

**HUDSON RESOURCES INC.**

**(An Exploration Stage Company)**

**CONDENSED INTERIM FINANCIAL STATEMENTS**

**FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2011**

**(Unaudited)**

**(Expressed in Canadian Dollars)**

**NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

**Under National Instrument 51-102, Part 4, subsection 4.3(3) (a), if an auditor has not performed a review of the interim financial statements, they must be accompanied by a notice indicating that the financial statements have not been reviewed by an auditor. The Company's independent auditor has not performed a review of these financial statements in accordance with standards established by the Canadian Institute of Chartered Accountants for a review of interim financial statements by an entity's auditor.**

**The accompanying unaudited interim financial statements of Hudson Resources Inc. for the six months ended September 30, 2011 have been prepared by the management of the Company and approved by the Company's Audit Committee and the Company's Board of Directors.**

**The accompanying unaudited interim financial statements of the Company have been prepared by and are the responsibility of the Company's management.**

**Hudson Resources Inc.**  
**Condensed Interim Statements of Financial Position**  
(Expressed in Canadian Dollars – unaudited)

<i>As at</i>	<b>September 30, 2011</b>		<b>March 31, 2011</b>	
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents (note 4)	\$	<b>14,160,998</b>	\$	2,982,564
Amounts receivable (note 11(a))		-		20,353
Harmonized sales tax receivable		<b>78,705</b>		128,569
Deposits		<b>82,305</b>		32,555
Prepaid expenses		<b>35,501</b>		31,499
		<b>14,357,509</b>		<b>3,195,540</b>
<b>Non-current assets</b>				
Equipment (note 5)		<b>28,368</b>		5,834
Resource properties (note 6)		<b>716,371</b>		679,167
		<b>744,739</b>		685,001
<b>TOTAL ASSETS</b>	\$	<b>15,102,248</b>	\$	<b>3,880,541</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accounts payable and accrued liabilities (notes 8 & 11(a))	\$	<b>744,570</b>	\$	337,930
<b>TOTAL LIABILITIES</b>		<b>744,570</b>		<b>337,930</b>
<b>EQUITY</b>				
Share capital (note 9)	\$	<b>42,909,981</b>	\$	27,086,518
Deferred financing costs		-		(138,665)
Additional paid-in capital (note 9(e))		<b>661,646</b>		661,646
Stock options reserve (note 9(e))		<b>2,490,084</b>		2,201,757
Deficit		<b>(31,704,033)</b>		(26,268,645)
<b>TOTAL EQUITY</b>		<b>14,357,678</b>		<b>3,542,611</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	\$	<b>15,102,248</b>	\$	<b>3,880,541</b>

*Corporate information and continuance of operations (note 1)*

*Commitments and contingencies (notes 12)*

*Segmented information (note 13)*

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

APPROVED BY THE BOARD:

*/s/ James Tuer* Director

*/s/ John Hick* Director

**Hudson Resources Inc.**  
**Condensed Interim Statements of Loss and Comprehensive Loss**  
**(Expressed in Canadian Dollars – unaudited)**

	For the three months ended		For the six months ended	
	September 30, 2011	September 30, 2010	September 30, 2011	September 30, 2010
		(Note 16)		(Note 16)
<b>EXPENSES</b>				
Depreciation	\$ 1,568	\$ 341	\$ 2,771	\$ 682
Professional fees	45,667	35,820	81,585	62,428
Bank charges and interest	1,071	422	1,776	494
Evaluation and exploration costs (note 7)	2,212,504	953,173	4,563,642	2,306,710
Filing fees	14,670	2,066	14,670	8,012
Foreign exchange	(3,507)	(5,681)	4,133	(7,554)
Management fees	331,200	81,300	412,500	162,600
Share-based payments (note 9(d))	195,601	373,746	288,327	1,125,372
Office	15,498	7,643	29,866	15,009
Rent	11,152	9,838	21,464	19,589
Shareholder/corporate communications	29,071	13,743	63,093	26,266
Telephone	1,623	1,883	3,567	2,453
Travel and accommodation	18,922	321	29,149	3,082
Transfer agent fees	1,903	1,479	3,817	3,762
	2,876,943	1,476,094	5,520,360	3,728,905
<b>OTHER EXPENSES (INCOME)</b>				
Interest income	(47,862)	(1,367)	(84,972)	(1,390)
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>\$ 2,829,081</b>	<b>\$ 1,474,727</b>	<b>\$ 5,435,388</b>	<b>\$ 3,727,515</b>
<b>Basic and diluted loss per share for the period attributable</b>				
<b>to common shareholders (warrants and options not included as the impact would be anti-dilutive)</b>	<b>\$ 0.04</b>	<b>\$ 0.02</b>	<b>\$ 0.07</b>	<b>\$ 0.06</b>
<b>Weighted average number of common shares outstanding</b>	<b>80,186,766</b>	<b>60,811,266</b>	<b>79,789,608</b>	<b>60,639,135</b>

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

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

	Note	Share capital		Reserves						Total
		Number of shares	Amount	Share subscription received	Deferred financing costs	Additional paid-in capital	Stock options reserve	Deficit		
<b>Balance at April 1, 2010</b>	<b>16</b>	<b>54,511,266</b>	<b>\$ 21,276,946</b>	<b>\$ 240,800</b>	<b>\$ -</b>	<b>\$ 661,646</b>	<b>\$ 1,118,776</b>	<b>\$ (20,773,353)</b>	<b>\$ 2,524,815</b>	
Shares issued for cash - private placement		6,250,000	5,000,000	(240,800)	-	-	-	-	4,759,200	
Share issue costs		-	(224,288)	-	-	-	-	-	(224,288)	
Shares issued for cash - stock option exercise		50,000	5,000	-	-	-	-	-	5,000	
Reclassification of grant-date fair value on exercise of stock options		-	4,074	-	-	-	(4,074)	-	-	
Share-based payments		-	-	-	-	-	1,125,372	-	1,125,372	
Net loss for the period		-	-	-	-	-	-	(3,727,515)	(3,727,515)	
<b>Balance at September 30, 2010</b>	<b>16</b>	<b>60,811,266</b>	<b>\$ 26,061,732</b>	<b>\$ -</b>	<b>\$ (138,665)</b>	<b>\$ 661,646</b>	<b>\$ 2,240,074</b>	<b>\$ (24,500,868)</b>	<b>\$ 4,462,584</b>	
Deferred financing costs		-	-	-	(138,665)	-	-	-	(138,665)	
Shares issued for cash - warrant exercise		22,500	27,000	-	-	-	-	-	27,000	
Shares issued for cash - stock option exercise		1,183,000	574,850	-	-	-	-	-	574,850	
Reclassification of grant-date fair value on exercise of stock options		-	422,936	-	-	-	(422,936)	-	-	
Share-based payments		-	-	-	-	-	384,619	-	384,619	
Net loss for the period		-	-	-	-	-	-	(1,767,777)	(1,767,777)	
<b>Balance at March 31, 2011</b>		<b>62,016,766</b>	<b>\$ 27,086,518</b>	<b>\$ -</b>	<b>\$ (138,665)</b>	<b>\$ 661,646</b>	<b>\$ 2,201,757</b>	<b>\$ (26,268,645)</b>	<b>\$ 3,542,611</b>	
Shares issued for cash - private placement		18,170,000	15,823,463	-	138,665	-	-	-	15,962,128	
Share-based payments		-	-	-	-	-	288,327	-	288,327	
Net loss for the period		-	-	-	-	-	-	(5,435,388)	(5,435,388)	
<b>Balance at September 30, 2011</b>		<b>80,186,766</b>	<b>\$ 42,909,981</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 661,646</b>	<b>\$ 2,490,084</b>	<b>\$ (31,704,033)</b>	<b>\$ 14,357,678</b>	

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

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

	For the six months ended	
	September 30, 2011	September 30, 2010
<b>Cash flows provided from (used by):</b>		
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	\$ (5,435,388)	\$ (3,727,515)
<b>Adjustments for items not affecting cash:</b>		
Depreciation	2,771	682
Share-based payments	288,327	1,125,372
	<b>(5,144,290)</b>	<b>(2,601,461)</b>
<b>Net changes in non-cash working capital items:</b>		
Amounts receivable	20,353	(270)
Harmonized sales tax receivable	49,864	(9,751)
Prepaid expenses	(4,002)	3,733
Deposits	(49,750)	(2,311)
Accounts payable and accrued liabilities	406,640	223,642
<b>Net cash flows (used in) operating activities</b>	<b>(4,721,185)</b>	<b>(2,386,418)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from share issuance, net of share issue costs	15,962,128	4,539,912
<b>Net cash flows from financing activities</b>	<b>15,962,128</b>	<b>4,539,912</b>
<b>INVESTING ACTIVITIES</b>		
Purchase for equipment	(25,305)	(1,392)
Acquisition costs on mineral properties	(37,204)	(26,918)
<b>Net cash flows from (used in) investing activities</b>	<b>(62,509)</b>	<b>(28,310)</b>
<b>Net increase in cash and cash equivalents</b>	<b>11,178,434</b>	<b>2,125,184</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>2,982,564</b>	<b>1,981,878</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 14,160,998</b>	<b>\$ 4,107,062</b>
<b>Cash and cash equivalents consist of :</b>		
Cash	3,986,544	1,979,552
Term deposits	10,174,454	2,127,510
	<b>\$ 14,160,998</b>	<b>\$ 4,107,062</b>
<b>Cash paid during the period for interest</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Cash paid during the period for income taxes</b>	<b>\$ -</b>	<b>\$ -</b>

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

**Hudson Resources Inc.**  
**Notes to the Condensed Interim Financial Statements**  
**For the Six Months Ended September 30, 2011**  
**(Expressed in Canadian Dollars – unaudited)**

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**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 and its shares are listed on the TSX Venture Exchange under the symbol “HUD”. The Company was incorporated on March 7, 2000 under the Company Act of the Province of British Columbia as Evolution Networking Corp. and changed its name on September 25, 2000 to Tekwerks Solutions Inc. and on December 6, 2002 to Hudson Resources Inc.

The Company’s head office and the registered and records office is located at 1460 - 1066 West Hastings Street, Vancouver, BC, Canada, V6E 3X1.

The Company is in the business of acquiring, exploring and evaluating resource properties, and either joint venturing or developing these properties further or disposing of them when the evaluation is completed. At September 30, 2011, the Company was in the exploration stage and had interests in properties located in Greenland.

These unaudited condensed interim financial statements have been prepared on the assumption that the Company will continue as a going concern, meaning it will continue in operation for the foreseeable future and will be able to realize assets and discharge liabilities in the ordinary course of operations. Different bases of measurement may be appropriate if the Company is not expected to continue operations for the foreseeable future. As at September 30, 2011 the Company had not advanced its property to commercial production and is not able to finance day to day activities through operations. The Company’s continuation as a going concern is dependent upon the successful results from its mineral property exploration activities and its ability to attain profitable operations and generate funds there from and/or raise equity capital or borrowings sufficient to meet current and future obligations. Management intends to finance operating costs over the next twelve months with funds currently on hand and/or through raising equity.

The unaudited condensed interim financial statements of the Company for the six months ended September 30, 2011 were reviewed by the Audit Committee and approved and authorized by the Board of Directors on November 28, 2011.

**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION**

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

These condensed interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”) and interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”). These financial statements comply with International Accounting Standard 34, Interim Financial Reporting (“IAS 34”).

This interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Company for the year ended March 31, 2011. However, this interim financial report provides selected significant disclosures that are required in the annual financial statements under IFRS. The disclosures concerning the transition from Canadian Generally Accepted Accounting Principles (“Canadian GAAP”) to IFRS are provided in Note 16.

**Hudson Resources Inc.**  
**Notes to the Condensed Interim Financial Statements**  
**For the Six Months Ended September 30, 2011**  
(Expressed in Canadian Dollars – unaudited)

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**3. ACCOUNTING STANDARDS ISSUED BUT NOT YET EFFECTIVE**

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective. The Company has not completed its evaluation of the effects of adopting these standards on its financial statements.

IFRS 9	Financial Instruments
IFRS 7 (Amendment)	Financial Instruments: Disclosure
IAS 12 (Amendment)	Income Taxes
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IAS 27 (Amendment)	Separate Financial Statements
IAS 28 (Amendment)	Investments in Associates and Joint Ventures

**4. CASH AND CASH EQUIVALENTS**

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

	<b>September 30, 2011</b>		<b>March 31, 2011</b>	
Cash	\$	3,986,544	\$	2,856,134
Term deposits		10,174,454		126,430
	\$	<b>14,160,998</b>	\$	<b>2,982,564</b>

Hudson Resources Inc.  
Notes to the Condensed Interim Financial Statements  
For the Six Months Ended September 30, 2011  
(Expressed in Canadian Dollars – unaudited)

5. EQUIPMENT

The Company's equipment is broken down as follows:

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

	<b>Computer equipment</b>	<b>Field equipment</b>	<b>Total</b>
<b>Cost</b>			
As at March 31, 2011	\$ 11,454	\$ -	\$ 11,454
Additions	-	25,305	25,305
<b>Balance as at September 30, 2011</b>	<b>\$ 11,454</b>	<b>\$ 25,305</b>	<b>\$ 36,759</b>
<b>Depreciation</b>			
As at March 31, 2011	\$ (5,620)	\$ -	\$ (5,620)
Charged for the period	(874)	(1,897)	(2,771)
<b>Balance as at September 30, 2011</b>	<b>\$ (6,494)</b>	<b>\$ (1,897)</b>	<b>\$ (8,391)</b>
<b>Net book value</b>			
As at March 31, 2011	\$ 5,834	\$ -	\$ 5,834
<b>As at September 30, 2011</b>	<b>\$ 4,960</b>	<b>\$ 23,408</b>	<b>\$ 28,368</b>

**Hudson Resources Inc.**  
**Notes to the Condensed Interim Financial Statements**  
**For the Six Months Ended September 30, 2011**  
(Expressed in Canadian Dollars – unaudited)

**6. RESOURCE PROPERTIES**

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

	Balance as at April 1, 2010		Balance as at March 31, 2011		Balance as at September 30, 2011
		Additions		Additions	
<b>Greenland</b>					
<b>Sarfartoq Exploration Licences</b>					
<b>Acquisition costs / license fees</b>	\$ 652,249	\$ 26,918	\$ 679,167	\$ 37,204	\$ 716,371

**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 Sarfartoq 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.

**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.

**Hudson Resources Inc.**  
**Notes to the Condensed Interim Financial Statements**  
**For the Six Months Ended September 30, 2011**  
(Expressed in Canadian Dollars – unaudited)

**6. RESOURCE PROPERTIES (continued)**

**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.

As at September 30, 2011, the Company determined that there was no impairment write-down necessary for the capitalized license fees and acquisition costs of the Sarfartoq exploration licenses. The Naajat, Sarfartoq, and Arranganeq Exploration Licences expire on December 31, 2011. Prior to December 31, 2011, Hudson will submit the required applications to renew each licence in such a way as to ensure that it's core rare earth project at Sarfartoq remains under the control of the Company.

**7. EVALUATION AND EXPLORATION COSTS**

The evaluation and exploration costs for the Company during the six months ended September 30, 2011 and 2010 are broken down as follows:

	For the six months ended		Cumulative evaluation and exploration costs, September 30, 2011
	September 30, 2011	September 30, 2010	
<b>Evaluation and exploration costs:</b>			
Assay and analysis	\$ 253,781	\$ 130,953	\$ 817,522
Camp and portable shelters	65,681	106,960	790,448
Consulting	605,970	295,432	2,368,692
Data processing	-	-	56,737
Diamond recovery plant and operations	-	-	1,672,479
Drilling	1,853,812	862,371	5,975,383
Equipment	19,293	83,994	641,281
Explosives	-	-	50,026
Fuel	74,577	33,468	309,471
Geophysical data	65,905	26,000	546,947
Helicopter	887,011	371,186	6,412,928
Insurance	-	-	47,166
Legal	8,330	-	14,348
Sample extraction and processing	-	-	1,599,963
Shipping	286,742	92,259	919,557
Supplies	7,806	33,434	173,606
Travel	250,320	206,110	1,360,343
Wages and benefits	184,414	64,543	330,159
	\$ 4,563,642	\$ 2,306,710	\$ 24,087,056

**Hudson Resources Inc.**  
**Notes to the Condensed Interim Financial Statements**  
**For the Six Months Ended September 30, 2011**  
(Expressed in Canadian Dollars – unaudited)

**8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

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

	<b>September 30, 2011</b>		<b>March 31, 2011</b>	
Trade payables	\$	470,545	\$	293,856
Accrued liabilities		274,025		44,074
	<b>\$</b>	<b>744,570</b>	<b>\$</b>	<b>337,930</b>

**9. SHARE CAPITAL**

**a) Authorized share capital**

Unlimited number of common shares without par value.

**b) Issued share capital**

At September 30, 2011, the Company had 80,186,766 common shares issued and outstanding (March 31, 2011 – 62,016,766).

**During the six months ended September 30, 2011**

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

**During the year ended March 31, 2011**

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

**Hudson Resources Inc.**  
**Notes to the Condensed Interim Financial Statements**  
**For the Six Months Ended September 30, 2011**  
(Expressed in Canadian Dollars – unaudited)

**9. SHARE CAPITAL (continued)**

**c) Share Purchase Warrants**

The changes in warrants during the six months ended September 30, 2011 and the year ended March 31, 2011 are as follows:

	<b>September 30, 2011</b>		<b>March 31, 2011</b>	
	<b>Number outstanding</b>	<b>Weighted average exercise price</b>	<b>Number outstanding</b>	<b>Weighted average exercise price</b>
Outstanding, beginning of period	3,102,500	\$ 1.20	-	\$ -
Issued	-	-	3,125,000	1.20
Exercised	-	-	(22,500)	1.20
Outstanding, end of period	<u>3,102,500</u>	<u>\$ 1.20</u>	<u>3,102,500</u>	<u>\$ 1.20</u>

The following summarizes information about warrants outstanding at September 30, 2011:

<b>Expiry date</b>	<b>Warrants outstanding</b>	<b>Exercise price</b>	<b>Weighted average remaining contractual life (in years)</b>
April 6, 2012	3,102,500	\$ 1.20	0.52

**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.

**Hudson Resources Inc.**  
**Notes to the Condensed Interim Financial Statements**  
**For the Six Months Ended September 30, 2011**  
(Expressed in Canadian Dollars – unaudited)

**9. SHARE CAPITAL (continued)**

**d) Stock Options (continued)**

The changes in stock options during the six months ended September 30, 2011 and the year ended March 31, 2011 are as follows:

	September 30, 2011		March 31, 2011	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
Outstanding, beginning of period	4,445,000	\$ 0.60	3,428,000	\$ 0.42
Granted	1,400,000	0.71	2,250,000	0.80
Exercised	-	-	(1,233,000)	0.47
Outstanding, end of period	<u>5,845,000</u>	<u>\$ 0.63</u>	<u>4,445,000</u>	<u>\$ 0.60</u>

The following summarizes information about stock options outstanding and exercisable at September 30, 2011:

Expiry date	Options outstanding	Options exercisable	Exercise price	Estimated grant date fair value	Weighted average remaining contractual life (in years)
June 15, 2012	450,000	450,000	\$ 1.00	\$ 397,442	0.71
April 23, 2013	370,000	370,000	0.51	166,656	1.56
April 6, 2014	1,300,000	1,300,000	0.10	105,922	2.52
January 25, 2015	100,000	100,000	0.95	84,505	3.32
April 30, 2015	2,225,000	1,943,750	0.80	1,588,033	3.58
June 6, 2016	200,000	50,000	1.04	20,716	4.69
September 28, 2016	1,200,000	300,000	0.65	126,810	5.00
	<u>5,845,000</u>	<u>4,513,750</u>		<u>\$ 2,490,084</u>	<u>3.32</u>

During the six months ended September 30, 2011, the Company granted 1,200,000 options to the Company's officers, directors and field staff (September 30, 2010 – 2,250,000). The Company also granted 200,000 options to a consultant during the six months ended September 30, 2011 (September 30, 2010 – nil). The estimated fair value of the options granted was calculated using the Black-Scholes Option Pricing Model with the following assumptions:

	For the six months ended	
	September 30, 2011	September 30, 2010
Risk-free interest rate	1.07%	2.71%
Expected annual volatility	11.2%	14.4%
Expected life	0.03	5.00
Expected dividend yield	-	-
Weighted average grant date fair value per option	0.39	0.72

**Hudson Resources Inc.**  
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**9. SHARE CAPITAL (continued)**

**d) Stock Options (continued)**

During the six months ended September 30, 2011, the Company recognized share-based payments expense of \$288,327 (September 30, 2010 – \$1,125,372). For the six months ended September 30, 2011 and 2010, share-based payments expense consists of the following:

	For the six months ended	
	September 30, 2011	September 30, 2010
<b>For services in respect of:</b>		
Accounting	\$ 12,526	\$ 36,516
Directors' fees	75,591	188,109
Evaluation and exploration costs	14,057	48,690
Investor relations	20,710	-
Management fees	165,443	852,057
	<b>\$ 288,327</b>	<b>\$ 1,125,372</b>

**e) Reserves**

Additional paid-in capital

Other reserve records the fair value of the expired options and warrants initially recorded in stock options reserve and warrants reserve.

Stock options reserve

The stock options reserve records items recognized as share-based payments expense until such time that the stock options are exercised, at which time the corresponding amount will be transferred to share capital. If the options expire unexercised, the amount recorded is transferred to other reserve.

**10. LOSS PER SHARE**

The calculation of basic and diluted loss per share for the six months September 30, 2011 is based on the net loss attributable to common shareholders of \$5,435,388 (September 30, 2010: \$3,727,515) and a weighted average number of common shares outstanding during the period of 79,789,608 (September 30, 2010: 60,639,135).

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

**Hudson Resources Inc.**  
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**11. RELATED PARTY TRANSACTIONS AND BALANCES**

**a) Related party balances**

The balances due to related parties included in trade payables and accrued liabilities were \$11,066 as at September 30, 2011 (March 31, 2011 – \$36,987). These amounts are unsecured and non-interest bearing.

As at September 30, 2011, there was no amounts due from related parties (March 31, 2011 - \$20,353).

**b) Key management personnel compensation**

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

	<b>For the six months ended</b>	
	<b>September 30, 2011</b>	<b>September 30, 2010</b>
Short-term employee benefits - management fees	\$ 420,340	\$ 194,770
Short-term employee benefits - directors' fees	40,000	-
Share-based payments - management fees	168,456	876,501
Share-based payments - directors' fees	75,591	188,109
	<b>\$ 704,387</b>	<b>\$ 1,259,380</b>

For the six months ended September 30, 2011, short-term employee benefits – management fees included bonuses of \$180,000 (2010 – nil).

**12. COMMITMENTS AND CONTINGENCIES**

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

<b>For the year ended</b>	
March 31, 2012	\$ 22,803
March 31, 2013	26,048
March 31, 2014	13,024
	<b>\$ 61,875</b>

- 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 and completed 16,000 meters by September 2011.

**Hudson Resources Inc.**  
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**13. SEGMENTED INFORMATION**

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

	Canada		Greenland		Total
<b><i>As at September 30, 2011</i></b>					
Resource properties	\$ -	\$	716,371	\$	716,371
Other assets	14,385,877		-		14,385,877
Liabilities	(744,570)		-		(744,570)
	<b>\$ 13,641,307</b>	\$	<b>716,371</b>	\$	<b>14,357,678</b>

<b><i>As at March 31, 2011</i></b>					
Resource properties	\$ -	\$	679,167	\$	679,167
Other assets	3,201,374		-		3,201,374
Liabilities	(337,930)		-		(337,930)
	<b>\$ 2,863,444</b>	\$	<b>679,167</b>	\$	<b>3,542,611</b>

<b><i>As at April 1, 2010</i></b>					
Resource properties	\$ -	\$	652,249	\$	652,249
Other assets	2,056,589		-		2,056,589
Liabilities	(184,023)		-		(184,023)
	<b>\$ 1,872,566</b>	\$	<b>652,249</b>	\$	<b>2,524,815</b>

	Canada		Greenland		Total
<b><i>Net loss:</i></b>					
For the six months ended September 30, 2011	\$ 871,746	\$	4,563,642	\$	5,435,388
For the six months ended September 30, 2010	1,420,805		2,306,710		3,727,515

**Hudson Resources Inc.**  
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**14. CAPITAL MANAGEMENT**

The Company's objectives when managing capital are to safeguard its ability to continue as a going concern in order to pursue the development of its resource properties and to maintain a flexible capital structure, which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes the components of shareholders' equity as well as cash and cash equivalents.

The Company manages the capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust its capital structure, the Company may issue new shares, acquire or dispose of assets, or adjust the amount of cash and cash equivalents and short-term investments. In order to maximize ongoing development efforts, the Company does not pay out dividends.

The Company is not subject to any externally imposed capital requirements.

The Company is meeting its objective of managing capital through its detailed review and performance of due diligence on its diamond exploration and development activities, preparing cash flow analyses to ensure an adequate amount of liquidity and monthly review of financial results. The Company currently has net positive working capital and believes that it has the ability to maintain this based upon its previous success at raising capital and the option of operating at a minimum sustaining basis.

There were no changes in the Company's approach to capital management during the six months ended September 30, 2011.

**15. FINANCIAL INSTRUMENTS**

**a) Fair value**

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

Financial instruments recorded at fair value on the condensed consolidated interim statements of financial position are classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. The three levels of the fair value hierarchy are as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3: Inputs that are not based on observable market data.

The financial instruments recorded at fair value on the interim balance sheets are comprised of cash and cash equivalents which is measured using Level 1 of the fair value hierarchy. There were no significant transfers between Level 1 and Level 2 (2010: no significant transfers).

**Hudson Resources Inc.**  
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**15. FINANCIAL INSTRUMENTS (continued)**

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).

**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 September 30, 2011, the Company is not exposed to any significant credit risk.

The Company's maximum exposure to credit risk is the carrying value of its financial assets.

**Liquidity risk**

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company manages liquidity by maintaining adequate cash balances to meet liabilities as they become due.

The Company's expected source of cash flow in the upcoming year will be through equity financings.

The Company maintained sufficient cash and cash equivalents at September 30, 2011 in the amount of \$14,160,998, in order to meet short-term business requirements. At September 30, 2011, the Company had accounts payable and accrued liabilities of \$744,570. All accounts payable and accrued liabilities are current.

**Market Risk**

The significant market risks to which the Company is exposed are interest rate risk, currency risk and commodity price risk.

**Interest Rate Risk**

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Included in the loss for the year in the financial statements is interest income on Canadian dollar cash and cash equivalents. As at September 30, 2011, the Company's cash is subject to or exposed to interest rate risk. However, this risk is not significant.

**Currency risk**

The Company is exposed to currency risk to the extent that monetary assets and liabilities held by the Company are not denominated in Canadian dollars. The Company has not entered into any foreign currency contracts to mitigate this risk.

The Company's cash and cash equivalents, amounts receivable, deposits and accounts payable and accrued liabilities are held in Canadian dollars ("CAD"), US dollars ("USD") and Greenland dollars ("DKK"); therefore, USD, and DKK accounts are subject to fluctuation against the Canadian dollar.

**Hudson Resources Inc.**  
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**15. FINANCIAL INSTRUMENTS (continued)**

**b) Financial risk management (continued)**

The Company had the following balances in foreign currency as at September 30, 2011:

	in CAD	in USD	in DKK
Cash and cash equivalents	\$ 14,160,998	\$ -	\$ -
Accrued interest and amounts receivable	-	-	-
Deposits	50,481	30,000	4,480
Accounts payable and accrued liabilities	(466,978)	(33,668)	(1,286,160)
	<b>13,744,501</b>	<b>(3,668)</b>	<b>(1,281,680)</b>
Rate to convert to \$1.00 CAD	1.000	0.9684	5.2966
<b>Equivalent to Canadian dollars</b>	<b>13,744,501</b>	<b>(3,787)</b>	<b>(241,981)</b>

Based on the above net exposures as at September 30, 2011, and assuming that all other variables remain constant, a 10% appreciation or depreciation of the CAD against the USD and DKK by 10% then this would have had the following impact:

	Additional foreign exchange gain (loss) (before tax) (in CAD)		
	USD	DKK	Total
<i>For the six months ended September 30, 2011</i>			
<b>If CAD appreciated by 10%</b>	<b>344</b>	<b>21,998</b>	<b>22,343</b>
<b>If CAD depreciated by 10%</b>	<b>(421)</b>	<b>(26,887)</b>	<b>(27,308)</b>

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.

**Hudson Resources Inc.**  
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**16. TRANSITION TO IFRS**

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

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

**Exemptions applied**

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

- IFRS 2 “Share-based Payment” has not been applied to equity instruments that were granted on or before November 7, 2002, or equity instruments that were granted subsequent to November 7, 2002 and vested before the later of the date of transition to IFRS and January 1, 2005. The Company has elected not to apply IFRS 2 to awards that vested prior to April 1, 2010, which have been accounted for in accordance with Canadian GAAP.
- IAS 16 “Property, plant and equipment” allows for property, plant and equipment to continue to be carried at cost less depreciation, same as under CAGAAP.

**Hudson Resources Inc.**  
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**16. TRANSITION TO IFRS (continued)**

***Reconciliation of loss and comprehensive loss for the three month period ended September 30, 2010***

	For the three months ended September 30, 2010			
	Notes	Canadian GAAP	Effect of Transition	IFRS
<b>EXPENSES</b>				
Depreciation		\$ 341	\$ -	341
Professional fees		35,820	-	35,820
Bank charges and interest		422	-	422
Evaluation and exploration costs		953,173	-	953,173
Filing fees		2,066	-	2,066
Foreign exchange		(5,681)	-	(5,681)
Management fees		81,300	-	81,300
Share-based payments	15(b)	212,741	161,005	373,746
Office		7,643	-	7,643
Rent		9,838	-	9,838
Shareholder/corporate communications		13,743	-	13,743
Telephone		1,883	-	1,883
Travel and accommodation		321	-	321
Transfer agent fees		1,479	-	1,479
		1,315,089	161,005	1,476,094
<b>OTHER EXPENSES (INCOME)</b>				
Interest income		(1,367)	-	(1,367)
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>		<b>\$ 1,313,722</b>	<b>\$ 161,005</b>	<b>\$ 1,474,727</b>

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)

Weighted average number of common  
shares outstanding

0.02	0.00	0.02
60,811,266	60,811,266	60,811,266

**Hudson Resources Inc.**  
**Notes to the Condensed Interim Financial Statements**  
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**16. TRANSITION TO IFRS (continued)**

***Reconciliation of loss and comprehensive loss for the six month period ended September 30, 2010***

	For the six months ended September 30, 2010			
Notes	Canadian GAAP	Effect of Transition	IFRS	
<b>EXPENSES</b>				
Depreciation	\$ 682	\$ -	\$ 682	
Professional fees	62,428	-	62,428	
Bank charges and interest	494	-	494	
Evaluation and exploration costs	2,306,710	-	2,306,710	
Filing fees	8,012	-	8,012	
Foreign exchange	(7,554)	-	(7,554)	
Management fees	162,600	-	162,600	
Share-based payments	16(b) 627,658	497,714	1,125,372	
Office	15,009	-	15,009	
Rent	19,589	-	19,589	
Shareholder/corporate communications	26,266	-	26,266	
Telephone	2,453	-	2,453	
Travel and accommodation	3,082	-	3,082	
Transfer agent fees	3,762	-	3,762	
	3,231,191	497,714	3,728,905	
<b>OTHER EXPENSES (INCOME)</b>				
Interest income	(1,390)	-	(1,390)	
<b>TOTAL COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>\$ 3,229,801</b>	<b>\$ 497,714</b>	<b>\$ 3,727,515</b>	

**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)	0.05	0.01	0.06
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<b>Weighted average number of common shares outstanding</b>	<b>60,639,135</b>	<b>60,639,135</b>	<b>60,639,135</b>
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Hudson Resources Inc.  
Notes to the Condensed Interim Financial Statements  
For the Six Months Ended September 30, 2011  
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16. TRANSITION TO IFRS (continued)

Reconciliation of comprehensive loss

For the three months ended September 30, 2010:

	Notes	
<b>Comprehensive loss previously reported under Canadian GAAP</b>		<b>\$ 1,313,722</b>
<i>Adjustments upon adoption of IFRS:</i>		
Differences in accounting for share-based payments	16(b)	161,005
<b>Comprehensive loss reported under IFRS</b>		<b>\$ 1,474,727</b>

For the six months ended September 30, 2010:

	Notes	
<b>Comprehensive loss previously reported under Canadian GAAP</b>		<b>\$ 3,229,801</b>
<i>Adjustments upon adoption of IFRS:</i>		
Differences in accounting for share-based payments	16(b)	497,714
<b>Comprehensive loss reported under IFRS</b>		<b>\$ 3,727,515</b>

**Hudson Resources Inc.**  
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**16. TRANSITION TO IFRS (continued)**

**Notes to reconciliations**

**a) Functional and presentation currency**

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

**b) Share-based payments**

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

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

CAGAAP allows the Company to calculate the fair value of the stock-based compensation on all awards granted and recognizes the expense from the date of grant over the vesting period using the graded vesting methodology. The Company determines the fair value of stock options granted using the Black-Scholes option pricing model.

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

As a result stock options reserve was increased by \$18,585 at April 1, 2010 (March 31, 2011 - \$334,095).

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

**c) Reserves**

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