HUDSON RESOURCES INC

HUDSON RESOURCES INC.

(An Exploration Stage Company)

FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2012 AND 2011

(Expressed in Canadian Dollars)

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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 statements of financial position as at March 31, 2012, March 31, 2011 and April 1, 2010, and the statements of loss and comprehensive loss, changes in equity and cash flows for the years ended March 31, 2012 and March 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated 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 consolidated 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 consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation 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 from our audits 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, 2012 and 2011 and April 1, 2010 and its financial performance and its cash flows for the years ended March 31, 2012 and March 31, 2011 in accordance with International Financial Reporting Standards.

(signed) "BDO Canada LLP"

Chartered Accountants

Vancouver, British Columbia
July 22, 2012

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Hudson Resources Inc.
Statements of Financial Position
(Expressed in Canadian Dollars)

As at		March 31, 2012		March 31, 2011		April 1, 2010
				(Note 17)		*(Note 17)*
ASSETS						
Current assets						
Cash and cash equivalents (note 4)	**$**	**11,942,311**	$	2,982,564	$	1,981,878
Amounts receivable (note 11(a))		**-**		20,353		-
Harmonized sales tax receivable		**166,649**		128,569		38,119
Deposits		**32,226**		32,555		4,365
Prepaid expenses		**204,231**		31,499		28,385
		12,345,417		**3,195,540**		**2,052,747**
Non-current assets						
Equipment (note 5)		**25,594**		5,834		3,842
Resource properties (note 6)		**705,221**		679,167		652,249
		730,815		685,001		656,091
TOTAL ASSETS	**$**	**13,076,232**	**$**	**3,880,541**	**$**	**2,708,838**
LIABILITIES						
Current liabilities						
Accounts payable and accrued liabilities (notes 8 & 11(a))	**$**	**205,473**	$	337,930	$	184,023
TOTAL LIABILITIES		**205,473**		**337,930**		**184,023**
EQUITY						
Share capital (note 9)	**$**	**42,909,981**	$	27,086,518	$	21,276,946
Share subscription received		**-**		-		240,800
Deferred financing costs		**-**		(138,665)		-
Additional paid-in capital (note 9(e))		**661,646**		661,646		661,646
Stock options reserve (note 9(e))		**2,929,158**		2,201,757		1,118,776
Deficit		**(33,630,026)**		(26,268,645)		(20,773,353)
TOTAL EQUITY		**12,870,759**		**3,542,611**		**2,524,815**
TOTAL EQUITY AND LIABILITIES	**$**	**13,076,232**	**$**	**3,880,541**	**$**	**2,708,838**

Subsequent events (notes 9(c) & 9(d))

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.
Statements of Loss and Comprehensive Loss
(Expressed in Canadian Dollars)

		For the year ended March 31, 2012		March 31, 2011
				(Note 17)
EXPENSES				
Bank charges and interest	$	4,527	$	1,004
Depreciation		5,545		1,707
Evaluation and exploration costs (note 7)		5,653,759		3,254,226
Filing fees		35,063		54,764
Foreign exchange		573		(7,180)
Management fees		645,000		325,200
Office		60,385		42,077
Professional fees		154,021		133,956
Rent		43,568		40,313
Share-based payments (note 9(d))		727,401		1,509,991
Shareholder/corporate communications		129,048		79,084
Telephone		5,840		5,001
Transfer agent fees		10,066		10,636
Travel and accommodation		50,086		50,248
		7,524,882		5,501,027
OTHER EXPENSES (INCOME)				
Impairment of resource properties		20,094		-
Interest income		(183,595)		(5,735)
LOSS AND TOTAL COMPREHENSIVE LOSS FOR THE YEAR	$	7,361,381	$	5,495,292
Basic and diluted loss per share for the period attributable to common shareholders	$	0.09	$	0.09
Weighted average number of common shares outstanding		79,988,187		61,059,698

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

Hudson Resources Inc.
Statements of Changes in Equity
(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 April 1, 2010 (note 17)	**54,511,266**	**$ 21,276,946**	**$ 240,800**	**$ -**	**$ 661,646**	**$ 1,118,776**	**$ (20,773,353)**	**$ 2,524,815**
Shares issued for cash - private placement	6,250,000	5,000,000	(240,800)	-	-	-	-	**4,759,200**
Share issue costs	-	(224,288)	-	-	-	-	-	**(224,288)**
Shares issued for cash - warrant exercise	22,500	27,000	-	-	-	-	-	**27,000**
Shares issued for cash - stock option exercise	1,233,000	579,850	-	-	-	-	-	**579,850**
Reclassification of grant-date fair value on exercise of stock options	-	427,010	-	-	-	(427,010)	-	**-**
Deferred financing costs	-	-	-	(138,665)	-	-	-	**(138,665)**
Share-based payments	-	-	-	-	-	1,509,991	-	**1,509,991**
Total comprehensive loss	-	-	-	-	-	-	(5,495,292)	**(5,495,292)**
Balance at March 31, 2011 (note 17)	**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	17,261,500	-	138,665	-	-	-	**17,400,165**
Share issue costs	-	(1,438,037)	-	-	-	-	-	**(1,438,037)**
Share-based payments	-	-	-	-	-	727,401	-	**727,401**
Total comprehensive loss	-	-	-	-	-	-	(7,361,381)	**(7,361,381)**
Balance at March 31, 2012	**80,186,766**	**$ 42,909,981**	**$ -**	**$ -**	**$ 661,646**	**$ 2,929,158**	**$ (33,630,026)**	**$ 12,870,759**

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

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

	For the year ended March 31, 2012	March 31, 2011
		(Note 17)
Cash flows provided from (used by):		
OPERATING ACTIVITIES		
Net loss for the year	**$ (7,361,381)**	**$ (5,495,292)**
Adjustments for items not affecting cash:		
Depreciation	5,545	1,707
Share-based payments	727,401	1,509,991
Impairment of resource properties	20,094	-
	(6,608,341)	**(3,983,594)**
Net changes in non-cash working capital items:		
Amounts receivable	20,353	(20,353)
Harmonized sales tax receivable	(38,080)	(90,450)
Prepaid expenses	(172,732)	(3,114)
Deposits	329	(28,190)
Accounts payable and accrued liabilities	(132,457)	153,907
Net cash flows used in operating activities	**(6,930,928)**	**(3,971,794)**
FINANCING ACTIVITIES		
Proceeds from share issuance	17,400,165	5,366,050
Share issue costs	(1,438,037)	(224,288)
Deferred financing costs	-	(138,665)
Net cash flows from financing activities	**15,962,128**	**5,003,097**
INVESTING ACTIVITIES		
Equipment purchases	(25,305)	(3,699)
Mineral property acquisition costs	(46,148)	(26,918)
Net cash flows used in investing activities	**(71,453)**	**(30,617)**
Net increase in cash and cash equivalents	**8,959,747**	**1,000,686**
Cash and cash equivalents, beginning of year	**2,982,564**	**1,981,878**
Cash and cash equivalents, end of year	**$ 11,942,311**	**$ 2,982,564**
Cash and cash equivalents consist of :		
Cash	**1,685,629**	**2,856,134**
Term deposits	**10,256,682**	**126,430**
	$ 11,942,311	**$ 2,982,564**
Cash received during the year for interest	**$ 183,595**	**$ 5,735**
Cash paid during the year for interest	**$ -**	**$ -**
Cash paid during the year 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 March 31, 2012, the Company was in the exploration stage and had interests in properties located in Greenland.

These 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 March 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 financial statements of the Company for the year ended March 31, 2012 were reviewed by the Audit Committee and approved and authorized by the Board of Directors on July 22, 2012.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

a) Statement of compliance and conversion to International Financial Reporting Standards

These financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB"). This is the first time that the Company has prepared its financial statements in accordance with IFRS, having previously prepared its financial statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles ("Canadian GAAP").

The preparation of these financial statements resulted in changes to the accounting policies as compared with the most recent annual financial statements prepared under Canadian GAAP. The accounting policies set out below have been applied consistently to all periods presented in these financial statements. They also have been applied in preparing an opening IFRS balance sheet at April 1, 2010 for the purposes of the transition to IFRS, as required by IFRS 1, First Time Adoption of International Financial Reporting Standards ("IFRS 1"). The impact of the transition from Canadian GAAP to IFRS is explained in Note 17.

b) Basis of preparation

These financial statements have been prepared on a historical cost basis. In addition, these financial statements have been prepared using the accrual basis of accounting, except for cash flow information.

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

c) Resource properties

Resource properties include acquired mineral use rights for mineral properties held by the Company. The amount of consideration paid (in cash or share value) for mineral use rights is capitalized. The amounts shown for resource properties represent costs of acquisition incurred to date, 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 the 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.

The Company assesses resource property assets for impairment when facts and circumstances suggest that the carrying amount of an asset may exceed its recoverable amount

When a project is deemed to no longer have commercially viable prospects to the Company, the carrying amount of the resource property, in excess of estimated recoveries, in respect of that project are deemed to be impaired and written off to the statement of comprehensive loss/income.

d) Exploration and evaluation costs

Evaluation and exploration costs, other than those acquisition costs described above, are expensed as incurred until such time as either mineral reserves are proven or probable, or permits to operate the mineral resource property are received and financing to complete development has been obtained. Following confirmation of mineral reserves or receipt of permits to commence mining operations and obtaining necessary financing, evaluation and exploration expenditures are capitalized as deferred development expenditures included within resource properties.

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

e) Rehabilitation provision

The Company records the present value of estimated costs of legal and constructive obligations required to restore operating locations in the period in which the obligation is incurred. The nature of these restoration activities includes dismantling and removing structures, rehabilitating mines and tailings dams, dismantling operating facilities, closure of plant and waste sites, and restoration, reclamation and re-vegetation of affected areas.

The obligation generally arises when the asset is installed or the ground / environment is disturbed at the production location. When the liability is initially recognized, the present value of the estimated costs is capitalized by increasing the carrying amount of the related mining assets to the extent that it was incurred by the development / construction of the mine. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability.

The periodic unwinding of the discount is recognized in profit or loss as a finance cost. Additional disturbances or changes in rehabilitation costs will be recognized as additions or charges to the corresponding assets and rehabilitation liability when they occur.

For closed sites, changes to estimated costs are recognized immediately in profit or loss.

f) Equipment

Equipment is initially recognized at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future costs of dismantling and removing items. The corresponding liability is recognized within provisions. All items of equipment are subsequently carried at depreciated cost less impairment losses, if any.

Gains and losses

Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount, and are recognized net within other income in profit or loss.

Depreciation is provided on all items of equipment to write off the carrying value of items over their expected useful economic lives. The Company provides for depreciation using the declining balance method at the rate of 30% per annum. Additions during the year are depreciated at one-half rates. When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment.

Material residual value estimates and estimates of useful life are reviewed at each financial year-end, and adjusted if appropriate.

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

g) Taxation

Income tax expense comprises of current and deferred tax. Current tax and deferred tax are recognized in net income except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive loss/income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustment to income taxes payable in respect of previous years. Current income taxes are determined using tax rates and tax laws that have been enacted or substantively enacted by the year-end date.

Deferred income tax is provided using the liability method on temporary differences at the reporting date between the carrying amounts of assets and liabilities and their tax bases.

Deferred tax assets and liabilities are recognized where the carrying amount of an asset or liability differs from its tax base, except for taxable temporary differences arising on the initial recognition of goodwill and temporary differences arising on the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognized to the extent that it is probable that they will be able to be utilized against future taxable income. At the end of each reporting period the Company reassesses unrecognized deferred tax assets. The Company recognizes a previously unrecognized deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are offset only when the Company has a legally enforceable right to set off current tax assets and liabilities and the deferred income taxes related to the same taxable entity and the same taxation authority.

Changes in deferred tax assets or liabilities are recognized as a component of tax income or expense in profit or loss, except where they relate to items that are recognized in other comprehensive income or directly in equity, in which case the related deferred tax is also recognized in other comprehensive income or equity, respectively.

h) Currency translation

The presentation currency and functional currency of the Company is the Canadian dollar. The functional currency of the Company is measured using the currency of the primary economic environment in which that entity operates.

Transactions and balances:

Foreign currency transactions are translated into the Company’s functional currency using the exchange rates prevailing at the date of the transaction. Foreign currency monetary items are translated at the period-end exchange rate. Non-monetary items measured at historical cost continue to be carried at the exchange rate at the date of the transaction. Non-monetary items measured at fair value are reported at the exchange rate at the date when fair values were determined.

Exchange differences arising on the translation of monetary items or on settlement of monetary items are recognized in profit or loss in the period in which they arise, except where deferred in equity as a qualifying cash flow or net investment hedge.

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

i) Share-based payments

The share option plan allows the Company's employees and consultants to acquire shares of the Company. The fair value of options granted is recognized as a share-based payment expense with a corresponding increase in equity.

Where equity-settled share options are awarded to employees, the fair value of the options, which is measured using the Black-Scholes option pricing model at the date of grant, is charged to the statement of comprehensive loss/income over the vesting period on a graded-vesting basis. Performance vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognized over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether these vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition or where a non-vesting condition is not satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after the modification, is also charged to profit or loss over the remaining vesting period.

Where equity instruments are granted to employees, they are recorded at the fair value of the equity instrument granted at the grant date. The grant date fair value is recognized in profit or loss over the vesting period, described as the period during which all the vesting conditions are to be satisfied.

Where equity instruments are granted to non-employees, they are recorded at the fair value of the goods or services received in profit or loss, unless they are related to the issuance of shares. Amounts related to the issuance of shares are recorded as a reduction of share capital.

When the value of goods or services received in exchange for the share-based payment cannot be reliably estimated, the fair value is measured by use of a valuation model. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions, and behavioral considerations.

All equity-settled share-based payments are reflected in stock options reserve, until exercised or upon expiration. Upon exercise, shares are issued from treasury and the amount reflected in stock options reserve is credited to share capital, adjusted for any consideration paid. The fair value of the expired options will be transferred to additional paid-in capital.

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period. Any payment made to the employee on the cancellation is accounted for as the repurchase of an equity interest except to the extent the payment exceeds the fair value of the equity instrument granted, measured at the repurchase date. Any such excess is recognized as an expense.

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

j) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, deposits held on call with banks, highly liquid investments that are readily convertible into known amount of cash and which are subject to insignificant risk of changes in value, net of bank overdrafts which are repayable on demand. Cash and cash equivalents normally have a term to maturity of three months or less from the date of acquisition.

k) Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating units ("CGU") fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the asset is tested as part of a larger CGU. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

When applicable, the Company bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Company's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations, including impairment of inventories, are recognized in profit and loss, except to the extent they reverse gains previously recognized in other comprehensive loss/income, in those expense categories consistent with the function of the impaired asset.

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

l) Financial instruments

Financial assets

Financial assets are initially recorded at fair value and designated upon inception into one of the following four categories: held-to-maturity, available-for-sale, loans and receivables or at fair value through profit or loss ("FVTPL").

Financial assets classified as loans and receivables are measured at amortized cost less impairment. The Company has classified its cash and cash equivalents, deposits and other receivables as loans and receivables.

Financial assets classified as FVTPL are measured at fair value with unrealized gains and losses recognized through earnings.

Financial assets classified as held-to-maturity are measured at amortized cost. Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary. The Company has no financial assets classified as available-for-sale.

Transaction costs associated with FVTPL financial assets are expensed as incurred, while transaction costs associated with all other financial assets are included in the initial carrying amount of the asset.

Impairment of financial assets

At each reporting date the Company assesses whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or group of financial assets is deemed to be impaired, if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

Financial liabilities

Financial liabilities are initially recorded at fair value and designated upon inception as either FVTPL or classified as other financial liabilities.

Financial liabilities classified as other financial liabilities are initially recognized at fair value less directly attributable transaction costs. Subsequently, they are measured at amortized cost using the effective interest method. The Company has classified its accounts payable and accrued liabilities and compensation liabilities as other financial liabilities.

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of comprehensive income or loss. The Company has no financial liabilities classified as FVTPL.

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

l) Financial instruments (continued)

De-recognition of financial assets and liabilities

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired.
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

m) Share capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares and share warrants are classified as equity instruments.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

n) Critical accounting estimates and judgments

The preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The effect of a change in an accounting estimate is recognized prospectively by including it in comprehensive income in the period of the change, if the change affects that period only, or in the period of the change and future periods, if the change affects both.

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustment to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below.

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

n) Critical accounting estimates and judgments (continued)

Deferred tax assets

The assessment of the probability of future taxable income in which deferred tax assets can be utilized is based on the Company's estimates of future profits or losses adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the jurisdictions in which the Company operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances (see note 16).

Impairment

An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future gross profits. These assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the Company's assets within the next financial year (see note 6).

In most cases, determining the applicable discount rate involves estimating the appropriate adjustment to market rate and the appropriate adjustment to asset-specific risk factors.

Fair value of share-based payments

Determining the fair value of certain share-based payments involves estimates of interest rates, expected life of options, share price volatility and the application of the Black-Scholes option pricing model. The Black-Scholes option pricing model requires the input of highly subjective assumptions that can materially affect the fair value estimate (See note 9(d)).

Rehabilitation provisions and site restoration costs

Provision is made for environmental remediation costs when the related environmental disturbance occurs, based on the net present value of estimated future costs.

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

n) Critical accounting estimates and judgments (continued)

The ultimate cost of environmental disturbance is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other mine sites.

The expected timing of expenditure can also change, for example, in response to changes in ore reserves or production rates or economic conditions. As a result there could be significant adjustments to the provision for decommissioning and site restoration, which would affect future financial results. Management had determined that there was no rehabilitation provision or site restoration to accrue.

The Company assesses its rehabilitation provisions and site restoration costs using the information available as at the year-end date, unless significant differences are identified in the interim period. Significant estimates and assumptions are made in determining the rehabilitation provisions and site restoration costs, as there are numerous factors that will affect the ultimate liability amount. These factors include estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases and changes in discount rates. Those uncertainties may result in future actual expenditures differing from the amounts currently provided. The provision at the statement of financial position date represents management's best estimate of the present value of the future rehabilitation costs required. Changes to estimated future costs are recognized in the statement of financial position by adjusting the rehabilitation asset and liability. If, for mature mines, the revised mine assets net of rehabilitation provisions exceeds the carrying value, that portion of the increase is charged directly to expense. As at March 31, 2012 and 2011, the Company has no rehabilitation provisions.

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.

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

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.

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.

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

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:

		March 31, 2012		March 31, 2011		April 1, 2010
Cash	$	1,685,629	$	2,856,134	$	1,855,697
Term deposits		10,256,682		126,430		126,181
	$	**11,942,311**	**$**	**2,982,564**	**$**	**1,981,878**

5. EQUIPMENT

The Company's equipment is broken down as follows:

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

	Computer equipment	Field equipment	Total
Cost			
As at March 31, 2011	$ 11,454	$ -	**$ 11,454**
Additions	-	25,305	**25,305**
Balance as at March 31, 2012	**$ 11,454**	**$ 25,305**	**$ 36,759**
Depreciation			
As at March 31, 2011	$ (5,620)	$ -	**$ (5,620)**
Charged for the year	(1,749)	(3,796)	**(5,545)**
Balance as at March 31, 2012	**$ (7,369)**	**$ (3,796)**	**$ (11,165)**
Net book value			
As at March 31, 2011	$ 5,834	$ -	$ 5,834
As at March 31, 2012	**$ 4,085**	**$ 21,509**	**$ 25,594**

6. RESOURCE PROPERTIES

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

	Balance as at April 1, 2010	Additions	Balance as at March 31, 2011	Additions	Impairment	Balance as at March 31, 2012
Greenland						
Sarfartoq Exploration Licences						
Acquisition costs / license fees	**$ 652,249**	$ 26,918	**$ 679,167**	$ 46,148	$ (20,094)	**$ 705,221**

The Company currently has two exploration licences in Greenland, the Naajat EL (2002/06) and the Sarfartoq EL (2010/40). The Naajat, Sarfartoq, and Arnanganeq Exploration Licences were due to expire on December 31, 2011.

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.

Current Resource Properties

Naajat Mineral Claim (2002/06), Greenland

The total work commitment for 2012 is 4,000,000 DKK. 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. 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

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 (March 31, 2011 - $nil).

7. EVALUATION AND EXPLORATION COSTS

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

	For the year ended March 31, 2012	For the year ended March 31, 2011	Cumulative evaluation and exploration costs, March 31, 2012
Evaluation and exploration costs:			
Assay and analysis	$ 510,528	$ 217,103	$ 1,074,269
Camp and portable shelters	100,043	173,085	824,810
Consulting	973,529	364,308	2,736,251
Data processing	-	1,511	56,737
Diamond recovery plant and operations	-	-	1,672,479
Drilling	1,927,959	1,066,813	6,049,530
Equipment	27,723	87,559	649,711
Explosives	-	-	50,026
Fuel	74,577	34,176	309,471
Geophysical data	65,905	28,375	546,947
Helicopter	1,142,794	727,092	6,668,711
Insurance	-	(267)	47,166
Legal	8,330	-	14,348
Sample extraction and processing	-	-	1,599,963
Shipping	307,855	161,207	940,670
Supplies	31,174	37,666	196,974
Travel	483,342	231,069	1,593,365
Wages and benefits	-	124,529	145,745
	$ 5,653,759	$ 3,254,226	$ 25,177,173

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	March 31, 2012	March 31, 2011	April 1, 2010
Trade payables	$ 150,042	$ 293,856	$ 159,023
Accrued liabilities	55,431	44,074	25,000
	$ 205,473	**$ 337,930**	**$ 184,023**

9. SHARE CAPITAL

a) Authorized share capital

Unlimited number of common shares without par value.

b) Issued share capital

At March 31, 2012, the Company had 80,186,766 common shares issued and outstanding (March 31, 2011 – 62,016,766).

During the year ended March 31, 2012

On April 5, 2011, the Company issued 15,800,000 shares at $0.95 per share pursuant to a public offering. An additional 2,370,000 shares were issued to the underwriters pursuant to an overallotment option. Share issue costs included fees of $1,272,008 paid to the underwriters and other expenses of $166,029.

During the year ended March 31, 2011

On April 6, 2010, the Company completed a non-brokered private placement of 6,250,000 units at a price of $0.80. Each unit consisted of one common share and one-half of one share purchase warrant. Each full warrant entitles the holder thereof to purchase one additional share for $1.20 on or before April 6, 2012. In certain events, the Company can accelerate the expiry date of the warrants if the common shares trade above a weighted average of $2.00 for 20 days. The Company paid $224,288 in fees in connection with this private placement.

c) Share Purchase Warrants

The changes in warrants during the years ended March 31, 2012 and 2011 are as follows:

	March 31, 2012			March 31, 2011		
	Number outstanding		**Weighted average exercise price**	Number outstanding		Weighted average exercise price
Outstanding, beginning of year	**3,102,500**	**$**	**1.20**	-	$	-
Issued	**-**		**-**	3,125,000		1.20
Exercised	**-**		**-**	(22,500)		1.20
Outstanding, end of year	**3,102,500**	**$**	**1.20**	3,102,500	$	1.20

The weighted average trading share price at the time warrants were exercised during the year ended March 31, 2011 was $1.69 per share.

9. SHARE CAPITAL (continued)

c) Share Purchase Warrants (continued)

The following summarizes information about warrants outstanding at March 31, 2012:

Expiry date	Warrants outstanding	Exercise price	Weighted average remaining contractual life (in years)
April 6, 2012	3,102,500	$ 1.20	0.02

Subsequent to March 31, 2012, the 3,102,500 warrants expired unexercised.

d) Stock Options

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

The changes in stock options during the years ended March 31, 2012 and 2011 are as follows:

	March 31, 2012		March 31, 2011	
	Number outstanding	**Weighted average exercise price**	Number outstanding	Weighted average exercise price
Outstanding, beginning of year	**4,445,000**	**$ 0.60**	3,428,000	$ 0.42
Granted	**1,400,000**	**0.71**	2,250,000	0.80
Exercised	**-**	**-**	(1,233,000)	0.47
Outstanding, end of year	**5,845,000**	**$ 0.63**	4,445,000	$ 0.60

The weighted average trading share price at the time options were exercised during the year ended March 31, 2011 was $1.28 per share.

9. SHARE CAPITAL (continued)

d) Stock Options (continued)

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

Expiry date	Options outstanding	Options exercisable	Exercise price	Estimated grant date fair value	Weighted average remaining contractual life (in years)
June 15, 2012	450,000	450,000	$ 1.00	$ 397,442	0.21
April 23, 2013	370,000	370,000	0.51	166,656	1.06
April 6, 2014	1,300,000	1,300,000	0.10	105,922	2.02
January 25, 2015	100,000	100,000	0.95	84,505	2.82
April 30, 2015	2,225,000	2,225,000	0.80	1,599,450	3.08
June 6, 2016	200,000	150,000	1.04	47,091	4.19
September 28, 2016	1,200,000	600,000	0.65	378,034	4.50
	5,845,000	**5,195,000**		**$ 2,779,100**	**2.82**

The weighted average exercise price of the exercisable options was $0.59.

During the year ended March 31, 2012, the Company granted 1,200,000 options to the Company's officers, directors and field staff (March 31, 2011 – 2,250,000). The Company also granted 200,000 options to a consultant during the year ended March 31, 2012 (March 31, 2011 – nil). 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 year ended March 31, 2012	March 31, 2011
Share price at the grant date	$0.56 - $0.98	$ 0.80
Risk-free interest rate	1.17% - 2.17%	2.71%
Expected annual volatility	131.75% - 140.75%	143.53%
Expected life	3 - 5 years	5 years
Expected dividend yield	-	-
Weighted average grant date fair value per option	$0.45 - $0.84	0.72

The expected life of the 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.

9. SHARE CAPITAL (continued)

d) Stock Options (continued)

During the year ended March 31, 2012, the Company recognized share-based payments expense of $577,343 (March 31, 2011 – $1,509,991). For the years ended March 31, 2012 and 2011, share-based payments expense consists of the following:

	For the year ended			
		March 31, 2012		**March 31, 2011**
For services in respect of:				
Accounting	**$**	**31,065**	$	48,932
Directors' fees		**198,313**		254,018
Evaluation and exploration costs		**32,725**		65,248
Investor relations		**157,804**		-
Management fees		**307,494**		1,141,793
	$	**727,401**	$	1,509,991

Subsequent to March 31, 2012, the 450,000 options with an expiry date of June 15, 2012 expired unexercised.

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.

10. LOSS PER SHARE

The calculation of basic and diluted loss per share for the year ended March 31, 2012 is based on the net loss attributable to common shareholders of $7,361,381 (March 31, 2011: $5,495,292) and a weighted average number of common shares outstanding during the period of 79,988,187 (March 31, 2011: 61,059,698).

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 $8,154 as at March 31, 2012 (March 31, 2011 – $36,987). These amounts are unsecured and non-interest bearing.

As at March 31, 2012, there were no amounts due from related parties (March 31, 2011 - $20,353).

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:

	For the year ended			
	March 31, 2012		March 31, 2011	
Short-term employee benefits - management fees	**$**	**662,760**	$	395,811
Short-term employee benefits - directors' fees		**80,000**		-
Share-based payments - management fees		**318,069**		1,190,725
Share-based payments - directors' fees		**181,917**		254,018
	$	**1,242,746**	$	1,840,554

For the year ended March 31, 2012, short-term employee benefits – management fees included bonuses of $180,000 (2011 – nil).

12. COMMITMENTS AND CONTINGENCIES

- During the year ended March 31, 2009, the Company entered into a two-year office lease agreement ending October 1, 2011. This lease agreement was renewed for an additional two years ending October 1, 2013. Total minimum lease payments are as follows:

For the year ended		
March 31, 2013	$	26,048
March 31, 2014		13,024
	$	**39,072**

13. SEGMENTED INFORMATION

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

	Canada	Greenland	Total
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**
As at March 31, 2011			
Resource properties	$ -	$ 679,167	**$ 679,167**
Other assets	3,201,374	-	**3,201,374**
Liabilities	(337,930)	-	**(337,930)**
	$ 2,863,444	**$ 679,167**	**$ 3,542,611**
As at April 1, 2010			
Resource properties	$ -	$ 652,249	**$ 652,249**
Other assets	2,056,589	-	**2,056,589**
Liabilities	(184,023)	-	**(184,023)**
	$ 1,872,566	**$ 652,249**	**$ 2,524,815**

	Canada	Greenland	Total
Net loss:			
For the year ended March 31, 2012	$ 1,557,564	$ 5,653,759	**$ 7,211,323**
For the year ended March 31, 2011	$ 2,241,066	$ 3,254,226	**$ 5,495,292**

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 year ended March 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 (2011: no significant transfers).

There were no financial assets which are measured at fair value that applied Level 2 or Level 3 fair value measurements (2011: 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 March 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 March 31, 2012 in the amount of $11,942,311, in order to meet short-term business requirements. At March 31, 2012, the Company had accounts payable and accrued liabilities of $205,473. 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 year in the financial statements is interest income on Canadian dollar cash and cash equivalents. As at March 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 $15,481 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") (USD 28,166) and Danish kroners ("DKK") (DKK 533); therefore, USD, and DKK accounts are subject to fluctuation against the Canadian dollar.

15. FINANCIAL INSTRUMENTS (continued)

b) Financial risk management (continued)

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

	in CAD	in USD	in DKK
Cash and cash equivalents	$ 11,942,311	$ -	$ -
Accrued interest and amounts receivable	-	-	-
Deposits	3,259	28,251	4,480
Accounts payable and accrued liabilities	(205,205)	-	(1,498)
	11,740,365	**28,251**	**2,982**
Rate to convert to $1.00 CAD	1.000	1.0030	5.5960
Equivalent to Canadian dollars	**11,740,365**	**28,166**	**533**

Based on the above net exposures as at March 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 $2,870.

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. INCOME TAXES

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

	2012	2011
Statutory rate	**26.13%**	**28.00%**
Loss before income taxes	**$ (7,361,381)**	**$ (5,495,292)**
Expected income tax recovery	$ (1,923,000)	$ (1,539,000)
(Increase) decrease in income tax recovery resulting from:		
Permanent differences	(169,000)	369,000
Effect of reduction in statutory rates	75,000	119,000
Changes in unrecognized deferred tax assets	2,017,000	1,051,000
	$ -	$ -

Effective January 1, 2012, the Canadian Federal corporate tax rate decreased from 16.5% to 15% and the BC provincial tax rate remained at 10%.

Deferred Income Tax Assets and Liabilities

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

	2012	2011
Deferred income tax assets		
Non-capital losses carried forward	$ 1,386,000	$ 1,025,000
Equipment	71,000	77,000
Resource properties and deferred exploration	6,325,000	4,914,000
Unused share issuance costs	325,000	67,000
Unrecognized tax assets	(8,107,000)	(6,083,000)
	$ -	$ -

The Company has only recognized deferred income tax assets to the extent to which it is probable that sufficient taxable income will be realized, or taxable temporary differences will reverse, during the carry forward periods to utilize the deferred tax assets.

16. INCOME TAXES (continued)

At March 31, 2012, the Company has accumulated foreign exploration costs of approximately $26,015,320 and non-capital losses of approximately $5,542,000 that may be applied against future year's taxable income. 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
2032		1,444,000
	$	5,542,000

17. TRANSITION TO IFRS

As result of the Accounting Standards Board of Canada's decision to adopt IFRS for publicly accountable entities for financial reporting periods beginning on or after January 1, 2011, the Company has adopted IFRS in these financial statements, making them the first financial statements of the Company under IFRS. The Company previously applied the available standards under previous Canadian GAAP that were issued by the Accounting Standards Board of Canada.

As required by IFRS 1 "First-time Adoption of International Financial Reporting Standards", April 1, 2010 has been considered to be the date of transition to IFRS by the Company. Therefore, the comparative figures that were previously reported under previous Canadian GAAP have been restated in accordance with IFRS.

Exemptions applied

The Company has applied the following optional transition exemptions to full retrospective application of IFRS:

- IFRS 2 "Share-based Payment" has not been applied to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and had vested before the date of transition to IFRS. The Company has elected not to apply IFRS 2 to awards that vested prior to April 1, 2010, which have been accounted for in accordance with Canadian GAAP.
- IAS 16 "Property, plant and equipment" allows for property, plant and equipment to continue to be carried at cost less depreciation, same as under Canadian GAAP.

Mandatory exceptions

- *Derecognition of Financial Assets and Liabilities*

  The Company has applied the derecognition requirements in IAS 39 Financial Instruments: Recognition and Measurement prospectively from the Transition Date. As a result any non-derivative financial assets or non-derivative financial liabilities derecognized prior to the Transition Date in accordance with pre-changeover Canadian GAAP have not been reviewed for compliance with IAS 39.

17. TRANSITION TO IFRS (continued)

Reconciliation of financial positions as at April 1, 2010 and March 31, 2011

	As at March 31, 2011			As at April 1, 2010		
	Canadian GAAP	*Effect of Transition*	*IFRS*	*Canadian GAAP*	*Effect of Transition*	*IFRS*
ASSETS						
Current assets						
Cash and cash equivalents	$ 2,982,564	$ -	$ 2,982,564	$ 1,981,878	$ -	$ 1,981,878
Accrued interest and amounts receivable	20,353	-	20,353	-	-	-
Harmonized sales tax receivable	128,569	-	128,569	38,119	-	38,119
Deposits	32,555	-	32,555	4,365	-	4,365
Prepaid expenses	31,499	-	31,499	28,385	-	28,385
	3,195,540	-	3,195,540	2,052,747	-	2,052,747
Non-current assets						
Equipment	5,834	-	5,834	3,842	-	3,842
Resource properties	679,167	-	679,167	652,249	-	652,249
	685,001	-	685,001	656,091	-	656,091
TOTAL ASSETS	$ 3,880,541	$ -	$ 3,880,541	$ 2,708,838	$ -	$ 2,708,838
LIABILITIES						
Current liabilities						
Accounts payable and accrued liabilities	$ 337,930	$ -	$ 337,930	$ 184,023	$ -	$ 184,023
TOTAL LIABILITIES	337,930	-	337,930	184,023	-	184,023
EQUITY						
Share capital	27,086,518	-	27,086,518	21,276,946	-	21,276,946
Share subscription received	-	-	-	240,800	-	240,800
Deferred financing costs	(138,665)	-	(138,665)	-	-	-
Additional paid-in capital (note 17(c))	-	661,646	661,646	-	661,646	661,646
Contributed surplus (notes 17(b)&(c))	2,529,308	(2,529,308)	-	1,761,837	(1,761,837)	-
Stock options reserve (notes 17(b)&(c))	-	2,201,757	2,201,757	-	1,118,776	1,118,776
Deficit (note 17(b))	(25,934,550)	(334,095)	(26,268,645)	(20,754,768)	(18,585)	(20,773,353)
TOTAL EQUITY	3,542,611	-	3,542,611	2,524,815	-	2,524,815
TOTAL EQUITY AND LIABILITIES	$ 3,880,541	$ -	$ 3,880,541	$ 2,708,838	$ -	$ 2,708,838

17. TRANSITION TO IFRS (continued)

Reconciliation of loss and comprehensive loss for the year ended March 31, 2011

	For the year ended March 31, 2011		
	Canadian GAAP	*Effect of Transition*	*IFRS*
EXPENSES			
Bank charges and interest	1,004	-	1,004
Depreciation	$1,707	$ -	$ 1,707
Evaluation and exploration costs	3,254,226	-	3,254,226
Filing fees	54,764	-	54,764
Foreign exchange	(7,180)	-	(7,180)
Management fees	325,200	-	325,200
Office	42,077	-	42,077
Professional fees	133,956	-	133,956
Rent	40,313	-	40,313
Share-based payments (note 17(b))	1,194,481	315,510	1,509,991
Shareholder/corporate communications	79,084	-	79,084
Telephone	5,001	-	5,001
Transfer agent fees	10,636	-	10,636
Travel and accommodation	50,248	-	50,248
	5,185,517	315,510	5,501,027
OTHER EXPENSES (INCOME)			
Interest income	(5,735)	**-**	**(5,735)**
TOTAL COMPREHENSIVE LOSS FOR THE PERIOD	**$ 5,179,782**	**$ 315,510**	**$ 5,495,292**
Basic and diluted loss per share for the period attributable to common shareholders (warrants and options not included as the impact would be anti-dilutive)	**0.08**	**0.01**	**0.09**
Weighted average number of common shares outstanding	**61,059,698**		**61,059,698**

17. TRANSITION TO IFRS (continued)

Reconciliation of equity

	March 31, 2011	April 1, 2010
Equity reported under Canadian GAAP and under IFRS	$ 3,542,611	$ 2,524,815

Reconciliation of comprehensive loss for the year ended March 31, 2011:

Comprehensive loss previously reported under Canadian GAAP	**$ 5,179,782**
Adjustments upon adoption of IFRS:	
Differences in accounting for share-based payments (note 17(b)	315,510
Comprehensive loss reported under IFRS	**$ 5,495,292**

17. TRANSITION TO IFRS (continued)

Reconciliation of statement of cash flow for the year ended March 31, 2011

	For the year ended March 31, 2011		
	Canadian GAAP	*Effect of Transition*	*IFRS*
Cash flows provided from (used by):			
OPERATING ACTIVITIES			
Net loss for the period (note 17(b))	**$ (5,179,782)**	**$ (315,510)**	**$ (5,495,292)**
Adjustments for item not affecting cash:			
Depreciation	1,707	-	1,707
Share-based payments (note 17(b))	1,194,481	315,510	1,509,991
	(3,983,594)	**-**	**(3,983,594)**
Net changes in non-cash working capital items:			
Accrued interest and amounts receivable	(20,353)	-	(20,353)
Harmonized sales tax receivable	(90,450)	-	(90,450)
Prepaid expenses	(3,114)	-	(3,114)
Deposits	(28,190)	-	(28,190)
Accounts payable and accrued liabilities	153,907	-	153,907
Net cash flows from (used in) operating activities	**(3,971,794)**	**-**	**(3,971,794)**
FINANCING ACTIVITIES			
Proceeds from share issuance, net of share issue costs	5,141,762	-	5,141,762
Deferred financing costs	(138,665)	-	(138,665)
Net cash flows from (used in) financing activities	**5,003,097**	**-**	**5,003,097**
INVESTING ACTIVITIES			
Mineral property acquisition costs	(26,918)	-	(26,918)
Equipment purchases	(3,699)	-	(3,699)
Net cash flows from (used in) investing activities	**(30,617)**	**-**	**(30,617)**
Effects of exchange rate changes on cash and cash equivalents		**-**	
Net increase (decrease) in cash and cash equivalents	**1,000,686**	**-**	**1,000,686**
Cash and cash equivalents, beginning of year	**1,981,878**	**-**	**1,981,878**
Cash and cash equivalents, end of year	**$ 2,982,564**	**$ -**	**$ 2,982,564**
Cash and cash equivalents consist of :			
Cash	**2,856,134**	**-**	**2,856,134**
Term deposits	**126,430**	**-**	**126,430**
	$ 2,982,564	**$ -**	**$ 2,982,564**

17. TRANSITION TO IFRS (continued)

Notes to reconciliations

a) Functional and presentation currency

IFRS requires that the functional currency of the Company be determined in accordance with the indicators as per IAS 21 "The Effects of Changes in Foreign Exchange Rates" and should be measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The Company's functional currency and presentation currency remains the Canadian dollar.

b) Share-based payments

IFRS 2 is effective for the Company as at April 1, 2010 and is applicable to:

- New grants of stock-based payments subsequent to April 1, 2010;
- Equity-settled stock-based compensation awards granted subsequent to November 7, 2002 and that vest after April 1, 2010; and
- Awards that are modified on or after April 1, 2010, even if the original grant of the award was not accounted for in accordance with IFRS 2.

IFRS 2 requires each tranche in an award with graded vesting features to be treated as a separate grant with a different vesting date and fair value. Each grant is accounted for on that basis.

As a result stock options reserve was increased by $18,585 at April 1, 2010 (March 31, 2011 - $334,095) and share-based payments were increased by $315,510.

On transition to IFRS, the Company elected to change its accounting policy for the treatment of share-based payments whereby amounts recorded for expired unexercised stock options are transferred to additional paid-in capital. Previously, the Company's Canadian GAAP policy was to leave such amounts in contributed surplus.

c) Reserves

Under Canadian GAAP, amounts recorded in relation to the fair value of stock options granted and warrants issued were recorded to contributed surplus. Under IFRS, these amounts have been reclassified as stock options reserves. The fair value of the expired stock options and warrants has been reclassified as Additional paid in capital.