

## **HUDSON RESOURCES INC.**

### **CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED SEPTEMBER 30, 2017**

**(unaudited)**

**(Expressed in Canadian Dollars)**

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

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

The accompanying unaudited condensed consolidated interim financial statements of Hudson Resources Inc. for the six months ended September 30, 2017 have been prepared by the management of the Company and approved by the Company's Audit Committee and the Company's Board of Directors.

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

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

<i>As at</i>		<b>September 30, 2017</b>		<b>March 31, 2017</b>
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	\$	1,949,656	\$	6,382,573
Restricted cash (note 4)		40,204		-
Sales tax receivable		96,223		47,660
Deposits		11,040		4,117
Share subscriptions receivable (note 13(b))		-		4,000,000
Prepaid expenses		1,843,736		2,099,797
		<b>3,940,859</b>		<b>12,534,147</b>
<b>Non-current assets</b>				
Restricted cash (note 4)		1,288,228		-
Equipment (note 5)		10,920,546		4,276,396
Reclamation bonds		1,321,613		-
Resource properties (note 6)		768,673		988,351
Development assets (note 8)		7,927,709		-
		<b>22,226,769</b>		<b>5,264,747</b>
<b>TOTAL ASSETS</b>	<b>\$</b>	<b>26,167,628</b>	<b>\$</b>	<b>17,798,894</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accounts payable and accrued liabilities (notes 9 & 14(a))	\$	3,798,013	\$	685,423
Note payable (note 10)		1,235,853		1,394,518
		<b>5,033,866</b>		<b>2,079,941</b>
<b>Non-current liabilities</b>				
Loan payable (note 11)		10,932,482		-
Reclamation obligation (note 12)		1,590,254		1,529,732
		<b>12,522,736</b>		<b>1,529,732</b>
<b>TOTAL LIABILITIES</b>		<b>17,556,602</b>		<b>3,609,673</b>
<b>EQUITY</b>				
Share capital (note 13(b))	\$	60,606,306	\$	60,606,306
Additional paid-in capital (note 13(e))		3,634,693		3,634,693
Stock options reserve (note 13(e))		2,641,780		2,623,991
Warrants reserve (note 13(e))		3,100,406		2,995,905
Foreign currency translation reserve		75,765		(24,686)
Deficit		(61,447,924)		(55,646,988)
<b>TOTAL EQUITY</b>		<b>8,611,026</b>		<b>14,189,221</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>\$</b>	<b>26,167,628</b>	<b>\$</b>	<b>17,798,894</b>

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

*Commitments (note 15)*

*Segmented information (note 16)*

*Subsequent events (notes 11, 13 and 18)*

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

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

/s/ James Tuer, Director      /s/ John Hick, Director

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

	For the three months ended		For the six months ended	
	September 30, 2017	September 30, 2016	September 30, 2017	September 30, 2016
<b>EXPENSES</b>				
Accretion of interest (note 12)	\$ 2,963	\$ -	\$ 5,934	\$ -
Bank charges and interest (note 10)	38,209	36,086	74,442	75,270
Depreciation (note 5)	123,750	90,834	396,583	179,891
Directors' fees (note 14)	25,000	25,000	50,000	50,000
Exploration and evaluation costs (note 7)	1,894,018	619,467	4,760,304	791,590
Foreign exchange	14,234	8,708	(271,678)	10,501
Interest income	(1,411)	(1,585)	(17,145)	(4,863)
Management fees (note 14)	81,250	110,000	421,250	220,000
Office	20,679	23,780	43,320	39,131
Professional fees (note 14)	147,807	51,965	239,730	236,651
Rent	22,895	11,240	34,379	22,491
Share-based payments (note 13(d))	6,667	58,523	17,789	148,694
Shareholder and corporate communications	916	11,561	30,483	12,684
Transfer agent and filing fees	9,788	21,559	11,425	27,810
Travel and accommodation	(19)	1,735	4,120	2,810
<b>NET LOSS FOR THE PERIOD</b>	<b>2,386,746</b>	<b>1,068,873</b>	<b>5,800,936</b>	<b>1,812,660</b>
<b>OTHER COMPREHENSIVE INCOME</b>				
Foreign currency translation differences for foreign operations	45,942	3,081	(100,451)	(1,914)
<b>TOTAL LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD</b>	<b>\$ 2,432,688</b>	<b>\$ 1,071,954</b>	<b>\$ 5,700,485</b>	<b>\$ 1,810,746</b>
Basic and diluted loss per share for the period attributable to common shareholders	\$ 0.02	\$ 0.01	\$ 0.04	\$ 0.02
Weighted average number of common shares outstanding - basic and diluted	134,604,873	92,489,453	134,604,873	91,394,923

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

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

	Share capital		Reserves				Deficit	Total
	Number of shares	Amount	Additional paid-in capital	Stock options reserve	Warrants reserve	Foreign currency translation reserve		
<b>Balance at March 31, 2016</b>	<b>90,288,366</b>	<b>\$ 46,718,882</b>	<b>\$ 3,098,225</b>	<b>\$ 2,474,777</b>	<b>\$ 573,567</b>	<b>\$ 1,914</b>	<b>\$ (50,001,477)</b>	<b>\$ 2,865,888</b>
Shares issued for cash - private placement	4,050,000	1,434,830	-	-	185,170	-	-	1,620,000
Share issue costs	-	(84,005)	-	-	-	-	-	(84,005)
Reclassification of grant-date fair value on expired options	-	-	536,468	(536,468)	-	-	-	-
Share-based payments	-	-	-	148,694	-	-	-	148,694
Total loss and comprehensive loss	-	-	-	-	-	1,914	(1,812,660)	(1,810,746)
<b>Balance at September 30, 2016</b>	<b>94,338,366</b>	<b>\$ 48,069,707</b>	<b>\$ 3,634,693</b>	<b>\$ 2,087,003</b>	<b>\$ 758,737</b>	<b>\$ 3,828</b>	<b>\$ (51,814,137)</b>	<b>\$ 2,739,831</b>
<b>Balance at March 31, 2017</b>	<b>134,604,873</b>	<b>\$ 60,606,306</b>	<b>\$ 3,634,693</b>	<b>\$ 2,623,991</b>	<b>\$ 2,995,905</b>	<b>\$ (24,686)</b>	<b>\$ (55,646,988)</b>	<b>\$ 14,189,221</b>
Fair value of warrants issued for loan payable	-	-	-	-	104,501	-	-	104,501
Share-based payments	-	-	-	17,789	-	-	-	17,789
Total loss and comprehensive loss	-	-	-	-	-	100,451	(5,800,936)	(5,700,485)
<b>Balance at September 30, 2017</b>	<b>134,604,873</b>	<b>\$ 60,606,306</b>	<b>\$ 3,634,693</b>	<b>\$ 2,641,780</b>	<b>\$ 3,100,406</b>	<b>\$ 75,765</b>	<b>\$ (61,447,924)</b>	<b>\$ 8,611,026</b>

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

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

	For the six months ended	
	September 30, 2017	September 30, 2016
<b>Cash flows from (used in):</b>		
<b>OPERATING ACTIVITIES</b>		
Net loss for the period	\$ (5,800,936)	\$ (1,812,660)
Adjustments for items not affecting cash:		
Depreciation	396,583	179,891
Share-based payments	17,789	148,694
Accretion of interest	5,934	-
<b>Net changes in non-cash working capital items:</b>		
Amounts receivable	-	8,612
Sales tax receivable	(48,563)	13,313
Prepaid expenses	329,393	(560,599)
Deposits	(6,923)	(1)
Accounts payable and accrued liabilities	3,111,511	261,376
Note payable	(158,665)	70,084
<b>Net cash flows used in operating activities</b>	<b>(2,153,877)</b>	<b>(1,691,290)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from share issuance, net of share issue costs	-	1,535,995
Share subscription receivable	4,000,000	-
Proceeds from loans and borrowings, net of transaction costs	10,799,453	-
<b>Net cash flows from financing activities</b>	<b>14,799,453</b>	<b>1,535,995</b>
<b>INVESTING ACTIVITIES</b>		
Equipment purchases	(11,849,273)	(346,704)
Resource property acquisition costs	-	(3,643)
Reclamation deposits	(1,325,275)	-
Restricted cash	(1,329,376)	-
Expenditures on mine development	(2,514,924)	-
<b>Net cash flows used in investing activities</b>	<b>(17,018,848)</b>	<b>(350,347)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(59,645)</b>	<b>765</b>
<b>Net increase in cash and cash equivalents</b>	<b>(4,432,917)</b>	<b>(504,877)</b>
<b>Cash and cash equivalents, beginning of period</b>	<b>6,382,573</b>	<b>1,476,790</b>
<b>Cash and cash equivalents, end of period</b>	<b>\$ 1,949,656</b>	<b>\$ 971,913</b>
<b>Cash and cash equivalents consist of :</b>		
Cash	1,949,656	921,882
Term deposits	-	50,031
	<b>\$ 1,949,656</b>	<b>\$ 971,913</b>
<b>Cash received during the period for interest</b>	<b>\$ 17,145</b>	<b>\$ 4,863</b>
<b>Supplementary cash flow information</b>		
Reclassification of the fair value of options expired	\$ -	\$ 536,468
Reclassification of the fair value of warrants issued	\$ -	\$ 185,170
Fair value of warrants issued for loan payable	\$ 104,501	\$ -

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

**Hudson Resources Inc.**  
**Notes to the Condensed Consolidated Interim Financial Statements (unaudited)**  
**For the Six Months Ended September 30, 2017**  
**(Expressed in Canadian Dollars)**

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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. 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.

The Company's head office and the registered records office are located at Suite 420 - 1639 West 2nd Ave, Vancouver, BC V6J 1H3.

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. The Company currently holds two exploration licenses (Sarfartoq Mineral Claim and Pingasut Mineral Claim) and one exploitation license (Naajat (White Mountain) Mineral Claim) in Greenland. As of July 17, 2017, the Company entered the development phase of its Naajat (White Mountain) Mineral Claim. On July 17, 2017, the Company completed a debt funding arrangement with Cordiant Capital Inc. ("Cordiant") for debt financing of up to US\$13 million ("Senior Loan") and US\$9.5m ("Subordinated Loan") for Hudson's White Mountain Anorthosite Project in Greenland (the "Project") through its 100% owned Greenland subsidiary, Hudson Greenland A/S.

As at September 30, 2017, the Company had not yet achieved profitable operations, had a deficit of \$61,447,924, and expects to incur further losses in the development of its business, all of which indicates material uncertainties which may cast significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future cash flow from its operations and / or obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. These financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Realization values may be substantially different from carrying values as shown.

The unaudited interim condensed consolidated financial statements of the Company for the six months ended September 30, 2017 were approved by the Board of Directors on November 29, 2017.

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

**Statement of compliance to International Financial Reporting Standards**

These condensed consolidated 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 condensed consolidated interim financial statements comply with International Accounting Standard 34, Interim Financial Reporting ("IAS 34").

**Basis of consolidation**

These condensed consolidated interim financial statements include the accounts of the Company and its subsidiaries. Intercompany balances and transactions, and any unrealized income and expenses arising from intercompany transactions, are eliminated in preparing the condensed interim consolidated financial statements.

**Hudson Resources Inc.**  
**Notes to the Condensed Consolidated Interim Financial Statements (unaudited)**  
**For the Six Months Ended September 30, 2017**  
(Expressed in Canadian Dollars)

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**2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION (CONTINUED)**

**Basis of presentation**

This condensed consolidated 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 audited consolidated financial statements of the Company for the year ended March 31, 2017. However, this condensed consolidated interim financial report provides selected significant disclosures that are required in the annual financial statements under IFRS.

These condensed consolidated interim financial statements follow the same accounting policies and methods of application as the annual audited financial statements for the year ended March 31, 2017 except of the following:

**Development assets**

When a decision to proceed with development has been approved, the expenditures related to development and construction are capitalized as mine development costs and classified as development assets. Costs associated with the commissioning of new assets incurred in the period before their intended use are capitalized. Development expenditure is net of the proceeds of the sale of metals from mineralized stockpiles extracted during the development phase. Interest on borrowings related to the construction and development of assets is capitalized until substantially all the activities required to make the asset ready for its intended use are complete.

On initial recognition, development assets are valued at cost, less accumulated depreciation and accumulated impairment losses.

Cost is comprised of the fair value of consideration given to acquire or construct an asset and includes the direct charges associated with bringing the asset to the location and condition necessary for putting it into use, along with the future cost of dismantling and removing the asset. The corresponding liability is recognized within provisions.

Expenditures on major maintenance or repairs includes the cost of replacement parts of assets and overhaul costs. Where an asset or part of an asset is replaced and it is probable that further future economic benefit will flow to the Company, the expenditure is capitalized. Similarly, overhaul costs associated with major maintenance are capitalized when it is probable that future economic benefit will flow to the Company and any remaining costs of previous overhauls relating to the same asset are derecognized. All other expenditures are expensed as incurred.

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

**Functional and presentation currency**

These condensed consolidated interim financial statements are presented in Canadian dollars ("CAD") which is the functional currency of the Company. The functional currency of Hudson Greenland A/S is the Danish Krone ("DKK").

**Hudson Resources Inc.**  
**Notes to the Condensed Consolidated Interim Financial Statements (unaudited)**  
**For the Six Months Ended September 30, 2017**  
(Expressed in Canadian Dollars)

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**3. NEW ACCOUNTING STANDARDS**

**New standards and interpretations not yet adopted**

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning on or after April 1, 2017. Updates which are not applicable or are not consequential to the Company have been excluded thereof. The following have not yet been adopted by the Company and are being evaluated to determine their impact.

- IFRS 9: New standard that replaced IAS 39 for classification and measurement, effective for annual periods beginning on or after January 1, 2018.
- IFRS 16 – Leases: New standard to establish principles for recognition, measurement, presentation and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019.

**4. RESTRICTED CASH**

On July 17, 2017, the Company completed a debt funding arrangement from Cordiant Capital Inc. (“Cordiant”) for debt financing of up to US\$13 million (“Senior Loan”) and US\$9.5m (“Subordinated Loan”) for the Project in Greenland through its 100% owned Greenland subsidiary, Hudson Greenland A/S (Note 11). It was originally contemplated that the European Investment Bank (“EIB”) would assume the Senior Loan; however, based on discussions to date it was determined that the loan would remain as is with Cordiant with Cordiant retaining the right to syndicate it (See News Release NR2017-11 dated July 17, 2017). Pursuant to the Subordinated Loan agreement (“Loan Agreement”), the Company is required to maintain a credit balance on the Debt Service Reserve Account (“DSRA”) of an amount at least equal to the aggregate amount of the projected finance costs to fall due for payment under the Senior Loan and the Subordinated Loan in the 6-month period commencing on the day immediately following the disbursement date.

As of the September 30, 2017, restricted cash included a portion of the Subordinated Loan financing totaling \$40,204 (US\$32,253), which was held in escrow and \$1,288,228 (US\$1,033,443) maintained in the DSRA.

**Hudson Resources Inc.**  
**Notes to the Condensed Consolidated Interim Financial Statements (unaudited)**  
**For the Six Months Ended September 30, 2017**  
**(Expressed in Canadian Dollars)**

**5. EQUIPMENT**

	Office equipment	Computer equipment	Field equipment	Vehicle	Buildings	Land improvements	Total
<b>Cost</b>							
As at March 31, 2017	\$ -	\$ 23,260	\$ 3,937,429	\$ -	\$ -	\$ 1,431,742	\$ 5,392,431
Additions	21,072	-	8,527,482	222,629	3,078,090	-	11,849,273
Transfer to development asset	-	-	-	-	(3,045,606)	(1,439,535)	(4,485,141)
Effect of movements in exchange rates	(257)	-	108,915	(1,044)	(32,484)	7,793	82,923
<b>Balance as at September 30, 2017</b>	<b>\$ 20,815</b>	<b>\$ 23,260</b>	<b>\$ 12,573,826</b>	<b>\$ 221,585</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 12,839,486</b>
<b>Depreciation</b>							
As at March 31, 2017	\$ -	\$ (17,865)	\$ (1,098,170)	\$ -	\$ -	\$ -	\$ (1,116,035)
Charged for the period	(782)	(809)	(776,850)	(5,478)	-	-	(783,919)
Effect of movements in exchange rates	1	-	(18,994)	7	-	-	(18,986)
<b>Balance as at September 30, 2017</b>	<b>\$ (781)</b>	<b>\$ (18,674)</b>	<b>\$ (1,894,014)</b>	<b>\$ (5,471)</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (1,918,940)</b>
<b>Net book value</b>							
As at March 31, 2017	\$ -	\$ 5,395	\$ 2,839,259	\$ -	\$ -	\$ 1,431,742	\$ 4,276,396
<b>As at September 30, 2017</b>	<b>\$ 20,034</b>	<b>\$ 4,586</b>	<b>\$ 10,679,812</b>	<b>\$ 216,114</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 10,920,546</b>

During the six months ended September 30, 2017 ("YTD 2018"), the Company charged \$783,919 (September 30, 2016 ("YTD 2017") – \$179,891) in depreciation expense of which \$396,583 (YTD 2017 – \$179,891) was charged to statement of loss and comprehensive loss and \$387,336 (YTD 2017 – \$nil) was capitalized as development assets (Note 8).

Upon transition to the development phase of the Naajat mineral claim on July 17, 2017, buildings and land improvements have been transferred to development assets (Note 8).

**Asset restrictions and contractual commitments**

The Company's assets are subject to certain restrictions on title, all assets have been pledged as security for credit facility arrangements (Notes 11).

**6. RESOURCE PROPERTIES**

	Sarfartoq Mineral Claim	Naajat (White Mountain) Mineral Claim	Total
<b>Acquisition costs / license fees</b>			
<b>Balance as at March 31, 2017</b>	<b>\$ 768,673</b>	<b>\$ 219,678</b>	<b>\$ 988,351</b>
Additions	-	-	-
Transfer to development assets	-	(224,843)	(224,843)
Effect of movements in exchange rates	-	5,165	5,165
<b>Balance as at September 30, 2017</b>	<b>\$ 768,673</b>	<b>\$ -</b>	<b>\$ 768,673</b>

The Company currently has two Exploration Licenses ("EL") in Greenland, the Sarfartoq EL (2010/40) and the Pingasut EL (2013/01) and one exploitation license, the Naajat EL (2015/39). In 2014, Hudson was granted license renewals on the Naajat and Sarfartoq EL's.

As of July 17, 2017, the Company has transitioned to the development stage for the Naajat mineral claim. As a result of the transition, the Company transferred the \$219,678 carrying value of the Naajat mineral claim from resource properties to development assets.

**Hudson Resources Inc.**  
**Notes to the Condensed Consolidated Interim Financial Statements (unaudited)**  
**For the Six Months Ended September 30, 2017**  
**(Expressed in Canadian Dollars)**

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**6. RESOURCE PROPERTIES (CONTINUED)**

As of September 30, 2017 and March 31, 2017, respectively, the carrying value of the Sarfartoq mineral claim was \$768,673.

The Company's properties are in the exploration stage (Sarfartoq Mineral Claim and Pingasut Mineral Claim) or the development stage (Naajat (White Mountain) Mineral Claim – see Note 8).

**Current Resource Properties**

**Sarfartoq Mineral Claim (2010/40), Greenland**

The Company must submit an annual report by April 1, of each year detailing its activities and expenditures for approval. In 2015, the Company's license was renewed to December 31, 2017. Subsequently, in December 2015, the Greenland government granted the Company a 2-year exploration commitment holiday. As a result, the Company will be able to carry accrued work commitments beyond the current December 2017 license renewal date with credits available until December 31, 2019.

**Pingasut Mineral Claim (2013/01), Greenland**

The Company must submit an annual report by April 1, of each year detailing its activities and expenditures for approval. This license was granted on August 9, 2013. The Company's license expires December 31, 2018. The Greenland government has granted the Company an exploration commitment holiday until December 31, 2018, as the Company has accrued sufficient credits from previous expenditures on their annual work commitments.

**Hudson Resources Inc.**  
**Notes to the Condensed Consolidated Interim Financial Statements (unaudited)**  
**For the Six Months Ended September 30, 2017**  
(Expressed in Canadian Dollars)

**7. EXPLORATION AND EVALUATION COSTS**

The exploration and evaluation costs expensed by the Company during YTD 2018 and YTD 2017 are broken down as follows:

	For the six months ended		Cumulative exploration and evaluation costs,
	September 30, 2017	September 30, 2016	September 30, 2017
<b>Exploration and evaluation costs:</b>			
<b>Sarfartoq</b>			
Assay and analysis	\$ 1,624	\$ 1,412	\$ 1,375,416
Camp and portable shelters	-	992	1,178,756
Consulting	-	-	2,906,252
Data processing	-	-	56,737
Diamond recovery plant and operations	-	-	1,672,479
Drilling	-	-	6,717,631
Parts and spares	-	-	671,305
Explosives	-	-	50,026
Fuel	-	-	324,255
Geophysical data	-	-	611,754
Helicopter	-	1,157	7,483,533
Insurance	-	-	47,166
Legal	-	-	14,940
Recoveries	-	-	(208,588)
Sample extraction and processing	-	-	1,599,963
Shipping	-	-	1,073,325
Supplies	-	-	202,351
Travel	-	1,402	1,724,111
Wages and benefits	-	-	224,435
<b>Total</b>	<b>\$ 1,624</b>	<b>\$ 4,963</b>	<b>\$ 27,725,847</b>

**Hudson Resources Inc.**  
**Notes to the Condensed Consolidated Interim Financial Statements (unaudited)**  
**For the Six Months Ended September 30, 2017**  
(Expressed in Canadian Dollars)

**7. EXPLORATION AND EVALUATION COSTS (CONTINUED)**

	For the six months ended		Cumulative exploration and evaluation costs, September 30, 2017
	September 30, 2017	September 30, 2016	
<b>Naajat / White Mountain</b>			
Administrative	\$ 347,972	\$ -	\$ 347,972
Assay and analysis	5,484	35,640	1,110,717
Camp and portable shelters	-	59,135	344,839
Consulting	164,339	279,482	2,384,901
Drilling	111,204	-	693,816
Parts and spares	526,868	115,616	1,051,798
Engineering	608,719	-	608,719
Explosives	68,415	-	68,415
Fuel	162,385	-	202,767
Geophysical data	-	-	53,272
Helicopter	42,738	35,948	1,732,441
Legal	-	1,956	71,291
Project management	1,028,173	-	1,028,173
Reclamation	-	-	1,541,533
Shipping	623,066	38,492	1,258,051
Supplies	769,277	91,092	1,218,348
Travel	300,040	107,053	806,711
Wages and benefits	-	18,662	95,374
<b>Total</b>	<b>\$ 4,758,680</b>	<b>\$ 783,076</b>	<b>\$ 14,619,138</b>
<b>Pingasut Mineral Claim</b>			
Assay and analysis	\$ -	\$ -	\$ 254
Camp and portable shelters	-	992	7,376
Consulting	-	-	33,110
Parts and spares	-	-	15,164
Fuel	-	-	1,667
Helicopter	-	1,157	62,527
Legal	-	-	592
Shipping	-	-	9,461
Supplies	-	-	1,419
Travel	-	1,402	15,400
Wages and benefits	-	-	559
<b>Total</b>	<b>\$ -</b>	<b>\$ 3,551</b>	<b>\$ 147,529</b>
<b>Total exploration and evaluation costs:</b>	<b>\$ 4,760,304</b>	<b>\$ 791,590</b>	<b>\$ 42,492,514</b>

Note that as of July 17, 2017, the Company has transitioned to the development stage for the Naajat mineral claim; as a result of the transition, all expenditures on the Naajat mineral claim going forward will be capitalized as development assets (Note 8).

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**8. DEVELOPMENT ASSETS**

<b>Balance as at March 31, 2017</b>	<b>\$</b>	<b>-</b>
Transfer from equipment		4,485,141
Transfer from resource properties		224,843
Additions		2,514,924
Capitalized borrowing costs		264,022
Capitalized depreciation charges		387,336
Effect of movements in exchange rates		51,443
<b>Balance as at September 30, 2017</b>	<b>\$</b>	<b>7,927,709</b>

**Naajat (White Mountain) Mineral Claim (2015/39), Greenland**

In September 2015, the license was converted to an exploitation license. A fee of 100,000 DKK was paid. Previously, the Company was required to maintain certain work commitments to retain the exploration license. The Company now has certain non-monetary commitments, including but not limited to employing Greenlandic personnel in respect of establishing a mining operation as per the exploitation agreement in order to maintain the license.

Upon transition to the development stage of the Naajat (White Mountain) Mineral Claim, the Company calculated the present value of future cash flows expected from the Naajat (White Mountain) Mineral Claim, and determined that there was no impairment loss to recognize as at July 17, 2017.

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**9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

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

	<b>September 30, 2017</b>		<b>March 31, 2017</b>	
Trade payables	\$	3,775,515	\$	626,077
Accrued liabilities		22,498		59,346
	<b>\$</b>	<b>3,798,013</b>	<b>\$</b>	<b>685,423</b>

**10. NOTE PAYABLE**

On August 12, 2015, the Company obtained an unsecured bridge loan for \$1,165,673. Total proceeds of the loan were committed to the purchase of heavy equipment required for ongoing pre-construction activities at the Project. The unsecured loan was originally for a term of up to three months bearing interest at 12% per annum. On March 12, 2017, the Company entered into an agreement with the lender to extend the maturity date of the unsecured bridge loan to March 31, 2018.

During YTD 2018, interest expense of \$70,135 (YTD 2017 – \$70,084) was charged to the statement of loss and comprehensive loss and increased the carrying value of the note payable.

During YTD 2018, the Company made an interest payment of \$228,800 (YTD 2017 – \$nil).

As at September 30, 2017, the balance of the note payable including interest is \$1,235,853 (March 31, 2017 – \$1,394,518).

**11. LOAN PAYABLE**

The Company's loan payable balance as of September 30, 2017, is as follows:

	<b>in USD</b>		<b>in CAD</b>	
<b>Initial recognition</b>				
Gross amount	\$	9,500,000	\$	11,871,894
Less: Transaction costs		(941,800)		(1,176,942)
		8,558,200		10,694,952
Accretion of interest		212,062		264,022
Effect of movements in exchange rates		-		(26,492)
<b>Balance as at September 30, 2017</b>	<b>\$</b>	<b>8,770,262</b>	<b>\$</b>	<b>10,932,482</b>

On July 17, 2017, the Company completed the debt funding arrangement with Cordiant for a Senior Loan of US\$13 million and a Subordinated Loan of US\$9.5 million, for a total of US\$22.5M for the Project through its 100% owned Greenland subsidiary, Hudson Greenland A/S.

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**11. LOAN PAYABLE (CONTINUED)**

The Subordinated Loan and the Senior Loan each have a term of seven years, maturing on July 15, 2024. Semi-annual principal repayments start on January 15, 2020. Prior to that only interest payments are required. The Senior Loan carries an interest rate of \$US six-month LIBOR plus 6.5%. The Subordinated Loan's rate is \$US six-month LIBOR plus 9.5%. The Subordinated Loan and the Senior Loan are secured by all the assets of the Company.

In connection with the debt funding arrangement, the Company incurred transaction costs of \$1,072,441. These transaction costs were recorded as a reduction of the carrying value of the liability.

In addition, the Company granted Cordiant 450,000 non-transferrable common share purchase warrants exercisable at a price of \$0.55 per share for a period of 36 months from date of issuance. For accounting purposes, the Company calculated the fair value of the 450,000 warrants, using the Black-Scholes option pricing model, which totaled \$104,501 (Note 13(c)). This value was recorded as a reduction of the carrying value of the liability.

On August 1, 2017, the Company had satisfied all the conditions of its loan financings and had drawn down the entire amount of the Subordinated Loan of US\$9.5 million (\$11,871,894).

During YTD 2018, accretion expense of \$264,022 was capitalized as development assets with a corresponding increase in the carrying value of the liability.

As at September 30, 2017, the carrying value of loan payable was \$10,932,482.

Subsequent to September 30, 2017, US\$8.4 million of the Senior Loan was drawn down of which US\$4.5 million remains in the Blocked Account.

**12. RECLAMATION OBLIGATION**

The following table presents the aggregate carrying amount of the obligation associated with clean-up and abandonment of the Company's resource properties:

	in DKK	in CAD
<b>Balance as at March 31, 2017</b>	<b>7,991,869</b>	<b>1,529,732</b>
Accretion of interest	29,914	5,934
Effect of movements in exchange rates	-	54,588
<b>Balance as at September 30, 2017</b>	<b>8,021,783</b>	<b>1,590,254</b>

During YTD 2018, the Company determined the amount of the reclamation obligation to be DKK 10,000,000 with the Government of Greenland. The counter-guarantee agreement with the Bank of Greenland was released upon funds being remitted for the reclamation obligation. \$1,325,275 (DKK 6,666,667) was paid during YTD 2018, and is held in a restricted escrow account. The amount is expensed within exploration and evaluation costs.

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**13. SHARE CAPITAL**

**a) Authorized share capital**

Unlimited number of common shares without par value.

**b) Issued share capital**

At September 30, 2017 and March 31, 2017, respectively, the Company had 134,604,873 common shares issued and outstanding.

On March 20, 2017, the Company issued 8,000,000 units to Greenland Venture A/S for gross proceeds \$4,000,000, which was recorded as share subscriptions receivable. On April 6, 2017, the Company received the \$4,000,000 from Greenland Venture A/S.

**c) Share purchase warrants**

The share purchase warrants activity during YTD 2018 was as follows:

	<b>Number outstanding</b>	<b>Weighted average exercise price</b>
Balance, March 31, 2017	26,559,053	\$ 0.58
Issued	450,000	0.55
Balance, September 30, 2017	27,009,053	\$ 0.58

During YTD 2018, the Company issued 450,000 share purchase warrants of the Company at an exercise price of \$0.55 per common share for a period of 3 years to Cordiant (Note 11).

The Company estimated the grant date fair value of the warrants, using the Black-Scholes option pricing model, assuming a risk-free interest rate of 1.27%, an expected life of 3 years, an expected volatility of 64% and an expected dividend yield of 0%, which totaled \$104,501, and recorded this value in warrant reserve with a corresponding decrease in the carrying value of the liability.

The following summarizes information about share purchase warrants outstanding at September 30, 2017:

<b>Expiry date</b>	<b>Warrants outstanding</b>	<b>Exercise price</b>	<b>Weighted average remaining contractual life (in years)</b>
September 1, 2018	4,023,500	\$ 0.75	0.92
September 17, 2018	377,300	0.75	0.96
August 10, 2019	2,025,000	0.60	1.86
February 1, 2020	13,323,853	0.50	2.34
February 16, 2020	2,809,400	0.50	2.38
March 30, 2020	4,000,000	0.70	2.50
July 26, 2020	450,000	0.55	2.82
	<b>27,009,053</b>		<b>2.11</b>

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**13. SHARE CAPITAL (CONTINUED)**

**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 non-diluted basis. The Company has granted directors, officers and consultants common share purchase options ("Options"). These Options are granted with an exercise price equal to no less than the closing market price of the Company's shares prevailing on the day that the Option is granted. Options may have a maximum term of ten years. Under the stock option plan, the Board of Directors can determine vesting periods for Options granted.

No Options were granted, exercised, expired or forfeited during YTD 2018.

The following summarizes information about Options outstanding and exercisable at September 30, 2017:

Expiry date	Options outstanding	Options exercisable	Exercise price	Estimated grant date fair value	Weighted average remaining contractual life (in years)	
October 12, 2017	2,225,000	2,225,000	\$ 0.36	\$ 692,198		0.03
November 5, 2017	125,000	125,000	\$ 0.36	\$ 35,334		0.10
April 24, 2019	2,100,000	2,100,000	\$ 0.34	\$ 567,378		1.56
September 8, 2020	2,700,000	2,700,000	\$ 0.50	\$ 838,417		2.94
January 18, 2022	2,260,000	2,260,000	\$ 0.38	\$ 481,346		4.30
March 30, 2022	80,000	40,000	\$ 0.65	\$ 36,638		4.50
	<b>9,490,000</b>	<b>9,450,000</b>		<b>\$ 2,651,311</b>		<b>2.26</b>

The weighted average exercise price of the exercisable Options was \$0.40.

During YTD 2018 and, 2017, the Company recognized share-based payments expense of \$17,789 and \$148,694, respectively.

**Subsequent to September 30, 2017:**

- 2,175,000 Options were exercised; and
- 175,000 Options expired unexercised.

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**13. SHARE CAPITAL (CONTINUED)**

**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 or 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 additional paid-in capital.

Warrants reserve

The warrants reserve records the fair value of the warrants issued until such time that the warrants are exercised, at which time the corresponding amount will be transferred to share capital. If the warrants expire unexercised, the amount recorded is transferred to additional paid-in capital.

**14. RELATED PARTY TRANSACTIONS AND BALANCES**

**a) Related party balances**

The balances due to related parties included in accounts payable and accrued liabilities was \$567,104 as at September 30, 2017 (March 31, 2017 – \$49,128). These amounts are unsecured and non-interest bearing.

**b) Key management personnel compensation**

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

	For the six months ended	
	September 30, 2017	September 30, 2016
Short-term employee benefits - management fees <sup>(1)</sup>	\$ 838,750	\$ 220,000
Short-term employee benefits - professional fees <sup>(2)</sup>	130,000	75,400
Short-term employee benefits - exploration and evaluation costs	-	20,000
Short-term employee benefits - directors' fees	50,000	50,000
Share-based payments	-	143,186
	\$ 1,018,750	\$ 508,586

(1) During YTD 2018, the Company incurred \$838,750 of management fees of which \$421,250, \$364,167 and \$53,333 were recognized as management fees, project management in exploration and evaluation costs and development assets, respectively. During YTD 2017, no management fees were recognized as project management in exploration and evaluation costs.

(2) The Company paid \$130,000 in YTD 2018 (YTD 2017 – \$75,400) for accounting and corporate secretarial services to Quantum Advisory Partners LLP whose incorporated partner is the Company's Chief Financial Officer.

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**15. COMMITMENTS**

On June 30, 2017, the Company's office lease expired. The Company then entered into a new office lease for a term of five years ending June 30, 2022. Total minimum lease payments are as follows:

<i><b>For the year ended</b></i>		
March 31, 2018	\$	24,180
March 31, 2019		48,360
March 31, 2020		48,360
March 31, 2021		48,360
March 31, 2022		48,360
March 31, 2023		12,090
	\$	<b>229,710</b>

**16. SEGMENTED INFORMATION**

The Company has one operating segment: the exploration and evaluation of resource properties in Greenland. The Company's non-current assets are located in the following geographic areas:

	Canada	Greenland	Total
<i><b>As at September 30, 2017</b></i>			
Restricted cash	\$ -	\$ 1,328,432	\$ <b>1,328,432</b>
Equipment	4,586	10,915,960	<b>10,920,546</b>
Resource properties	-	768,673	<b>768,673</b>
Development assets	-	7,927,709	<b>7,927,709</b>

**17. CAPITAL MANAGEMENT**

The Company manages its capital structure, being its shareholders' equity and long-term debt, and makes adjustments to it based on the funds available to the Company in order to support future development activities. The Board of Directors does not establish quantitative returns on capital criteria for management, but rather relies on the expertise of the Company's management to sustain the future development of the business.

In order to further exploration and development activities, the Company will spend its existing working capital and raise additional funds, if required. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable.

There were no changes in the Company's approach to capital management during the six months ended September 30, 2017.

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**18. FINANCIAL INSTRUMENTS**

**a) Fair value**

Financial assets and liabilities that are recognized on the statement of financial position at fair value follow in a hierarchy that is based on the significance of the inputs used in making the measurements. The levels in the hierarchy are:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 - Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices)
- Level 3 - Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs).

	September 30, 2017		December 31, 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
<b>Financial assets:</b>				
<b><i>Loans and receivables</i></b>				
Cash and cash equivalents	\$ 1,949,656	\$ 1,949,656	\$ 6,382,573	\$ 6,382,573
Restricted cash	1,328,432	1,328,432	-	-
Deposits	11,040	11,040	4,117	4,117
	<b>\$ 3,289,128</b>	<b>\$ 3,289,128</b>	<b>\$ 6,386,690</b>	<b>\$ 6,386,690</b>
<b>Financial liabilities:</b>				
<b><i>Other financial liabilities</i></b>				
Accounts payable and accrued liabilities	\$ 3,798,013	\$ 3,798,013	\$ 685,423	\$ 685,423
Note payable	1,235,853	1,235,853	1,394,518	1,394,518
Loan payable	10,932,482	10,932,482	-	-
	<b>\$ 15,966,348</b>	<b>\$ 15,966,348</b>	<b>\$ 2,079,941</b>	<b>\$ 2,079,941</b>

Except for the loan payable, the carrying value of the Company's financial assets and liabilities is considered to be a reasonable approximation of fair value due to the short-term nature of these instruments. The carrying value of the Company's convertible debenture approximates their fair value as they have been discounted with an interest rate comparable to current market rates.

There are no financial instruments recorded at fair value through profit or loss (FVTPL) on the statements of financial position.

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**18. 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 equivalent, restricted cash and sales tax receivable are exposed to credit risk. The Company reduces its credit risk on cash and cash equivalents and restricted cash by placing these instruments with institutions of high credit worthiness. As at September 30, 2017, 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 and cash equivalent balances to meet liabilities as they become due.

As at September 30, 2017, the Company had cash of \$1,949,656 in order to meet short-term business requirements. At September 30, 2017, the Company had accounts payable and accrued liabilities and note payable of \$3,798,013 and \$1,235,853, respectively. All accounts payable and accrued liabilities, and note payable are current.

Subsequent to September 30, 2017, US\$3.9 million was advanced from the credit facility of the Senior Loan.

**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 the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash and cash equivalents are held mainly in high yield saving accounts and term deposits and therefore there is currently minimal interest rate risk. Because of the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of September 30, 2017.

The Company's interest rate risk principally arises from the interest rate impact of interest earned on cash and cash equivalents. A 1% change in interest rates on cash and cash equivalents outstanding at September 30, 2017 would result in an approximately \$20,000 change to the Company's net loss for the six months ended September 30, 2017.

The Company's note payable is not subject to interest rate risk as it is not subject to a variable interest rate.

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**18. FINANCIAL INSTRUMENTS (CONTINUED)**

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

Interest Rate Risk (continued)

The Company is exposed to interest rate risk through its outstanding loans, which bear interest at variable rates. Based on the outstanding amount of loans payable as of September 30, 2017, a 1% change in US LIBOR would result in approximately \$118,000 change to the Company's net loss for YTD 2018.

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, accounts payable and accrued liabilities, and note payable are held in CAD, USD, EURO and DKK; therefore, the USD, EURO and DKK accounts are subject to fluctuation against the Canadian dollar.

The Company had the following balances in Canadian and foreign currencies as at September 30, 2017:

	in CAD	in USD	in DKK	in EURO
Cash and cash equivalents	\$ 1,221,427	\$ 559,258	\$ 156,838	\$ -
Restricted cash	-	1,065,696	-	-
Deposits	10,152	-	4,480	-
Accounts payable and accrued liabilities	(1,832,977)	(140,992)	(5,722,055)	(443,974)
Note payable	(1,235,853)	-	-	-
Loan payable	-	(8,770,262)	-	-
	<b>(1,837,250)</b>	<b>(7,286,300)</b>	<b>(5,560,737)</b>	<b>(443,974)</b>
Rate to convert to \$1.00 CAD	1.000	0.8022	5.0443	0.6779
<b>Equivalent to Canadian dollars</b>	<b>(1,837,250)</b>	<b>(9,082,664)</b>	<b>(1,102,371)</b>	<b>(654,932)</b>

Based on the above net exposures as at September 30, 2017, and assuming that all other variables remain constant, a 10% change of the CAD against the USD, EURO and DKK would impact comprehensive loss by approximately \$1,080,000 during the six months ended September 30, 2017.

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.