over the life of the property, based on estimated economic reserves.

d) Environmental Costs

Environmental expenditures that relate to current operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations, and which do not contribute to current or future revenue generation, are expensed. Liabilities are recorded when environmental assessments and/or remedial efforts are probable, and the cost can be reasonably estimated. Generally, the timing of these accruals coincides with the earlier of completion of a feasibility study or the Company's commitments to a plan of action based on the then known facts.

e) Equipment and Amortization

Equipment is recorded at cost. The Company provides for amortization using the declining balance method at the rate of 30% per annum. Additions during the year are amortized at one-half rates.

f) Income Taxes

The Company accounts for income taxes by the asset and liability method. Under this method, current income taxes are recognized for the estimated income taxes payable for the current period. Future income tax assets and liabilities are recognized for temporary differences between the tax and accounting basis of assets and liabilities as well as for the benefit of losses available to be carried forward to future years for tax purposes only if it is more likely-than-not that they can be realized.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

g) Foreign Currency Translation

Monetary items denominated in a foreign currency are translated into Canadian dollars at exchange rates prevailing at the balance sheet date and non-monetary items are translated at exchange rates prevailing when the assets were acquired or obligations incurred. Foreign currency denominated revenue and expense items are translated at exchange rates prevailing at the transaction date. Gains or losses arising from the translations are included in operations.

h) Asset Retirement Obligations

The fair value of obligations associated with the retirement of tangible long-lived assets is recorded in the period it is incurred, with a corresponding increase to the carrying amount of the related asset. The obligations recognized are statutory, contractual or legal obligations. The liability is accreted over time for changes in the fair value of the liability through charges to accretion, which is included in depletion, depreciation and accretion expense. The costs capitalized to the related assets are amortized in a manner consistent with the depletion and depreciation of the related asset. At March 31, 2011, the fair values of the mineral properties site restoration costs cannot be reasonability estimated.

i) Stock-based Compensation Plan

The Company has a stock-based compensation plan as disclosed in Note 9, whereby stock options are granted in accordance with the policies of regulatory authorities. The fair value of all share purchase options are expensed over their vesting period with a corresponding increase to contributed surplus. Upon exercise of share purchase options, the consideration paid by the option holder, together with amounts previously recognized in contributed surplus, is recorded as an increase to share capital.

The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of grant. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate.

j) Cash and Cash Equivalents

Cash and cash equivalents consist of all highly liquid investments that are readily convertible to known amounts of cash and have maturities of three months or less when purchased.

k) Impairment of Long-lived Assets

Canadian generally accepted accounting principles require that long-lived assets and intangibles to be held and used by the Company be reviewed for possible impairment whenever events or changes in circumstances indicate that the asset may not be recoverable. If changes in circumstances indicate that the carrying amount of an asset that an entity expects to hold and use may not be recoverable, future cash flows expected to result from the use of the asset and its disposition must be estimated. If the undiscounted value of the future cash flows is less than the carrying amount of the asset, impairment is recognized. Management believes there has been no impairment of the Company’s long-lived assets as at March 31, 2011 and 2010.

NOTE 2 - SIGNIFICANT ACCOUNTING POLICIES (continued)

l) Financial Instruments

All financial instruments are classified into one of these five categories: held-for-trading, held-to-maturity investments, loans and receivables, available-for-sale financial assets or other financial liabilities. All financial instruments and derivatives are measured on the trade date at fair value upon initial recognition. Subsequent measurement depends on the initial classification of the instrument. Held-for trading financial assets are measured at fair value, with changes in fair value recognized in net earnings (loss). Available-for-sale financial instruments are measured at fair value, with changes in fair value recorded in OCI until the instrument is derecognized or impaired. Loans and receivables, held-to-maturity investments and other financial liabilities are measured at amortized cost. All derivative instruments, including embedded derivatives, are recorded in the balance sheet at fair value unless they qualify for the normal sales and purchases exemption. Changes in the fair value of derivatives that are not exempt are recorded in the statement of operations. Transaction costs on the acquisition of financial assets and liabilities that are classified as other than held-for-trading are expensed.

The Company has made the following designations of its financial instruments: cash and cash equivalents as held-for trading, amounts receivable as loans and receivables and accounts payable and accrued liabilities as other financial liabilities.

m) Comprehensive Income

This standard requires the presentation of a statement of comprehensive income and its components. Comprehensive income includes both net earnings and other comprehensive income. Other comprehensive income includes holding gains and losses on available for sale investments, gains and losses on certain derivative financial instruments and foreign currency gains and losses relating to self-sustaining foreign operations, all of which are not included in the calculation of net earnings until realized. The adoption of this section had no impact upon the Company's financial statements.

At March 31, 2011 and 2010, the Company does not have any comprehensive income adjustments arising from its financial instruments

n) Deferred Financing

Costs of financings in progress are deferred and will be applied against financing proceeds or expensed if financing is not completed.

NOTE 3 - CHANGES IN ACCOUNTING POLICIES AND NEW ACCOUNTING DEVELOPMENTS

Change to accounting policies

During the year ended March 31, 2011, the Company retroactively changed its accounting policy for evaluation and exploration costs. The Company considers that expensing these expenditures until such time as an economic feasibility study has established proven and probable reserves constitutes a reliable and more relevant presentation of the Company's exploration activities. Prior to the year ended March 31, 2010, the Company capitalized all such costs to mineral properties and only wrote down capitalized costs when either the property was abandoned or if the capitalized costs were not considered to be economically recoverable. Evaluation and exploration expenditures are now charged to earnings as they are incurred.

NOTE 3 - CHANGES IN ACCOUNTING POLICIES AND NEW ACCOUNTING DEVELOPMENTS (continued)

Change to accounting policies (continued)

The following table shows the impact of the change in accounting policy:

Effect on balance sheets

	As at March 31, 2010			As at April 1, 2009		
	As previously reported	Adjustments	As restated	As previously reported	Adjustments	As restated
ASSETS:						
Resource properties	$ 16,921,437	$ (16,269,188)	**$ 652,249**	$ 15,413,713	$ (14,769,154)	**$ 644,559**
TOTAL ASSETS	18,978,026	(16,269,188)	**2,708,838**	16,205,010	(14,769,154)	**1,435,856**
SHAREHOLDERS' EQUITY						
Deficit	(4,485,580)	(16,269,188)	**(20,754,768)**	(3,713,552)	(14,769,154)	**(18,482,706)**
TOTAL SHAREHOLDERS' EQUITY	18,794,003	(16,269,188)	**2,524,815**	15,895,612	(14,769,154)	**1,126,458**

Effect on statements of operations

	For the year ended March 31, 2010		
	As previously reported	Adjustments	As restated
EXPENSES			
Evaluation and exploration costs	$ -	$ 1,500,034	**$ 1,500,034**
NET LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	(772,028)	(1,500,034)	**(2,272,062)**
BASIC AND DILUTED LOSS PER SHARE	$ (0.02)	$ (0.03)	$ (0.05)

NOTE 3 - CHANGES IN ACCOUNTING POLICIES AND NEW ACCOUNTING DEVELOPMENTS (continued)

Current changes in accounting policies (continued)

Effect on statements of cash flows

	For the year ended March 31, 2010		
	As previously reported	Adjustments	As restated
OPERATING ACTIVITIES			
Net loss for the year	(772,028)	(1,500,034)	**(2,272,062)**
Net changes in non-cash working capital items:			
Accounts payable and accrued liabilities	49,106	(174,481)	**(125,375)**
CASH FLOW FROM OPERATING ACTIVITIES	**(493,751)**	**(1,674,515)**	**(2,168,266)**
INVESTING ACTIVITIES			
Resource properties expenditures	(1,682,205)	1,674,515	**(7,690)**
CASH FLOW FROM INVESTING ACTIVITIES	**(1,684,934)**	**1,674,515**	**(10,419)**

Future changes in accounting policies

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly-listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company's transition date of April 1, 2010 will require the restatement for comparative purposes of amounts reported by the Company for the year ending March 31, 2011.

NOTE 4 - MANAGEMENT OF CAPITAL

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 period.

NOTE 5 - FINANCIAL INSTRUMENTS

a) Fair value

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

The CICA established a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. 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 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).

NOTE 5 - 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 March 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.

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 March 31, 2011, the Company's cash is subject to or exposed to interest rate risk. However, this risk is not significant.

Foreign 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.

As at March 31, 2011, the Company's deposits and accounts payable and accrued liabilities are held in Canadian dollars ("CAD"), United States dollars ("USD") and Greenland dollars ("DKK"); therefore, USD and DKK accounts are subject to fluctuation against the CAD. The Company had the following balances in foreign currency as at March 31, 2011:

	in DKK	in US dollar
Deposits	$ 972	$ 30,024
Accounts payable and accrued liabilities	(249,443)	(16,138)
	$ (248,471)	$ 13,886
Rate to convert to $1.00 Canadian	0.1838	0.9698
Equivalent to Canadian dollar	**$ (45,669)**	**$ 13,467**

Based on the above net exposures as at March 31, 2011, and assuming that all other variables remain constant, a 10% appreciation or depreciation of DKK and USD against CAD would result in an increase or decrease of $3,220 in the Company's net loss.

Liquidity Risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company manages liquidity risk by maintaining a sufficient cash balance to enable settlement of transactions on the due date. Accounts payable and accrued liabilities are current.

NOTE 6 - CASH AND CASH EQUIVALENTS

As at March 31, 2011, the balance of cash and cash equivalents is $2,982,564 (March 31, 2010 - $1,981,878), which consists of $2,856,134 in cash (March 31, 2010 - $1,855,697) and $126,430 in term deposits with a term of 30 days with interest at 0.30% per annum (March 31, 2010 - $126,181).

NOTE 7 - EQUIPMENT

	March 31, 2011		
	Cost	Acc. Amort.	NBV
Computers	11,454	(5,620)	5,834

	March 31, 2010		
	Cost	Acc. Amort.	NBV
Computers	7,755	(3,913)	3,842

NOTE 8 - RESOURCE PROPERTIES

Naajat Mineral Claim, Greenland

The Company holds the Naajat mineral claim (EL 2002/06) comprising 190 square kilometres in Western Greenland. Work expenditures are approved each April by the Bureau of Minerals and Petroleum ("BMP") for Greenland based on Company submissions due April 1st of each year. The Company's current license expires December 31, 2011 and is renewable.

Nalussivik Mineral Claim, Greenland

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

Sarfartuup Qulaa Mineral Claim, Greenland

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

Sarfartoq Mineral Claim (New Millennium Resources NL JV, Greenland)

On June 20, 2003, the Company entered into an agreement with a Perth, Australia based company, New Millennium Resources NL ("New Millennium"), to acquire an 80% interest in the diamond mineral rights (including all other minerals except for tantalum and niobium) on the Sarfartoq exploration license on property located in West Greenland.

The Company acquired the remaining 20% interest (including 100% of previously excluded mineral rights) in the 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 expires December 31, 2011 and is renewable.

NOTE 8 - RESOURCES PROPERTIES (continued)

Sarfartoq Øst Mineral Claim, Greenland

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

Arnanganeq Mineral Claim, Greenland

In July 2007, the Company's application for the Arnanganeq mineral claim (EL 2007/28) comprising 236 square kilometres in Western Greenland was approved by the BMP. The Company's current license expires December 31, 2011 and is renewable.

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.

NOTE 9 - SHARE CAPITAL

a) Authorized

Unlimited number of common shares without par value

b) Issued common shares and contributed surplus

	Number of Common Shares	Amount	Share Subscriptions Received	Deferred Financing Costs	Contributed Surplus
Balance, March 31, 2009	**41,091,266**	**$ 18,047,539**	**$ -**	**$ -**	**$ 1,561,625**
Private placement	5,300,000	1,060,000	-	-	-
Exercise warrants for cash	8,065,000	2,143,500	-	-	-
Exercise options for cash	50,000	25,500	-	-	-
Share issuance costs	5,000	(22,114)	-	-	-
Subscriptions received	-	-	240,800	-	-
Reclassification of grant-date fair value on exercise of stock options	-	22,521	-	-	(22,521)
Stock-based compensation	-	-	-	-	222,733
Balance, March 31, 2010	**54,511,266**	**21,276,946**	**240,800**	**-**	**1,761,837**
Private placement	6,250,000	5,000,000	(240,800)	-	-
Deferred financing costs (Note 13)	-	-	-	(138,665)	-
Exercise warrants for cash	22,500	27,000	-	-	-
Exercise options for cash	1,233,000	579,850	-	-	-
Share issuance costs	-	(224,288)	-	-	-
Reclassification of grant-date fair value on exercise of stock options	-	427,010	-	-	(427,010)
Stock-based compensation	-	-	-	-	1,194,481
Balance, March 31, 2011	**62,016,766**	**$ 27,086,518**	**$ -**	**$ (138,665)**	**$ 2,529,308**

For 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.

NOTE 9 - SHARE CAPITAL (continued)

b) Issued common shares and contributed surplus (continued)

For the year ended March 31, 2010

On July 13, 2009, the Company completed a private placement of 5,300,000 units at a price of $0.20. Each unit consisted of one common share and one share purchase warrant. Each full warrant entitles the holder thereof to purchase one additional share for $0.30 on or before January 13, 2011. In connection with the private placement, the Company issued 5,000 units and paid $22,114 as share issue costs. The Company uses the residual value method with respect to the measurement of shares and warrants issued in the private placement units. Under this method, 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

A summary of the status of warrants as of March 31, 2011 and 2010 and the changes for the years then ended are as follows:

	March 31, 2011			March 31, 2010		
	Number Outstanding		**Weighted Average Exercise Price**	Number Outstanding		Weighted Average Exercise Price
Outstanding, beginning of year	-	$	-	2,760,000	$	0.20
Issued	**3,125,000**	**$**	**1.20**	5,305,000	$	0.30
Exercised	**(22,500)**	**$**	**1.20**	(8,065,000)	$	0.27
Outstanding, end of year	**3,102,500**	**$**	**1.20**	-	$	-

The following summarizes information about share purchase warrants outstanding at March 31, 2011:

Expiry Date	**Warrants Outstanding**		**Exercise Price**	**Weighted Average Remaining Contractual Life (in years)**
April 6, 2012	3,102,500	$	1.20	1.02

d) Options

The Company has a stock option plan whereby the maximum number of shares reserved for issue shall not exceed 10% of the issued and outstanding common shares of the Company as at the date of the grant. The maximum number of common shares reserved for issue to any one optionee under the plan cannot exceed 5% of the total issued and outstanding number of common shares on a non-diluted basis. The maximum number of common shares reserved for issue to any insiders as a group shall not exceed 10% of the total number of issued and outstanding shares on a non-diluted basis. The maximum number of common shares reserved for issue to any one consultant shall not exceed 2% of the total number of issued and outstanding shares on a non-diluted basis. The maximum number of common shares reserved for issue to all eligible persons who undertake investor relation activities shall not exceed 2% in the aggregate of the total number of issued and outstanding shares on a non-diluted basis. The Company has granted directors, officers and consultants common share purchase options. These options are granted with an exercise price equal to the market price of the Company's stock on the date of the grant. Under the stock option plan, management has the option of determining vesting periods.

NOTE 9 - SHARE CAPITAL (continued)

d) Options (continued)

A summary of the status of options granted under the Option Plan as of March 31, 2011 and 2010, and the changes for the years then ended are as follows:

	March 31, 2011			March 31, 2010		
	Number Outstanding		**Weighted Average Exercise Price**	Number Outstanding		Weighted Average Exercise Price
Outstanding, beginning of year	**3,428,000**	**$**	**0.42**	2,595,000	$	0.63
Granted	**2,250,000**	**$**	**0.80**	1,600,000	$	0.15
Expired	**-**	**$**	**-**	(543,167)	$	0.60
Forfeited	**-**	**$**	**-**	(173,833)	$	0.59
Exercised	**(1,233,000)**	**$**	**0.47**	(50,000)	$	0.51
Outstanding, end of year	**4,445,000**	**$**	**0.60**	3,428,000	$	0.42

The following summarizes information about stock options outstanding and exercisable at March 31, 2011:

Expiry Date	**Options Outstanding**	**Options Exercisable**	**Exercise Price**	**Weighted Average Remaining Contractual Life (in years)**
June 15, 2012	450,000	450,000	1.00	1.21
April 23, 2013	370,000	370,000	0.51	2.07
April 6, 2014	1,300,000	1,300,000	0.10	3.02
January 25, 2015	100,000	75,000	0.95	3.82
April 30, 2015	2,225,000	1,381,250	0.80	4.08
	4,445,000	**3,576,250**		**3.31**

NOTE 9 - SHARE CAPITAL (continued)

e) Stock-based compensation

The fair value of stock options is determined using the Black-Scholes option pricing model. There were 2,250,000 options granted to the Company's directors, officers, employees and consultants during the year ended March 31, 2011 (2010 – 1,600,000). The options vest 25% on grant date and 12.5% each quarter thereafter. The Company recognized $1,194,481 of stock-based compensation expense on options vested during the year ended March 31, 2011 (2010 - $222,733). For the years ended March 31, 2011 and 2010, stock-based compensation expense consists of the following:

		March 31, 2011		March 31, 2010
Stock-based compensation for:				
Legal and accounting fees	**$**	**38,152**	$	-
Consulting fees		**-**		20,964
Directors' remuneration		**215,241**		78,063
Evaluation and exploration costs		**50,870**		-
Management remuneration		**890,218**		123,706
	$	**1,194,481**	$	222,733

The fair value of employee and non-employee options granted during the years ended March 31, 2011 and 2010 was calculated using the Black-Scholes option pricing model with the following weighted-average assumptions:

	March 31, 2011	March 31, 2010
Risk-free interest rate	2.71%	1.68%
Expected annual volatility	144%	150%
Expected life	5.00	5.00
Expected dividend yield	0%	0%
Weighted average fair value of options granted	$0.72	$0.13

NOTE 10 - RELATED PARTY TRANSACTIONS

During the years ended March 31, 2011 and 2010 respectively, the Company incurred the following expenses with a company with a common director and with directors and officers and a former officer of the Company:

	For the years ended			
		March 31, 2011		March 31, 2010
Legal and accounting fees	**$**	**70,611**	$	-
Management fees		**325,200**		325,200
	$	**395,811**	$	325,200

These transactions were measured by the exchange amount, which is the amount agreed upon by the transacting parties.

As at March 31, 2011, accounts payable and accrued liabilities include $36,987 (2010: $29,277) in management and directors' fees and travel and other expenses due to directors, officers and a company with a common director.

As at March 31, 2011, amounts receivable include $20,353 (2010: $nil) due from an officer.

NOTE 11 –COMMITMENT

- During the year ended March 31, 2009, the Company entered into a two-year office lease agreement ending October 1, 2011. Total minimum lease payments are as follows:

For the year ended		Amount
March 31, 2012	$	19,557

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

NOTE 12 – INCOME TAXES

The reconciliation of the income tax provision computed at statutory rates to the reported income tax provision is as follows:

		2011		2010 (Restated)
Statutory rate		**28.00%**		**29.63%**
Loss before income taxes	**$**	**(5,179,782)**	**$**	**(2,272,062)**
Expected income tax recovery	**$**	**(1,450,000)**	**$**	**(673,000)**
(Increase) decrease in income tax recovery resulting from:				
Permanent differences		280,000		66,000
Effect of reduction in statutory rates		119,000		277,000
Change in valuation allowance for future income tax assets		1,051,000		330,000
Income tax provision	**$**	-	**$**	-

NOTE 12 – INCOME TAXES (continued)

Significant components of the Company's future tax assets, after applying enacted corporate income tax rates, are as follows:

		2011		2010
				(Restated)
Future income tax assets				
Non-capital losses carried forward	$	1,025,000	$	769,000
Equipment		77,000		78,000
Resource properties and deferred exploration		4,914,000		4,122,000
Unused share issuance costs		67,000		63,000
Valuation allowance for future income tax assets		(6,083,000)		(5,032,000)
	$	**-**	**$**	**-**

The Company has recorded a valuation allowance against its net future income tax assets based on the extent to which it is more likely-than-not that sufficient taxable income will not be realized during the carry-forward to utilize the net future tax assets.

At March 31, 2011, the Company has accumulated foreign exploration costs of approximately $20,343,136 and non-capital losses of approximately $4,098,000 that may be applied against future income for tax purposes. The non-capital losses expire as follows:

2026	$	300,000
2027		559,000
2028		693,000
2029		711,000
2030		814,000
2031		1,021,000
		4,098,000

NOTE 13 – SUBSEQUENT EVENTS

- 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 $1,121,997 paid to the underwriters and other expenses of $288,665 of which $138,665 has been incurred as at March 31, 2011.

- On June 6, 2011, the Company granted options to purchase up to 200,000 common shares exercisable at $1.04 per share until June 5, 2016. The options will vest equally and quarterly over the first 12 months after issuance.

HUDSON RESOURCES INC.
(An Exploration Stage Company)
SCHEDULE OF RESOURCE PROPERTY COSTS
For The Years Ended March 31, 2011 and 2010

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

	Balance as at March 31, 2009	Additions	Balance as at March 31, 2010	Additions	Balance as at March 31, 2011
Greenland					
Sarfartoq Exploration Licences					
Acquisition costs / license fees	**$ 644,559**	$ 7,690	**$ 652,249**	$ 26,918	**$ 679,167**

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

	For the years ended March 31 ,2010	For the years ended March 31 ,2011	Cumulative evaluation and exploration costs, March 31 ,2011
Evaluation and exploration costs:			
Assay and analysis	$ 56,293	$ 217,103	$ 563,741
Camp and portable shelters	42,234	173,085	724,767
Consulting	108,475	364,308	1,762,722
Data processing	-	1,511	56,737
Diamond recovery plant and operations	410	-	1,672,479
Drilling	177,478	1,066,813	4,121,571
Equipment	78,980	87,559	621,988
Explosives	-	-	50,026
Fuel	27,802	34,176	234,894
Geophysical data	47,164	28,375	481,042
Helicopter	775,560	727,092	5,525,917
Insurance	-	(267)	47,166
Legal	-	-	6,018
Sample extraction and processing	12,150	-	1,599,963
Shipping	53,573	161,207	632,815
Supplies	16,677	37,666	165,800
Travel	82,022	231,069	1,110,023
Wages and benefits	21,216	124,529	145,745
	$ 1,500,034	**$ 3,254,226**	**$ 19,523,414**