

**HUDSON RESOURCES INC.**  
**CONSOLIDATED FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MARCH 31, 2017 AND 2016**  
**(Expressed in Canadian Dollars)**

## INDEPENDENT AUDITORS' REPORT

To the Shareholders of  
Hudson Resources Inc.

We have audited the accompanying consolidated financial statements of Hudson Resources Inc., which comprise the consolidated statement of financial position as at March 31, 2017, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated 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.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit 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 auditors' 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 overall presentation of the consolidated financial statements.

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



***Opinion***

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of Hudson Resources Inc. as at March 31, 2017 and its financial performance and its cash flows for the year 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 describes conditions and matters that indicate the existence of a material uncertainty that may cast significant doubt about Hudson Resources Inc.'s ability to continue as a going concern.

***Other Matters***

The consolidated financial statements of Hudson Resources Inc. for the year ended March 31, 2016 were audited by another auditor who expressed an unmodified opinion on those statements on July 19, 2016.

**“DAVIDSON & COMPANY LLP”**

Vancouver, Canada

Chartered Professional Accountants

July 13, 2017

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

<i>As at</i>	March 31, 2017	March 31, 2016
<b>ASSETS</b>		
<b>Current assets</b>		
Cash and cash equivalents (note 4)	\$ 6,382,573	\$ 1,476,790
Amounts receivable	-	9,898
Sales tax receivable	47,660	28,598
Deposits	4,117	4,144
Share subscriptions receivable (note 11(b))	4,000,000	-
Prepaid expenses	2,099,797	19,696
	<b>12,534,147</b>	<b>1,539,126</b>
<b>Non-current assets</b>		
Equipment (note 5)	4,276,396	2,161,672
Resource properties (note 6)	988,351	947,678
	<b>5,264,747</b>	<b>3,109,350</b>
<b>TOTAL ASSETS</b>	<b>\$ 17,798,894</b>	<b>\$ 4,648,476</b>
<b>LIABILITIES</b>		
<b>Current liabilities</b>		
Accounts payable and accrued liabilities (notes 8 & 13(a))	\$ 685,423	\$ 280,956
Note payable (notes 5 and 9)	1,394,518	1,254,632
	<b>2,079,941</b>	<b>1,535,588</b>
<b>Non-current liabilities</b>		
Reclamation obligation (note 10)	1,529,732	247,000
<b>TOTAL LIABILITIES</b>	<b>3,609,673</b>	<b>1,782,588</b>
<b>EQUITY</b>		
Share capital (note 11(b))	\$ 60,606,306	\$ 46,718,882
Additional paid-in capital (note 11(e))	3,634,693	3,098,225
Stock options reserve (note 11(e))	2,623,991	2,474,777
Warrants reserve (note 11(e))	2,995,905	573,567
Foreign currency translation reserve	(24,686)	1,914
Deficit	(55,646,988)	(50,001,477)
<b>TOTAL EQUITY</b>	<b>14,189,221</b>	<b>2,865,888</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>\$ 17,798,894</b>	<b>\$ 4,648,476</b>

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

*Commitment (note 14)*

*Segmented information (note 15)*

*Subsequent events (notes 1, 9, 10, 11 and 14)*

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

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

They are signed on the Company's behalf by:

APPROVED BY THE BOARD on July 13, 2017:

*/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, 2017	March 31, 2016
<b>EXPENSES</b>		
Bank charges and interest (note 9)	\$ 150,198	\$ 98,004
Depreciation (note 5)	709,235	243,446
Directors' fees (note 13)	100,000	100,000
Exploration and evaluation costs (note 7)	2,958,806	1,863,211
Foreign exchange	20,006	24,115
Interest income	(11,209)	(22,028)
Management fees (note 13)	440,000	660,000
Office	83,818	69,520
Professional fees (note 13)	356,291	255,735
Rent	45,187	45,172
Share-based payments (note 11(d))	685,682	695,082
Shareholder and corporate communications	38,716	17,738
Transfer agent and filing fees	47,424	70,812
Travel and accommodation	21,357	26,644
<b>NET LOSS FOR THE YEAR</b>	<b>(5,645,511)</b>	<b>(4,147,451)</b>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>		
Foreign currency translation differences for foreign operations	(26,600)	1,914
<b>TOTAL LOSS AND COMPREHENSIVE LOSS FOR THE YEAR</b>	<b>\$ (5,672,111)</b>	<b>\$ (4,145,537)</b>
<b>Basic and diluted loss per share for the year attributable to common shareholders (note 12)</b>	<b>\$ (0.06)</b>	<b>\$ (0.05)</b>
<b>Weighted average number of common shares outstanding - basic and diluted</b>	<b>98,095,005</b>	<b>86,532,048</b>

*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				Deficit	Total
	Number of shares	Amount	Additional paid-in capital	Stock options reserve	Warrants reserve	Foreign currency translation reserve		
<b>Balance at March 31, 2015</b>	<b>81,486,766</b>	<b>\$ 43,145,903</b>	<b>\$ 1,516,747</b>	<b>\$ 3,361,173</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ (45,854,026)</b>	<b>\$ 2,169,797</b>
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)
<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	44,316,507	14,490,939	-	-	2,422,338	-	-	16,913,277
Share issue costs	-	(603,515)	-	-	-	-	-	(603,515)
Reclassification of grant-date fair value on expired options	-	-	536,468	(536,468)	-	-	-	-
Share-based payments	-	-	-	685,682	-	-	-	685,682
Total comprehensive loss	-	-	-	-	-	(26,600)	(5,645,511)	(5,672,111)
<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>

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

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

	For the year ended	
	March 31, 2017	March 31, 2016
<b>Cash flows from (used in):</b>		
<b>OPERATING ACTIVITIES</b>		
Net loss for the year	\$ (5,645,511)	\$ (4,147,451)
<b>Adjustments for items not affecting cash:</b>		
Depreciation	709,235	243,446
Share-based payments	685,682	695,082
Reclamation obligations	1,302,770	238,763
Unrealized foreign exchange loss	-	8,237
<b>Net changes in non-cash working capital items:</b>		
Amounts receivable	9,898	(9,898)
Sales tax receivable	(19,062)	(3,836)
Prepaid expenses	(2,099,616)	7,489
Deposits	27	(62)
Accounts payable and accrued liabilities	405,324	41,760
Note payable	139,886	88,959
<b>Net cash flows used in operating activities</b>	<b>(4,511,367)</b>	<b>(2,837,511)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from share issuance, net of share issue costs	12,309,762	4,146,546
<b>Net cash flows from financing activities</b>	<b>12,309,762</b>	<b>4,146,546</b>
<b>INVESTING ACTIVITIES</b>		
Equipment purchases	(2,847,230)	(668,890)
Resource property acquisition costs	(41,061)	(92,122)
<b>Net cash flows used in investing activities</b>	<b>(2,888,291)</b>	<b>(761,012)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>	<b>(4,321)</b>	<b>1,914</b>
<b>Net increase in cash and cash equivalents</b>	<b>4,905,783</b>	<b>549,937</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>1,476,790</b>	<b>926,853</b>
<b>Cash and cash equivalents, end of year (note 4)</b>	<b>\$ 6,382,573</b>	<b>\$ 1,476,790</b>
<b>Cash received during the year for interest</b>	<b>\$ 11,209</b>	<b>\$ 22,028</b>
<b>Cash paid during the year for interest</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Cash paid during the year for income taxes</b>	<b>\$ -</b>	<b>\$ -</b>
<b>Supplementary cash flow information</b>		
Reclassification of the fair value of options expired	\$ 536,468	\$ 1,581,478
Reclassification of the fair value of warrants issued	\$ 2,422,338	\$ 573,567
Equipment purchases by signing a note payable (notes 5 and 9)	\$ -	\$ 1,165,673
Share subscriptions receivable	\$ 4,000,000	\$ -

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

**Hudson Resources Inc.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended March 31, 2017 and 2016**  
**(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. At March 31, 2017, the Company was in the exploration stage and had interests in properties located in Greenland. Subsequent to March 31, 2017, the Company entered the development phase of its Naajat (White Mountain) Mineral Claim.

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

As at March 31, 2017, the Company had not yet achieved profitable operations, had a deficit of \$55,646,988, 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. During the year ended March 31, 2017, the Company obtained a preliminary approval from the Management Committee of the European Investment Bank for debt financing of up to US\$13M and an approval from Cordiant Capital Inc. for debt financing of up to US\$9.5M for Hudson's White Mountain Anorthosite Project in Greenland through its 100% owned Greenland subsidiary, Hudson Greenland A/S. 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.

**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").

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.



**Hudson Resources Inc.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended March 31, 2017 and 2016**  
**(Expressed in Canadian Dollars)**

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

**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, 2017.

**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.

**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 (reclamation obligation). 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.

**Hudson Resources Inc.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended March 31, 2017 and 2016**  
**(Expressed in Canadian Dollars)**

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

**d) Resource properties (continued)**

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

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

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

**e) Exploration and evaluation costs**

Exploration and evaluation 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, exploration and evaluation expenditures are capitalized as deferred development expenditures included within resource properties. Costs incurred prior to obtaining mineral use rights are expensed as incurred.

**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 exploration and evaluation costs expensed, or the corresponding assets and reclamation obligation when they occur.

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

**Hudson Resources Inc.**  
**Notes to the Consolidated Financial Statements**  
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**(Expressed in Canadian Dollars)**

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**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 cost less accumulation depreciation and impairment losses, if any.

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 profit or loss.

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

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

**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, payments made to contractors, and road construction.

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 profit or loss except to the extent that it relates to a business combination or items recognized directly in equity or in other comprehensive income (loss).

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 for any temporary differences at the reporting date between the carrying amounts of assets and liabilities and their tax bases.

**Hudson Resources Inc.**  
**Notes to the Consolidated Financial Statements**  
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**(Expressed in Canadian Dollars)**

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

***i) Taxation (continued)***

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

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

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

Changes in deferred tax assets or liabilities are recognized as a component of income tax 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 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 appropriate rates of exchange during the year and are included in foreign currency translation reserve. 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 (loss) as foreign currency translation reserve. 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 stock options reserve within 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 profit or loss 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 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.

***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.

**Hudson Resources Inc.**  
**Notes to the Consolidated Financial Statements**  
**For the Years Ended March 31, 2017 and 2016**  
**(Expressed in Canadian Dollars)**

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

*n) Financial instruments*

**Financial assets**

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

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

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

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.

**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 note payable 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 other comprehensive income (loss).

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

***n) Financial instruments (continued)***

**De-recognition of financial assets and liabilities**

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

See Note 17 for additional disclosures.

***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, share options, and warrants are classified as equity instruments.

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



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

***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 adjustments 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, 2017, 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.

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

*p) Critical accounting estimates and judgments (continued)*

**Rehabilitation provisions and site restoration costs**

In evaluating whether a reclamation obligation exists, management applies judgment to evaluate whether they have a constructive, or legal obligation.

**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 subsidiary is Canadian dollar and Danish Krone, respectively, as this is the currency of the primary economic environment in which the Company operates.

**Estimates**

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates and such differences could be significant. Significant estimates made by management affecting our consolidated financial statements include, but are not limited to, the following:

**Rehabilitation provisions and site restoration costs**

A 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. As at March 31, 2017, an asset retirement provision (reclamation obligation) of \$1,529,732 (2016 – \$247,000) is 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.

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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. CASH AND CASH EQUIVALENTS**

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

	March 31, 2017		March 31, 2016	
Cash	\$	6,382,573	\$	1,302,192
Cash equivalents		-		174,598
	\$	<b>6,382,573</b>	\$	<b>1,476,790</b>

**5. EQUIPMENT**

	Computer equipment	Field equipment	Land improvements	Total
<b>Cost</b>				
As at March 31, 2016	\$ 21,264	\$ 1,576,223	\$ 974,269	\$ 2,571,756
Additions	1,996	2,383,401	461,833	2,847,230
Effect of movements in exchange rates	-	(22,195)	(4,360)	(26,555)
<b>Balance as at March 31, 2017</b>	<b>\$ 23,260</b>	<b>\$ 3,937,429</b>	<b>\$ 1,431,742</b>	<b>\$ 5,392,431</b>
<b>Depreciation</b>				
As at March 31, 2016	\$ (15,982)	\$ (394,102)	\$ -	\$ (410,084)
Charged for the period	(1,883)	(707,352)	-	(709,235)
Effect of movements in exchange rates	-	3,284	-	3,284
<b>Balance as at March 31, 2017</b>	<b>\$ (17,865)</b>	<b>\$ (1,098,170)</b>	<b>\$ -</b>	<b>\$ (1,116,035)</b>
<b>Net book value</b>				
As at March 31, 2016	\$ 5,282	\$ 1,182,121	\$ 974,269	\$ 2,161,672
<b>As at March 31, 2017</b>	<b>\$ 5,395</b>	<b>\$ 2,839,259</b>	<b>\$ 1,431,742</b>	<b>\$ 4,276,396</b>

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**5. EQUIPMENT (CONTINUED)**

	Computer equipment	Field equipment	Land improvements	Total
<b>Cost</b>				
As at March 31, 2015	\$ 21,264	\$ 337,510	\$ 378,419	\$ 737,193
Additions	-	1,238,713	595,850	1,834,563
<b>Balance as at March 31, 2016</b>	<b>\$ 21,264</b>	<b>\$ 1,576,223</b>	<b>\$ 974,269</b>	<b>\$ 2,571,756</b>
<b>Depreciation</b>				
As at March 31, 2015	\$ (13,719)	\$ (152,919)	\$ -	\$ (166,638)
Charged for the year	(2,263)	(241,183)	-	(243,446)
<b>Balance as at March 31, 2016</b>	<b>\$ (15,982)</b>	<b>\$ (394,102)</b>	<b>\$ -</b>	<b>\$ (410,084)</b>
<b>Net book value</b>				
As at March 31, 2015	\$ 7,545	\$ 184,591	\$ 378,419	\$ 570,555
<b>As at March 31, 2016</b>	<b>\$ 5,282</b>	<b>\$ 1,182,121</b>	<b>\$ 974,269</b>	<b>\$ 2,161,672</b>

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).

**6. RESOURCE PROPERTIES**

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

	Sarfartoq Mineral Claim	Naajat (White Mountain) Mineral Claim	Total
<b>Acquisition costs / license fees</b>			
As at March 31, 2015	\$ 768,673	\$ 86,883	\$ 855,556
Additions	-	92,122	92,122
<b>Balance as at March 31, 2016</b>	<b>\$ 768,673</b>	<b>\$ 179,005</b>	<b>\$ 947,678</b>
Additions	-	41,061	41,061
Effect of movements in exchange rates	-	(388)	(388)
<b>Balance as at March 31, 2017</b>	<b>\$ 768,673</b>	<b>\$ 219,678</b>	<b>\$ 988,351</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.

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**6. RESOURCE PROPERTIES (CONTINUED)**

**Current Resource Properties**

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

In 2014, the Company began the process of converting the Naajat exploration license into an exploitation license. The exploitation license was granted in September 2015. In addition, the Company 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.

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 must submit an annual report by April 1, of each year detailing its activities and expenditures for approval. The Greenland government has granted the Company an exploration commitment holiday until December 31, 2019, as the Company has accrued sufficient credits from previous expenditures on their annual work commitments. The Company 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.

**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.

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**7. EXPLORATION AND EVALUATION COSTS**

The exploration and evaluation costs expensed by the Company during the year ended March 31, 2017 and 2016 are broken down as follows:

	For the year ended		Cumulative exploration and evaluation costs, March 31, 2017
	March 31, 2017	March 31, 2016	
<b>Exploration and evaluation costs:</b>			
<b>Sarfartoq</b>			
Assay and analysis	\$ 2,924	\$ 2,502	\$ 1,373,792
Camp and portable shelters	992	6,017	1,178,756
Consulting	-	13,901	2,906,252
Data processing	-	-	56,737
Diamond recovery plant and operations	-	-	1,672,479
Drilling	-	-	6,717,631
Equipment	-	14,592	671,305
Explosives	-	-	50,026
Fuel	-	525	324,255
Geophysical data	-	-	611,754
Helicopter	1,157	49,049	7,483,533
Insurance	-	-	47,166
Legal	-	478	14,940
Recoveries	-	-	(208,588)
Sample extraction and processing	-	-	1,599,963
Shipping	-	8,576	1,073,325
Supplies	-	1,745	202,351
Travel	1,402	7,383	1,724,111
Wages and benefits	-	559	224,435
<b>Total</b>	<b>\$ 6,475</b>	<b>\$ 105,327</b>	<b>\$ 27,724,223</b>

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

	For the year ended		Cumulative exploration and evaluation costs, March 31, 2017
	March 31, 2017	March 31, 2016	
<b>Naajat / White Mountain</b>			
Assay and analysis	\$ 61,114	\$ 34,356	\$ 1,105,233
Camp and portable shelters	66,945	76,200	344,839
Consulting	848,998	354,547	2,220,562
Drilling	-	-	582,612
Equipment	174,204	140,360	524,930
Fuel	-	13,166	40,382
Geophysical data	-	-	53,272
Helicopter	41,218	328,781	1,689,703
Legal	1,950	58,542	71,291
Reclamation	1,302,770	238,763	1,541,533
Shipping	93,612	205,114	634,985
Supplies	206,939	133,000	449,071
Travel	127,920	67,520	506,671
Wages and benefits	23,110	4,474	95,374
<b>Total</b>	<b>\$ 2,948,780</b>	<b>\$ 1,654,823</b>	<b>\$ 9,860,458</b>
<b>Pingasut Mineral Claim</b>			
Assay and analysis	\$ -	\$ 236	\$ 254
Camp and portable shelters	992	6,017	7,376
Consulting	-	13,901	33,110
Equipment	-	14,592	15,164
Fuel	-	525	1,667
Helicopter	1,157	49,049	62,527
Legal	-	478	592
Shipping	-	8,576	9,461
Supplies	-	1,745	1,419
Travel	1,402	7,383	15,400
Wages and benefits	-	559	559
<b>Total</b>	<b>\$ 3,551</b>	<b>\$ 103,061</b>	<b>\$ 147,529</b>
<b>Total exploration and evaluation costs:</b>	<b>\$ 2,958,806</b>	<b>\$ 1,863,211</b>	<b>\$ 37,732,210</b>

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**8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

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

	<b>March 31, 2017</b>		<b>March 31, 2016</b>	
Trade payables	\$	626,077	\$	212,578
Accrued liabilities		59,346		68,378
	<b>\$</b>	<b>685,423</b>	<b>\$</b>	<b>280,956</b>

**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. 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 the year ended March 31, 2017, interest expense of \$139,887 (March 31, 2016 – \$88,959) was charged to the statement of loss and comprehensive and increased the carrying value of the note payable.

As at March 31, 2017, the balance of the note payable including interest is \$1,394,518 (March 31, 2016 – \$1,254,632).

Subsequent to March 31, 2017, the Company made an interest payment of \$248,000.

**10. 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:

	<b>in DKK</b>	<b>in CAD</b>
<b>Initial recognition</b>	<b>1,250,000</b>	<b>238,763</b>
Effect of movements in exchange rates	-	8,237
<b>Balance as at March 31, 2016</b>	<b>1,250,000</b>	<b>247,000</b>
Additions	7,991,869	1,302,770
Effect of movements in exchange rates	-	(20,038)
<b>Balance as at March 31, 2017</b>	<b>9,241,869</b>	<b>1,529,732</b>

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 \$3,600 (DKK 18,800) was charged to put the claim in place.



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**10. RECLAMATION OBLIGATION (CONTINUED)**

Subsequent to March 31, 2017, 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. DKK 6,666,667 was paid subsequent to March 31, 2017, and is held in a restricted escrow account. The amount is expensed within exploration and evaluation costs.

The following table shows the assumptions used in the calculation of the Company's reclamation obligation:

	For the years ended	
	March 31, 2017	March 31, 2016
Pre-tax risk-free discount rate	0.75%	-
Estimated settlement date	2047	-

The reclamation obligation at the date of the statement of financial position represents management's best estimate of the present value of the future site restoration costs required. Changes to estimated future costs are recognized in the statement of financial position by adjusting the site restoration provision and associated asset. To the extent that the site restoration provision was created due to exploration activities which do not yet qualify for capitalization, the amount is expensed to exploration and evaluation costs.

Significant estimates and assumptions are made in determining the site restoration provision as there are numerous factors that will affect the ultimate liability payable. Those uncertainties may result in future actual expenditures differing from the amount currently provided.

**11. SHARE CAPITAL**

**a) Authorized share capital**

Unlimited number of common shares without par value.

**b) Issued share capital**

At March 31, 2017, the Company had 134,604,873 common shares issued and outstanding (March 31, 2016 – 90,288,366 common shares issued and outstanding).

**During the year ended March 31, 2017**

- On August 12, 2016, the Company completed a private placement of 4,050,000 units for gross proceeds of \$1,620,000. 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 \$0.60 per share until August 10, 2019.

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 0.51%, an expected life of 3 years, an expected volatility of 60% and an expected dividend yield of 0%, which totaled \$185,170, 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 \$1,434,830 was recorded as common shares.

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**11. SHARE CAPITAL (CONTINUED)**

**b) Issued share capital (continued)**

- On February 1, 2017, The Company completed a private placement of 26,647,706 units for gross proceeds \$9,326,697. 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 \$0.50 per share until February 1, 2020.

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 0.72%, an expected life of 3 years, an expected volatility of 60% and an expected dividend yield of 0%, which totaled \$1,221,629, 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 \$8,105,068 was recorded as common shares.

- On February 17, 2017, The Company completed a private placement of 5,618,801 units for gross proceeds \$1,966,580. 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 \$0.50 per share until February 16, 2020.

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 0.74%, an expected life of 3 years, an expected volatility of 60% and an expected dividend yield of 0%, which totaled \$289,539, 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 \$1,677,041 was recorded as common shares.

- On March 20, 2017, The Company issued 8,000,000 units for gross proceeds \$4,000,000 to Greenland Venture A/S, recorded as share subscriptions receivable. 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 \$0.70 per share until March 30, 2020.

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 0.74%, an expected life of 3 years, an expected volatility of 63% and an expected dividend yield of 0%, which totaled \$726,000, 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 \$3,274,000 was recorded as common shares.

On April 6, 2017, the Company received \$4,000,000 from Greenland Venture A/S.

In connection with the private placements completed during the March 31, 2017, the Company paid \$603,515 in share issue costs.

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**11. SHARE CAPITAL (CONTINUED)**

**b) Issued share capital (continued)**

**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 until September 1, 2018.

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.

- 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 until September 17, 2018.

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.

In connection with the private placements completed during the March 31, 2016, the Company paid \$252,648 and \$1,606 in finders' fees and filing fees, respectively.

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**11. SHARE CAPITAL (CONTINUED)**

**c) Share purchase warrants**

The changes in warrants during the years ended March 31, 2017 and 2016 are as follows:

	March 31, 2017		March 31, 2016	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
Outstanding, beginning of year	4,400,800	\$ 0.75	-	\$ -
Issued	22,158,253	0.55	4,400,800	0.75
Outstanding, end of year	26,559,053	\$ 0.58	4,400,800	\$ 0.75

The following summarizes information about share purchase warrants outstanding at March 31, 2017:

Expiry date	Warrants outstanding	Exercise price	Weighted average remaining contractual life (in years)
September 1, 2018	4,023,500	\$ 0.75	1.42
September 17, 2018	377,300	0.75	1.47
August 10, 2019	2,025,000	0.60	2.36
February 1, 2020	13,323,853	0.50	2.84
February 16, 2020	2,809,400	0.50	2.88
March 30, 2020	4,000,000	0.70	3.00
	26,559,053		2.60

**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 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, management has the option of determining vesting periods.

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**11. SHARE CAPITAL (CONTINUED)**

**d) Stock options (continued)**

The changes in stock options during the years ended March 31, 2017 and 2016 are as follows:

	<b>March 31, 2017</b>		<b>March 31, 2016</b>	
	<b>Number outstanding</b>	<b>Weighted average exercise price</b>	<b>Number outstanding</b>	<b>Weighted average exercise price</b>
Outstanding, beginning of year	8,300,000	\$ 0.44	7,800,000	\$ 0.52
Granted	2,340,000	0.39	2,700,000	0.50
Expired	(1,150,000)	0.65	(2,200,000)	0.80
Outstanding, end of year	<u>9,490,000</u>	<u>\$ 0.40</u>	<u>8,300,000</u>	<u>\$ 0.44</u>

**During the year ended March 31, 2017**

- The Company granted 2,260,000 options with an exercise price of \$0.38 to its officers, directors and employees. The options are exercisable for a period of five years. All of the options granted vested immediately at the date of grant.
- The Company granted 80,000 options with an exercise price of \$0.65 to its advisor. 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.
- 1,150,000 options with an expiry date of September 18, 2016 expired unexercised.

**During the year ended March 31, 2016**

- 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.

The following summarizes information about stock options outstanding and exercisable at March 31, 2017:

<b>Expiry date</b>	<b>Options outstanding</b>	<b>Options exercisable</b>	<b>Exercise price</b>	<b>Estimated grant date fair value</b>	<b>Weighted average remaining contractual life (in years)</b>
October 12, 2017	2,225,000	2,225,000	\$ 0.36	\$ 692,198	0.53
November 5, 2017	125,000	125,000	\$ 0.36	\$ 35,334	0.60
April 24, 2019	2,100,000	2,100,000	\$ 0.34	\$ 567,378	2.07
September 8, 2020	2,700,000	2,700,000	\$ 0.50	\$ 838,417	3.44
January 18, 2022	2,260,000	2,260,000	\$ 0.38	\$ 481,346	4.81
March 30, 2022	80,000	20,000	\$ 0.65	\$ 36,638	5.00
	<u>9,490,000</u>	<u>9,430,000</u>		<u>\$ 2,651,311</u>	<u>2.76</u>

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

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**11. SHARE CAPITAL (CONTINUED)**

**d) Stock options (continued)**

The estimated grant date fair value of the options granted during the years ended March 31, 2017 and 2016 was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	For the years ended	
	March 31, 2017	March 31, 2016
Share price at the grant date	\$ 0.39	\$ 0.50
Risk-free interest rate	1.01%	0.65%
Expected annual volatility	67.49%	77.67%
Expected life	5.00	5.00
Expected dividend yield	-	0.00%
Grant date fair value per option	\$ 0.22	\$ 0.31

During the years ended March 31, 2017 and 2016, the Company recognized share-based payments expense of \$685,682 and \$695,082, respectively.

**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.

**12. LOSS PER SHARE**

The calculation of basic and diluted loss per share for the year ended March 31, 2017 is based on the net loss attributable to common shareholders of \$5,645,511 (March 31, 2016 – \$4,147,451) and a weighted average number of common shares outstanding during the year ended March 31, 2017 of 98,095,005 (March 31, 2016 – 86,532,048).

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

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**13. RELATED PARTY TRANSACTIONS AND BALANCES**

**a) Related party balances**

The balances due to related parties included in accounts payable and accrued liabilities were \$49,128 as at March 31, 2017 (March 31, 2016 – \$46,588). 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:

	<b>For the year ended</b>	
	<b>March 31, 2017</b>	<b>March 31, 2016</b>
Short-term employee benefits - management fees	\$ 440,000	\$ 660,000
Short-term employee benefits - professional fees <sup>(1)</sup>	162,760	120,744
Short-term employee benefits - exploration and evaluation costs <sup>(2)</sup>	90,000	-
Short-term employee benefits - directors' fees	100,000	100,000
Share-based payments	652,134	670,022
	<b>\$ 1,444,894</b>	<b>\$ 1,550,766</b>

(1) The Company paid \$162,760 (March 31, 2016 – \$120,744) for accounting and corporate secretarial services to Quantum Advisory Partners LLP whose incorporated partner is the Company's Chief Financial Officer.

(2) The Company paid \$90,000 (March 31, 2016 – \$nil) to a director for engineering consulting services.

**14. COMMITMENT**

On June 30, 2017, the Company terminated the office lease agreement and entered into a new office lease for a term of five years ending June 30, 2022. Total minimum lease payments are as follows:

<b><i>For the year ended</i></b>	
March 31, 2018	\$ 42,782
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>\$ 248,312</b>

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**15. 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
<b><i>As at March 31, 2017</i></b>			
Resource properties	\$ -	\$ 988,351	\$ 988,351
Equipment	5,395	4,271,001	4,276,396
	<b>\$ 5,395</b>	<b>\$ 5,259,352</b>	<b>\$ 5,264,747</b>
<b><i>As at March 31, 2016</i></b>			
Resource properties	\$ -	\$ 947,678	\$ 947,678
Equipment	5,282	2,156,390	2,161,672
	<b>\$ 5,282</b>	<b>\$ 3,104,068</b>	<b>\$ 3,109,350</b>

**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 equity.

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, 2017.



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**17. FINANCIAL INSTRUMENTS**

**a) Fair value**

The carrying values of cash and cash equivalents, amounts receivable, deposits, accounts payable and accrued liabilities, and note payable 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.

There are no financial instruments recorded at FVTPL on the statements of financial position.

**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 and amounts receivable 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, 2017 and 2016, 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 March 31, 2017, the Company had cash and cash equivalents and share subscription receivable of \$6,382,573 and \$4,000,000, respectively in order to meet short-term business requirements. At March 31, 2017, the Company had accounts payable and accrued liabilities and note payable of \$685,423 and \$1,394,518, respectively. All accounts payable and accrued liabilities, and note payable are current.

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**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 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 March 31, 2017 and 2016.

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 March 31, 2017 would result in an approximately \$64,000 change to the Company's net loss for the year ended March 31, 2017.

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

**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 and DKK; therefore, the 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, 2017 and 2016:

**As at March 31, 2017:**

	in CAD	in DKK
Cash and cash equivalents	\$ 6,088,140	\$ 1,538,223
Amounts receivable	-	-
Deposits	3,259	4,480
Accounts payable and accrued liabilities	(595,524)	(469,665)
Note payable	(1,394,518)	-
	<b>4,101,357</b>	<b>1,073,038</b>
Rate to convert to \$1.00 CAD	1.000	5.2244
<b>Equivalent to Canadian dollars</b>	<b>4,101,357</b>	<b>205,392</b>

Based on the above net exposures as at March 31, 2017, and assuming that all other variables remain constant, a 10% change of the CAD against the DKK by 10% would impact comprehensive loss by approximately by \$20,000.

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**17. FINANCIAL INSTRUMENTS (CONTINUED)**

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

**Market Risk (continued)**

**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:

	<b>2017</b>	<b>2016</b>
<b>Loss before income taxes</b>	<b>\$ (5,645,511)</b>	<b>\$ (4,147,451)</b>
Expected income tax recovery	(1,468,000)	(1,078,000)
(Increase) decrease in income tax recovery resulting from:		
Impact of foreign tax rates, changes in unrecognized deferred tax assets and other	1,366,000	819,000
Non-deductible differences	102,000	181,000
Expiry of non-capital losses	-	78,000
Deferred tax expense (recovery)	\$ -	\$ -

The significant components of the Company's temporary differences, unused tax credits and unused tax losses that have not been included on the consolidated statement of financial position are as follows:

	<b>2017</b>	<b>Expiry Date Range</b>	<b>2016</b>	<b>Expiry Date Range</b>
<b>Temporary Differences</b>				
Resource properties and equipment	\$38,058,000	No expiry date	\$35,354,000	No expiry date
Share issuance costs	\$635,000	No expiry date	\$200,000	No expiry date
Non-capital losses carried forward	\$13,158,000	2021 to 2037	\$11,346,000	2021 to 2036