HUDSON RESOURCES INC

HUDSON RESOURCES INC.

(An Exploration Stage Company)

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2016 AND 2015

(Expressed in Canadian Dollars)

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Independent Auditor's Report

To the shareholders of Hudson Resources Inc.

We have audited the accompanying consolidated financial statements of Hudson Resources Inc., which comprise the consolidated statements of financial position as at March 31, 2016 and 2015, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Hudson Resources Inc. as at March 31, 2016 and 2015, and the results of its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 1 in the consolidated financial statements, which indicates that the Company has not yet achieved profitable operations, has a deficit of $50,001,477 and expects to incur future operating losses in the development of its business. These conditions, along with other matters as set forth in Note 1, indicate the existence of material uncertainties that may cast significant doubt upon the Company's ability to continue as a going concern.

BDO Canada LLP

Chartered Professional Accountants
Vancouver, British Columbia
July 19, 2016

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

As at		**March 31, 2016**		**March 31, 2015**
ASSETS				
Current assets				
Cash and cash equivalents (note 4)	**$**	**1,476,790**	$	926,853
Amounts receivable		**9,898**		-
Sales tax receivable		**28,598**		24,762
Deposits		**4,144**		4,082
Prepaid expenses		**19,696**		27,185
		1,539,126		**982,882**
Non-current assets				
Equipment (note 5)		**2,161,672**		570,555
Resource properties (note 6)		**947,678**		855,556
		3,109,350		1,426,111
TOTAL ASSETS	**$**	**4,648,476**	**$**	**2,408,993**
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities (notes 8 & 13(a))	**$**	**280,956**	$	239,196
Note payable (notes 5 and 9)		**1,254,632**		-
		1,535,588		**239,196**
Non-current liabilities				
Reclamation obligation (note 10)		**247,000**		-
TOTAL LIABILITIES		**1,782,588**		**239,196**
EQUITY				
Share capital (note 11)	**$**	**46,718,882**	$	43,145,903
Additional paid-in capital (note 11(e))		**3,098,225**		1,516,747
Stock options reserve (note 11(e))		**2,474,777**		3,361,173
Warrants reserve (note 11(e))		**573,567**		-
Foreign currency translation reserve		**1,914**		-
Deficit		**(50,001,477)**		(45,854,026)
TOTAL EQUITY		**2,865,888**		**2,169,797**
TOTAL EQUITY AND LIABILITIES	**$**	**4,648,476**	**$**	**2,408,993**

Commitments and contingencies (notes 14)
Subsequent events (notes 9 and 19)

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

These financial statements were approved for issue by the Board of Directors on July 19, 2016 and signed on its behalf by:

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

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

	For the year ended March 31, 2016	For the year ended March 31, 2015
EXPENSES		
Bank charges and interest (note 9)	**$ 98,004**	$ 2,602
Depreciation (note 5)	**243,446**	81,323
Directors' fees (note 13)	**100,000**	100,000
Evaluation and exploration costs (note 7)	**1,863,211**	567,613
Filing fees	**57,852**	32,546
Foreign exchange	**24,115**	2,121
Management fees (note 13)	**660,000**	440,000
Office	**64,978**	74,232
Professional fees (note 13)	**255,735**	151,342
Rent	**45,172**	45,203
Share-based payments (note 11(d))	**695,082**	517,542
Shareholder/corporate communications	**17,738**	21,085
Telephone	**4,542**	3,703
Transfer agent fees	**12,960**	8,031
Travel and accommodation	**26,644**	2,825
	4,169,479	2,050,168
OTHER INCOME		
Interest income	**(22,028)**	(12,721)
NET LOSS FOR THE YEAR	**4,147,451**	2,037,447
OTHER COMPREHENSIVE INCOME		
Foreign currency translation differences for foreign operations	**(1,914)**	-
TOTAL LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	**$ 4,145,537**	$ 2,037,447
Basic and diluted loss per share for the year attributable to common shareholders (note 12)	**$ 0.05**	$ 0.03
Weighted average number of common shares outstanding	**86,532,048**	81,486,766

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

Hudson Resources Inc.
Consolidated Statements of Changes in Equity
(Expressed in Canadian Dollars)

	Share capital		Reserves					
	Number of shares	Amount	Additional paid-in capital	Stock options reserve	Warrants reserve	Foreign currency translation reserve	Deficit	Total
Balance at March 31, 2014	**81,486,766**	**$ 43,145,903**	**$ 1,432,242**	**$ 2,928,136**	**$ -**	**$ -**	**$ (43,816,579)**	**$ 3,689,702**
Reclassification of grant-date fair value on expired options	-	-	84,505	(84,505)	-	-	-	**-**
Share-based payments	-	-	-	517,542	-	-	-	**517,542**
Total comprehensive loss	-	-	-	-	-	-	(2,037,447)	**(2,037,447)**
Balance at March 31, 2015	**81,486,766**	**$ 43,145,903**	**$ 1,516,747**	**$ 3,361,173**	**$ -**	**$ -**	**$ (45,854,026)**	**$ 2,169,797**
Balance at March 31, 2015	**81,486,766**	**$ 43,145,903**	**$ 1,516,747**	**$ 3,361,173**	**$ -**	**$ -**	**$ (45,854,026)**	**$ 2,169,797**
Shares issued for cash - private placement	8,801,600	3,827,233	-	-	573,567	-	-	**4,400,800**
Share issue costs	-	(254,254)	-	-	-	-	-	**(254,254)**
Reclassification of grant-date fair value on expired options	-	-	1,581,478	(1,581,478)	-	-	-	**-**
Share-based payments	-	-	-	695,082	-	-	-	**695,082**
Total comprehensive loss	-	-	-	-	-	1,914	(4,147,451)	**(4,145,537)**
Balance at March 31, 2016	**90,288,366**	**$ 46,718,882**	**$ 3,098,225**	**$ 2,474,777**	**$ 573,567**	**$ 1,914**	**$ (50,001,477)**	**$ 2,865,888**

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

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

	For the year ended March 31, 2016	For the year ended March 31, 2015
Cash flows provided from (used by):		
OPERATING ACTIVITIES		
Net loss for the year	**$ (4,147,451)**	**$ (2,037,447)**
Adjustments for items not affecting cash:		
Depreciation	243,446	81,323
Share-based payments	695,082	517,542
Reclamation obligations	238,763	-
Unrealized foreign exchange loss	8,237	-
	(2,961,923)	**(1,438,582)**
Net changes in non-cash working capital items:		
Amounts receivable	(9,898)	163,101
Sales tax receivable	(3,836)	33,462
Prepaid expenses	7,489	8,188
Deposits	(62)	4,262
Accounts payable and accrued liabilities	41,760	(122,607)
Note payable	88,959	-
Net cash flows used in operating activities	**(2,837,511)**	**(1,352,176)**
FINANCING ACTIVITIES		
Proceeds from share issuance	4,146,546	-
Net cash flows from financing activities	**4,146,546**	**-**
INVESTING ACTIVITIES		
Equipment purchases	(668,890)	(26,419)
Mineral property acquisition costs	(92,122)	(62,363)
Net cash flows used in investing activities	**(761,012)**	**(88,782)**
Effect of exchange rate changes on cash and cash equivalents	**1,914**	**-**
Net decrease in cash and cash equivalents	**549,937**	**(1,440,958)**
Cash and cash equivalents, beginning of year	**926,853**	**2,367,811**
Cash and cash equivalents, end of year	**$ 1,476,790**	**$ 926,853**
Cash received during the year for interest	**$ 22,028**	**$ 12,721**
Cash paid during the year for interest	**$ -**	**$ -**
Cash paid during the year for income taxes	**$ -**	**$ -**
Supplementary cash flow information		
Reclassification of the fair value of options expired	**$ 1,581,478**	**$ 84,505**
Reclassification of the fair value of warrants issued	**$ 573,567**	**$ -**
Equipment purchases by signing a note payable (notes 5 and 9)	**$ 1,165,673**	**$ -**

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

1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS

Hudson Resources Inc. (the "Company") is a publicly listed company incorporated in British Columbia on March 7, 2000. The Company's shares are listed on the TSX Venture Exchange under the symbol "HUD".

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

The Company is in the business of acquiring, exploring and evaluating resource properties, and either joint venturing or developing these properties further or disposing of them when the evaluation is completed. At March 31, 2016, the Company was in the exploration stage and had interests in properties located in Greenland.

As of April 13, 2015, the Company setup a subsidiary, Hudson Greenland A/S, to conduct exploration and evaluation of mineral resources in Greenland.

As at March 31, 2016, the Company had not yet achieved profitable operations, had a deficit of $50,001,477, 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 generate future profitable operations and / or to 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 the 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 consolidated financial statements of the Company for the year ended March 31, 2016 were reviewed by the Audit Committee and approved and authorized by the Board of Directors on July 19, 2016.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

a) *Statement of compliance with International Financial Reporting Standards*

These consolidated 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").

The policies set out below were consistently applied to all periods presented unless otherwise noted below.

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

b) *Basis of preparation*

These consolidated financial statements, including comparatives, have been prepared on the basis of IFRS standards that are published at the time of preparation and that are effective on March 31, 2016.

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

c) *Basis of consolidation*

These consolidated financial statements comprise the accounts of the Company and the following wholly-owned subsidiary of the Company:

- Hudson Greenland A/S, a company incorporated under the laws of Greenland.

All subsidiaries have a reporting date of March 31.

i. Subsidiaries

A subsidiary is an entity over which the Company has power to govern the operating and financial policies in order to obtain benefits from its activities. The consolidated financial statements include all the assets, liabilities, revenues, expenses and cash flows of the Company and its subsidiaries after eliminating inter-entity balances and transactions.

ii. Acquisitions and disposals

The results of businesses acquired during the reporting period are brought into the consolidated financial statements from the date the control is transferred; the results of businesses sold during the reporting period are included in the consolidated financial statements for the period up to the date the control is ceased.

Gains or losses on disposal are calculated as the difference between the sale proceeds (net of expenses) and the net assets attributable to the interest which has been sold. Where a disposal represents a separate major line of business or geographical area of operations, the net results attributable to the disposed entity are shown separately in the statement of loss and comprehensive loss.

d) *Resource properties*

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

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

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

d) Resource properties (continued)

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

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

e) Exploration and evaluation costs

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

f) Rehabilitation provision

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

The present value of the estimated costs is recognized when the asset is installed or the ground / environment is disturbed at the production location. Over time, the discounted liability is increased for the change in present value based on the discount rates that reflect current market assessments and the risks specific to the liability.

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

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

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

g) Equipment

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

Gains and losses

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

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

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

h) Land improvements

Once the legal right to explore a property has been acquired, costs directly related to land improvements are recognized and capitalized. These direct expenditures include such costs as materials used, equipment rental and payments made to contractors.

Land improvements are stated at cost less any impairment losses.

Land improvements are not depreciated until commercial production is reached. If a property is sold or abandoned, the acquisition costs and deferred exploration expenditures would be derecognized.

i) Taxation

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

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

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

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

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

i) Taxation (continued)

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

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

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

j) Currency translation

The presentation currency and functional currency of the Company is the Canadian dollar. The functional currency of its subsidiary is the Danish Krone ("DKK"). The functional currency of the Company is measured using the currency of the primary economic environment in which that entity operates.

Transactions and balances

Foreign currency transactions are translated into the functional currency of the underlying entity using appropriate monthly weighted average rates of exchange. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rate of exchange in effect at the end of each reporting period. Foreign exchange gains and losses resulting from the settlement of such transactions are recognized in income.

Foreign operations

The results of foreign operations are translated to Canadian dollars at an appropriate monthly average rate of exchange during the year and are included in net profit or loss. The assets and liabilities of foreign operations are translated to Canadian dollars at rates of exchange in effect at the end of the period. Gains or losses arising on translation of foreign operation's assets and liabilities to Canadian dollars at period end are recognized in other comprehensive income as a foreign currency translation adjustment. When a foreign operation is sold, such exchange differences are recognized in the statement of comprehensive income (loss) as part of the gain or loss on sale.

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

k) Share-based payments

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

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

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

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

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

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

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

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

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

l) Cash and cash equivalents

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

m) Impairment of non-financial assets

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

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

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

n) Financial instruments

<u>Financial assets</u>

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

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

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

Financial assets classified as held-to-maturity are measured at amortized cost. Financial assets classified as available-for-sale are measured at fair value with unrealized gains and losses recognized in other comprehensive income (loss) except for losses in value that are considered other than temporary.

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

The Company has no financial assets classified as available-for-sale, FVTPL or held-to-maturity.

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

n) *Financial instruments (continued)*

Impairment of financial assets

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

Financial liabilities

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

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

Financial liabilities classified as FVTPL include financial liabilities held-for-trading and financial liabilities designated upon initial recognition as FVTPL. Fair value changes on financial liabilities classified as FVTPL are recognized through the statement of comprehensive income or loss. The Company has classified note payable as FVTPL.

De-recognition of financial assets and liabilities

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

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

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

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

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

o) *Share capital*

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

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

p) *Critical accounting estimates and judgments*

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

Judgments

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

Deferred tax assets

The assessment of the probability of future taxable income against which deferred tax assets can be utilized is based on the Company's estimates of future profits or losses adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the jurisdictions in which the Company operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances (see note 18). Management believes that, at March 31, 2016, it is not probable that taxable profit will be available against which deductible temporary differences can be utilized.

Impairment

If information becomes available suggesting that the carrying amount of equipment and resource properties may exceed its recoverable amount the Company carries out an impairment test at the cash generating unit or group of cash generating unit level. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future gross profits. These assumptions relate to future events and circumstances. The actual results may vary, and may cause significant adjustments to the Company's assets within the next financial year (see note 5 and 6). Management has determined that there are currently no indicators of impairment and therefore no impairment test is required in the current year.

Rehabilitation provisions and site restoration costs

In evaluating whether an asset retirement obligation exists, management applies judgment to evaluate whether they have a constructive obligation because legislation does not exist.

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

p) Critical accounting estimates and judgments (continued)

Determination of functional currency

In accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates", management determined that the functional currency of the Company and its subsidiaries is Canadian dollar and Danish Krone, respectively, as this is the currency of the primary economic environment in which the Company operates.

Estimates

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

Rehabilitation provisions and site restoration costs

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

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

The expected timing of expenditure can also change, for example, in response to changes in ore reserves or production rates or economic conditions. As a result, there could be significant adjustments to the provision for decommissioning and site restoration, which would affect future financial results. During the year, an asset retirement provision of $247,000 was recognized for the resource properties.

Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock options, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 11.

(Expressed in Canadian Dollars)

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, 2015. Updates which are not applicable or are not consequential to the Company have been excluded thereof. The following have not yet been adopted by the Company and are being evaluated to determine their impact.

- IAS 1: amendments to an existing standard for presentation of financial statements, effective for annual periods beginning on or after January 1, 2016.

- IFRS 9: New standard that replaced IAS 39 for classification and measurement, effective for annual periods beginning on or after January 1, 2018

- IFRS 14: Regulatory deferral accounts, effective for annual periods beginning on or after January 1, 2016

4. CASH AND CASH EQUIVALENTS

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

		March 31, 2016		March 31, 2015
Cash	$	1,302,192	$	237,704
Cash equivalents		174,598		689,149
	$	**1,476,790**	**$**	**926,853**

As at March 31, 2016, cash equivalents consists of the following:

- Government of Canada treasury bill with a face value of $123,044, maturing on April 13, 2016. The interest rate is 1.35%. $1,535 in interest income was accrued as at March 31 ,2016.
- Term deposit with a principal amount of $50,019, maturing on April 8, 2016. The interest rate is 0.05%.

As at March 31, 2015, cash equivalents consists of the following:

- Government of Canada treasury bill with a face value of $553,030, maturing on April 7, 2015. The interest rate is 1.45%. $7,907 in interest income was accrued as at March 31 ,2015.
- Term deposit with a principal amount of $128,212, maturing on April 8, 2015. The interest rate is 0.05%.

(Expressed in Canadian Dollars)

5. EQUIPMENT

The Company's equipment is broken down as follows:

	Computer equipment	Field equipment	Land improvements	Total
Cost				
As at March 31, 2014	$ 16,522	$ 337,510	$ 356,742	**$ 710,774**
Additions	4,742	-	21,677	**26,419**
Balance as at March 31, 2015	**$ 21,264**	**$ 337,510**	**$ 378,419**	**$ 737,193**
Depreciation				
As at March 31, 2014	$ (11,503)	$ (73,812)	$ -	**$ (85,315)**
Charged for the year	(2,216)	(79,107)	-	**(81,323)**
Balance as at March 31, 2015	**$ (13,719)**	**$ (152,919)**	**$ -**	**$ (166,638)**
Net book value				
As at March 31, 2014	$ 5,019	$ 263,698	$ 356,742	$ 625,459
As at March 31, 2015	**$ 7,545**	**$ 184,591**	**$ 378,419**	**$ 570,555**
Cost				
As at March 31, 2015	$ 21,264	$ 337,510	$ 378,419	**$ 737,193**
Additions	-	1,238,713	595,850	**1,834,563**
Balance as at March 31, 2016	**$ 21,264**	**$ 1,576,223**	**$ 974,269**	**$ 2,571,756**
Depreciation				
As at March 31, 2015	$ (13,719)	$ (152,919)	$ -	**$ (166,638)**
Charged for the year	(2,263)	(241,183)	-	**(243,446)**
Balance as at March 31, 2016	**$ (15,982)**	**$ (394,102)**	**$ -**	**$ (410,084)**
Net book value				
As at March 31, 2015	$ 7,545	$ 184,591	$ 378,419	$ 570,555
As at March 31, 2016	**$ 5,282**	**$ 1,182,121**	**$ 974,269**	**$ 2,161,672**

During the year ended March 31, 2016, the Company purchased $1,165,673 of field equipment by obtaining an unsecured bridge loan (note 9). The Company has pledged this field equipment as security against the counter-guarantee provided by the Bank of Greenland to the Company for the reclamation obligation (note 10).

(Expressed in Canadian Dollars)

6. RESOURCE PROPERTIES

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

	Balance as at March 31, 2015	Additions	Balance as at March 31, 2016
Greenland			
Sarfartoq Exploration Licences			
Acquisition costs / license fees	**$ 768,673**	$ -	**$ 768,673**
Naajat / White Mountain Exploration Licences			
Acquisition costs / license fees	**86,883**	92,122	**179,005**
	$ 855,556	$ 92,122	**$ 947,678**

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. Prior to that, in 2012, Hudson was granted two license renewals. The Sarfartoq EL was amended to include portions of the Nalussivik, Sarfartuup Qulaa, Sarfartoq Valley and Arnanganeq exploration licenses as well as annex portions of the Sarfartoq EL and add additional ground that extends the license area to the fjord. The total area was reduced from 1,351 sq. km. to approximately 687 sq. km. As a result of the application, five previous licenses will be incorporated into one new Sarfartoq EL that is focused on the rare earth project. In 2013, the license area was further reduced to 92 sq. km. This reduced the exploration burden on the area while still maintaining 100% interest in the Sarfartoq Carbonatite Complex. The Naajat EL was renewed in 2013 for its industrial mineral potential for exploration years 11 and 12 and the license area was reduced from 190 sq. km. to approximately 96 sq. km. The Naajat EL includes the White Mountain Anorthosite Project ("White Mountain"). In 2014, Hudson began the process of converting the Naajat exploration license into an exploitation license. The exploitation license was granted in September 2015. In addition, Hudson applied for and was granted a non-exclusive prospecting license for the west coast of Greenland. The license allows the Company to prospect ground outside of its existing 3 licenses. In the event that Hudson wishes to apply for a future exploration license on additional areas, funds expended from the prospecting can be carried over to the new license area.

Current Resource Properties

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 total work commitment for calendar 2014 was 4,259,720 DKK (approximately $850,000). The Company must submit an annual report by April 1 of each year detailing its' activities and expenditures for approval. These work commitments for calendar 2014 have now been approved by the Greenland government. Provided the license remained unchanged in 2015, total work commitment for calendar 2015 was 8,636,960 DKK (approximately $1,586,000). Hudson had accrued sufficient credits from previous expenditures to carry the license beyond December 31, 2015, with credits available until December 31, 2019. Hudson now has certain non-monetary commitments, including but not limited to employing Greenlandic personnel, based on establishing a mining operation as per the exploitation agreement in order to maintain the license.

6. RESOURCE PROPERTIES (continued)

Current Resource Properties (continued)

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. The total work commitment for calendar 2015 was 33,528,000 DKK (approximately $6,156,000). The work commitments for calendar 2015 have been approved by the Greenland government. In 2015, the Company's license was renewed to December 31, 2017. Subsequently, in December 2015, the Greenland government granted Hudson a 2-year exploration commitment holiday. As a result, Hudson 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. Total work commitment for calendar 2015 was 390,940 DKK (approximately $72,000). Hudson has accrued sufficient credits from previous expenditures to carry the license beyond December 31, 2015, with credits available until December 31, 2018.

(Expressed in Canadian Dollars)

7. EVALUATION AND EXPLORATION COSTS

The evaluation and exploration costs expensed by the Company during the years ended March 31, 2016 and 2015 are broken down as follows:

	For the year ended March 31, 2016	For the year ended March 31, 2015	Cumulative evaluation and exploration costs, March 31, 2016
Evaluation and exploration costs:			
Sarfartoq			
Assay and analysis	$ 2,502	$ 2,564	$ 1,370,868
Camp and portable shelters	6,017	-	1,177,764
Consulting	13,901	7,750	2,906,252
Data processing	-	-	56,737
Diamond recovery plant and operations	-	-	1,672,479
Drilling	-	-	6,717,631
Equipment	14,592	572	671,305
Explosives	-	-	50,026
Fuel	525	-	324,255
Geophysical data	-	-	611,754
Helicopter	49,049	7,853	7,482,376
Insurance	-	-	47,166
Legal	478	114	14,940
Miscellaneous	-	-	85
Recoveries	-	(588)	(208,588)
Sample extraction and processing	-	-	1,599,963
Shipping	8,576	779	1,073,325
Supplies	1,745	73	202,266
Travel	7,383	6,272	1,722,709
Wages and benefits	559	-	224,435
Total	**$ 105,327**	**$ 25,389**	**$ 27,717,748**

(Expressed in Canadian Dollars)

7. EVALUATION AND EXPLORATION COSTS (continued)

	For the year ended March 31, 2016	For the year ended March 31, 2015	Cumulative evaluation and exploration costs, March 31, 2016
Naajat / White Mountain			
Assay and analysis	$ 34,356	$ 88,566	$ 1,044,119
Camp and portable shelters	76,200	-	277,894
Consulting	354,547	269,974	1,371,564
Drilling	-	-	582,612
Equipment	140,360	10,216	350,726
Fuel	13,166	-	40,382
Geophysical data	-	10,645	53,272
Helicopter	328,781	62,837	1,648,485
Legal	58,542	6,438	69,341
Miscellaneous	-	-	5,867
Reclamation	238,763	-	238,763
Recoveries	-	(4,708)	(4,708)
Shipping	205,114	24,416	541,373
Supplies	133,000	588	240,973
Travel	67,520	50,409	378,751
Wages and benefits	4,474	-	72,264
Total	$ 1,654,823	$ 519,381	$ 6,911,678
Pingasut Mineral Claim			
Assay and analysis	$ 236	$ 18	$ 254
Camp and portable shelters	6,017	-	6,384
Consulting	13,901	7,750	33,110
Equipment	14,592	572	15,164
Fuel	525	-	1,667
Helicopter	49,049	7,853	61,370
Legal	478	114	592
Recoveries	-	(588)	(588)
Shipping	8,576	779	9,461
Supplies	1,745	73	2,007
Travel	7,383	6,272	13,998
Wages and benefits	559	-	559
Total	$ 103,061	$ 22,843	$ 143,978
Total evaluation and exploration costs:	$ 1,863,211	$ 567,613	$ 34,773,404

(Expressed in Canadian Dollars)

8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	March 31, 2016	March 31, 2015
Trade payables	$ 212,578	$ 167,746
Accrued liabilities	68,378	71,450
	$ 280,956	**$ 239,196**

9. NOTE PAYABLE

On August 12, 2015, the Company obtained an unsecured bridge loan for $1,165,673. Total proceeds of the loan are committed to the purchase of heavy equipment required for ongoing pre-construction activities at the Company's White Mountain anorthosite project. The unsecured loan was originally for a term of up to three months bearing interest at 12% per annum. Subsequently, the Company entered into an agreement with the lender to extend the maturity date of the unsecured bridge loan to September 12, 2016.

During the year ended March 31, 2016, interest expense of $88,959 was charged to the statement of loss and comprehensive and increased the carrying value of the note payable.

As at March 31, 2016, the balance of the note payable including interest is $1,254,632 (March 31, 2015 – $nil).

10. RECLAMATION OBLIGATION

	in DKK	in CAD
Initial recognition	**1,250,000**	**238,763**
Effect of movements in exchange rates	-	8,237
Balance, March 31, 2016	**1,250,000**	**247,000**

During the year ended March 31, 2016, the Company recognized a reclamation obligation of $238,763 (DKK 1,250,000) for the future reclamation expenditures and charged it to statement of loss and comprehensive loss. No discount was recognized on the reclamation obligation as estimated remediation costs approximated the present value of the reclamation obligation.

During the year ended March 31, 2016, the Company entered into a counter-guarantee agreement with the Bank of Greenland for the Company's reclamation obligation on its' resource properties. Under the agreement, the Bank of Greenland is guaranteeing to the Government of Greenland that the Company's reclamation obligation of DKK 1,250,000 on the resource properties is in place. The Company has pledged the field equipment as security against the counter-guarantee. If the Company is unable to make the payment to the Greenlandic government, the Bank of Greenland has the right to sell the field equipment to recover the counter-guarantee and an interest rate of 15% will be applied. In addition, a one-time fee of DKK 18,800 was charged to put the claim in place.

As at March 31, 2016, the balance of the reclamation obligation is $247,000 (DKK 1,250,000) (March 31, 2015 – $nil).

11. SHARE CAPITAL

a) Authorized share capital

Unlimited number of common shares without par value.

b) Issued share capital

At March 31, 2016, the Company had 90,288,366 common shares issued and outstanding (March 31, 2015 – 81,486,766 common shares issued and outstanding).

During the year ended March 31, 2016:

- On September 3, 2015, the Company completed a private placement of 8,047,000 units for gross proceeds of $4,023,500. Each unit consisted of one common share and one-half share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at an exercise price of $0.75 per share for a period of 36 months from the date of issuance.

  For accounting purposes, the Company estimated the grant date fair value of warrants issued with the private placement, using the Black-Scholes option pricing model, assuming a risk-free interest rate of 0.44%, an expected life of 3 years, an expected volatility of 66% and an expected dividend yield of 0%, which totaled $524,387, and recorded this value in warrants reserve. The value attributed to the warrants was based on their relative fair value as compared to the fair value of the common shares. The remaining balance of $3,499,113 was recorded as common shares.

  The Company paid $234,510 and $1,386 in finders' fees and filing fees, respectively, in connection with this private placement.

- On September 17, 2015, the Company completed a private placement of 754,600 units for gross proceeds of $377,300. Each unit consisted of one common share and one-half share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at an exercise price of $0.75 per share for a period of 36 months from the date of issuance.

  For accounting purposes, the Company estimated the grant date fair value of warrants issued with the private placement, using the Black-Scholes option pricing model, assuming a risk-free interest rate of 0.50%, an expected life of 3 years, an expected volatility of 65% and an expected dividend yield of 0%, which totaled $49,180, and recorded this value in warrants reserve. The value attributed to the warrants was based on their relative fair value as compared to the fair value of the common shares. The remaining balance of $328,120 was recorded as common shares.

  The Company paid $18,138 and $220 in finders' fees and filing fees, respectively, in connection with this private placement.

(Expressed in Canadian Dollars)

11. SHARE CAPITAL (continued)

c) Share purchase warrants

The changes in warrants during the years ended March 31, 2016 and 2015 are as follows:

	March 31, 2016			March 31, 2015		
	Number outstanding		**Weighted average exercise price**	Number outstanding		Weighted average exercise price
Outstanding, beginning of year	**-**	**$**	**-**	-	$	-
Issued	**4,400,800**		**0.75**	-		-
Outstanding, end of year	**4,400,800**	**$**	**0.75**	-	$	-

The following summarizes information about share purchase warrants outstanding at March 31, 2016:

Expiry date	**Warrants outstanding**		**Exercise price**	**Weighted average remaining contractual life (in years)**
September 3, 2018	4,023,500	$	0.75	2.43
September 17, 2018	377,300		0.75	2.47
	4,400,800			**2.43**

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. These options are granted with an exercise price equal no less than the closing market price of the Company's shares prevailing on the day that the option is granted. Under the stock option plan, management has the option of determining vesting periods.

(Expressed in Canadian Dollars)

11. SHARE CAPITAL (continued)

d) Stock options (continued)

The changes in stock options during the years ended March 31, 2016 and 2015 as follows:

	March 31, 2016			March 31, 2015		
	Number outstanding		**Weighted average exercise price**	Number outstanding		Weighted average exercise price
Outstanding, beginning of year	**7,800,000**	**$**	**0.52**	5,800,000	$	0.59
Granted	**2,700,000**		**0.50**	2,100,000		0.34
Expired / cancelled	**(2,200,000)**		**0.80**	(100,000)		0.95
Outstanding, end of year	**8,300,000**	**$**	**0.44**	7,800,000	$	0.52

<u>During the year ended March 31, 2016</u>

- The Company granted 2,700,000 options with an exercise price of $0.50 to its officers, directors and employees. The options are exercisable for a period of five years. 25% of the options granted vested immediately at the date of grant and 12.5% will vest every three months thereafter.

- 2,200,000 options with an expiry date of April 30, 2015 expired unexercised.

<u>During the year ended March 31, 2015</u>

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

- 100,000 options granted to a director expired unexercised.

The estimated fair value of the options granted was calculated using the Black-Scholes Option Pricing Model with the following assumptions:

	For the year ended			
	March 31, 2016		**March 31, 2015**	
Share price at the grant date	$	0.50	$	0.37
Risk-free interest rate		0.65%		1.45%
Expected annual volatility		77.67%		94.00%
Expected life		5.00		5.00
Expected dividend yield		0.00%		0.00%
Grant date fair value per option	$	0.31	$	0.27

The expected life of options is based on historical data and is not necessarily indicative of exercise patterns that may occur. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome.

(Expressed in Canadian Dollars)

11. SHARE CAPITAL (continued)

d) Stock options (continued)

The following summarizes information about stock options outstanding and exercisable at March 31, 2016:

Expiry date	Options outstanding	Options exercisable		Exercise price		Estimated grant date fair value	Weighted average remaining contractual life (in years)
September 28, 2016	1,150,000	1,150,000	$	0.65	$	559,785	0.50
October 12, 2017	2,225,000	2,225,000	$	0.36	$	692,198	1.53
November 5, 2017	125,000	125,000	$	0.36	$	35,334	1.60
April 24, 2019	2,100,000	2,100,000	$	0.34	$	567,378	3.07
September 8, 2020	2,700,000	1,350,000	$	0.50	$	838,417	4.44
	8,300,000	**6,950,000**			**$**	**2,693,112**	**2.73**

The weighted average exercise price of the exercisable options was $0.44 (March 31, 2015 - $0.54).

During the year ended March 31, 2016, the Company recognized share-based payments expense of $695,082 (March 31, 2015 – $517,542). For the years ended March 31, 2016 and 2015, share-based payments expense consists of the following:

		For the year ended March 31, 2016		March 31, 2015
For services in respect of:				
Professional fees	**$**	**25,060**	$	12,335
Directors' fees		**131,450**		123,378
Evaluation and exploration costs		**25,060**		12,316
Management fees		**513,512**		369,513
	$	**695,082**	$	517,542

e) Reserves

Additional paid-in capital
Additional paid in capital records the fair value of the expired options and warrants initially recorded in stock options reserve.

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

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.

(Expressed in Canadian Dollars)

12. LOSS PER SHARE

The calculation of basic and diluted loss per share for the year ended March 31, 2016 is based on the net loss attributable to common shareholders of $4,147,451 (March 31, 2015 – $2,037,447) and a weighted average number of common shares outstanding during the year of 86,532,048 (March 31, 2015 – 81,486,766).

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

13. RELATED PARTY TRANSACTIONS AND BALANCES

a) Related party balances

The balances due to related parties included in trade payables and accrued liabilities were $46,588 as at March 31, 2016 (March 31, 2015 – $34,144). 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 year ended		
		March 31, 2016		**March 31, 2015**
Short-term employee benefits - management fees	**$**	**660,000**	$	440,000
Short-term employee benefits - professional fees [1]		**120,744**		96,200
Short-term employee benefits - directors' fees		**100,000**		100,000
Share-based payments - management fees		**538,572**		381,848
Share-based payments - directors' fees		**131,450**		123,378
	$	**1,550,766**	$	1,141,426

(1) The Company paid $120,744 (March 31, 2015 – $96,200) for accounting and corporate secretarial services to Quantum Advisory Partners LLP whose incorporated partner is the Company's Chief Financial Officer. Fees have been measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

14. COMMITMENTS AND CONTINGENCIES

During the year ended March 31, 2016, the Company renewed the office lease for an additional two years ending September 30, 2017. Total minimum lease payments are as follows:

For the year ended		
March 31, 2017	$	26,048
March 31, 2018		13,024
	$	**39,072**

(Expressed in Canadian Dollars)

15. SEGMENTED INFORMATION

The Company has two operating segments: the exploration and development of the Pingasut, Sarfartoq and Naajat exploration licenses in Greenland and corporate administrative functions in Canada. The Company's total assets and losses are found in the following two geographic locations:

	Canada	Greenland	Total
As at March 31, 2016			
Resource properties	$ -	$ 947,678	**$ 947,678**
Other assets	1,475,013	2,225,785	**3,700,798**
Liabilities	(1,474,213)	(308,375)	**(1,782,588)**
	$ 800	**$ 2,865,088**	**$ 2,865,888**
As at March 31, 2015			
Resource properties	$ -	$ 855,556	**$ 855,556**
Other assets	898,443	654,994	**1,553,437**
Liabilities	(239,196)	-	**(239,196)**
	$ 659,247	**$ 1,510,550**	**$ 2,169,797**

	Canada	Greenland	Total
Net loss:			
For the year ended March 31, 2016	$ 1,701,233	$ 2,446,218	**$ 4,147,451**
For the year ended March 31, 2015	$ 1,358,411	$ 679,036	**$ 2,037,447**
Comprehensive loss:			
For the year ended March 31, 2016	$ 1,701,233	$ 2,444,304	**$ 4,145,537**
For the year ended March 31, 2015	$ 1,358,411	$ 679,036	**$ 2,037,447**

16. 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. In order to maximize ongoing development efforts, the Company does not pay out dividends.

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

The Company is meeting its objective of managing capital through its detailed review and performance of due diligence on its exploration activities, preparing cash flow analyses to ensure an adequate amount of liquidity and monthly review of financial results.

There were no changes in the Company's approach to capital management during the year ended March 31, 2016.

17. FINANCIAL INSTRUMENTS

a) Fair value

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

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

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities;
Level 2: Inputs other than quoted prices included in Level 1 that are observable for the asset or liability either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
Level 3: Inputs that are not based on observable market data.

The financial instruments recorded at fair value on the statements of financial position are comprised of cash and cash equivalents which are measured using Level 1 of the fair value hierarchy.

There were no financial assets which are measured at fair value that applied Level 2 or Level 3 fair value measurements (March 31, 2015 – no Level 2 or Level 3 fair value measurements).

There were no transfers between Levels during the year.

b) Financial risk management

Credit risk
Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash and cash equivalents and receivables are exposed to credit risk. The Company reduces its credit risk on cash and cash equivalents by placing these instruments with institutions of high credit worthiness. As at March 31, 2016 and 2015, the Company's maximum exposure to credit risk is the carrying value of its financial assets.

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

The Company maintained sufficient cash and cash equivalents at March 31, 2016 in the amount of $1,476,790 (March 31, 2015 – $926,853), in order to meet short-term business requirements. At March 31, 2016, the Company had accounts payable and accrued liabilities and note payable of $280,956 and $1,254,632, respectively (March 31, 2015 – $239,196 and $nil, respectively). All accounts payable and accrued liabilities and note payable are current.

17. FINANCIAL INSTRUMENTS (continued)

b) Financial risk management (continued)

Market Risk

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

Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Included in the loss for the period in the financial statements is interest income on Canadian dollar cash and cash equivalents. As at March 31, 2016, the Company's cash is subject to or exposed to interest rate risk. A 10% increase/decrease in the interest rate received would have a $183 impact on profit or loss (March 31, 2015 – $1,542).

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 CAD, US dollars ("USD") and DKK; therefore, USD and DKK accounts are subject to fluctuation against the Canadian dollar.

The Company had the following balances in Canadian and foreign currencies as at March 31, 2016 and 2015:

As at March 31, 2016:

	in CAD	in USD	in DKK
Cash and cash equivalents	$ 1,408,280	$ -	$ 346,765
Amounts receivable	9,898	-	-
Deposits	3,259	-	4,480
Accounts payable and accrued liabilities	(204,961)	(11,275)	(310,648)
Note payable	(1,254,632)	-	-
	(38,156)	**(11,275)**	**40,597**
Rate to convert to $1.00 CAD	1.000	0.7712	5.0615
Equivalent to Canadian dollars	**(38,156)**	**(14,620)**	**8,021**

Based on the above net exposures as at March 31, 2016, and assuming that all other variables remain constant, a 10% appreciation or depreciation of the CAD against the USD and DKK by 10% would increase/ decrease profit or loss by $661.

(Expressed in Canadian Dollars)

17. FINANCIAL INSTRUMENTS (continued)

b) Financial risk management (continued)

As at March 31, 2015:

	in CAD	in USD	in DKK	in EURO
Cash and cash equivalents	$ 834,869	$ -	$ 501,000	$ -
Deposits	3,259	-	4,480	-
Accounts payable and accrued liabilities	(126,990)	(500)	(578,566)	(3,900)
	711,138	**(500)**	**(73,086)**	**(3,900)**
Rate to convert to $1.00 CAD	1.000	0.7910	5.4466	0.7291
Equivalent to Canadian dollars	**711,138**	**(632)**	**(13,419)**	**(5,349)**

Based on the above net exposures as at March 31, 2015, and assuming that all other variables remain constant, a 10% appreciation or depreciation of the CAD against the USD and DKK by 10% would increase/ decrease profit or loss by $1,940.

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.

18. INCOME TAXES

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

	2016	2015
Statutory rate	**26.00%**	**26.00%**
Loss before income taxes	**$ (4,147,451)**	**$ (2,037,447)**
Expected income tax recovery	(1,078,000)	(530,000)
(Increase) decrease in income tax recovery resulting from:		
Non-deductible differences	181,000	135,000
Impact of under provision in prior year	-	10,000
Other	(71,000)	-
Change in unrecognized deferred tax assets	968,000	385,000
Deferred tax expense (recovery)	$ -	$ -

(Expressed in Canadian Dollars)

18. INCOME TAXES (continued)

Deferred Income Tax Assets and Liabilities

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

	2016	2015
Non-capital losses carried forward	$ 2,950,000	$ 2,507,000
Equipment	94,000	31,000
Resource properties and deferred exploration	9,098,000	8,613,000
Undeducted share issuance costs	52,000	75,000
Unrecognized deferred tax asset	(12,194,000)	(11,226,000)
Net deferred tax asset	$ -	$ -

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

At March 31, 2016, the Company has Canadian non-capital losses of approximately $11,031,000 and losses in Greenland of $272,000 that may be applied against future income tax for tax purposes. The non-capital losses expire as follows:

2026	$ 300,000
2027	559,000
2028	693,000
2029	711,000
2030	815,000
2031	1,013,000
2032	1,436,000
2033	1,449,000
2034	1,387,000
2035	1,282,000
2036	1,386,000
	$ 11,031,000

19. SUBSEQUENT EVENTS

<u>Subsequent to March 31, 2016</u>

- The Company announced that it has entered into an agreement with the European Investment Bank ("EIB") to appraise Hudson's White Mountain Anorthosite Project in Greenland. The EIB is considering offering Hudson a loan of up to 14M Euros, not exceeding 50% of the project costs. In total, project capital costs, including working capital, are not expected to exceed CDN$40M, equivalent to 27M Euros.