

HUDSON RESOURCES INC.

**CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS
FOR THE THREE AND NINE MONTHS ENDED DECEMBER 31, 2017**

(unaudited)

(Expressed in Canadian Dollars)

NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS

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

The accompanying unaudited condensed consolidated interim financial statements of Hudson Resources Inc. for the three and nine months ended December 31, 2017 have been prepared by the management of the Company and approved by the Company's Audit Committee and the Company's Board of Directors.

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

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

<i>As at</i>	December 31, 2017		March 31, 2017	
ASSETS				
Current assets				
Cash and cash equivalents	\$	1,791,459	\$	6,382,573
Restricted cash (note 4)		2,261,793		-
Sales tax receivable		126,908		47,660
Deposits		11,156		4,117
Share subscriptions receivable (note 13(b))		-		4,000,000
Prepaid expenses		1,968,394		2,099,797
		6,159,710		12,534,147
Non-current assets				
Restricted cash (note 4)		1,297,033		-
Equipment (note 5)		10,795,900		4,276,396
Reclamation bonds		1,345,847		-
Resource properties (note 6)		769,682		988,351
Development assets (note 8)		15,358,103		-
		29,566,565		5,264,747
TOTAL ASSETS	\$	35,726,275	\$	17,798,894
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities (notes 9 & 14(a))	\$	2,418,732	\$	685,423
Note payable (note 10)		1,271,111		1,394,518
		3,689,843		2,079,941
Non-current liabilities				
Loan payable (note 11)		21,003,204		-
Reclamation obligation (note 12)		1,622,441		1,529,732
		22,625,645		1,529,732
TOTAL LIABILITIES		26,315,488		3,609,673
EQUITY				
Share capital (note 13(b))	\$	62,065,956	\$	60,606,306
Additional paid-in capital (note 13(e))		3,685,583		3,634,693
Stock options reserve (note 13(e))		1,918,599		2,623,991
Warrants reserve (note 13(e))		3,100,406		2,995,905
Foreign currency translation reserve		226,160		(24,686)
Deficit		(61,585,917)		(55,646,988)
TOTAL EQUITY		9,410,787		14,189,221
TOTAL EQUITY AND LIABILITIES	\$	35,726,275	\$	17,798,894

Corporate information and continuance of operations (note 1)

Commitments (note 15)

Segmented information (note 16)

Subsequent events (note 11 and 14(a))

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

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

/s/ James Tuer Director

/s/ John Hick Director

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

	For the three months ended		For the nine months ended	
	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
EXPENSES				
Accretion of interest (note 12)	\$ 3,014	\$ -	\$ 8,948	\$ -
Bank charges and interest (note 10)	37,204	39,735	111,646	115,005
Depreciation (note 5)	404	94,424	396,987	274,315
Directors' fees (note 14)	25,000	25,000	75,000	75,000
Exploration and evaluation costs (note 7)	1,136	433,281	4,761,440	1,224,871
Foreign exchange	(266,835)	7,790	(538,513)	18,291
Interest income	(254)	(1,220)	(17,399)	(6,083)
Management fees (note 14)	81,250	110,000	502,500	330,000
Office	38,746	14,526	82,066	53,657
Professional fees (note 14)	171,666	62,056	411,396	298,707
Rent	19,675	11,249	54,054	33,740
Share-based payments (note 13(d))	4,359	33,423	22,148	182,117
Shareholder and corporate communications	5,290	3,869	35,773	16,553
Transfer agent and filing fees	9,051	10,126	20,476	37,936
Travel and accommodation	8,287	6,926	12,407	9,736
NET LOSS FOR THE PERIOD	137,993	851,185	5,938,929	2,663,845
OTHER COMPREHENSIVE INCOME				
Foreign currency translation differences for foreign operations	(150,395)	(1,580)	(250,846)	(3,494)
TOTAL LOSS AND COMPREHENSIVE LOSS FOR THE PERIOD	\$ (12,402)	\$ 849,605	\$ 5,688,083	\$ 2,660,351
Basic and diluted loss per share for the period attributable to common shareholders	\$ 0.00	\$ 0.01	\$ 0.04	\$ 0.03
Weighted average number of common shares outstanding - basic and diluted	136,538,025	94,338,366	135,251,600	92,379,639

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

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

	Share capital		Reserves					Deficit	Total
	Number of shares	Amount	Additional paid-in capital	Stock options reserve	Warrants reserve	Foreign currency translation reserve			
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	
Shares issued for cash - private placement	4,050,000	1,434,830	-	-	185,170	-	-	1,620,000	
Share issue costs	-	(84,005)	-	-	-	-	-	(84,005)	
Reclassification of grant-date fair value on expired options	-	-	536,468	(536,468)	-	-	-	-	
Share-based payments	-	-	-	182,117	-	-	-	182,117	
Total loss and comprehensive loss	-	-	-	-	-	3,494	(2,663,845)	(2,660,351)	
Balance at December 31, 2016	94,338,366	\$ 48,069,707	\$ 3,634,693	\$ 2,120,426	\$ 758,737	\$ 5,408	\$ (52,665,322)	\$ 1,923,649	
Balance at March 31, 2017	134,604,873	\$ 60,606,306	\$ 3,634,693	\$ 2,623,991	\$ 2,995,905	\$ (24,686)	\$ (55,646,988)	\$ 14,189,221	
Shares issued for cash - stock option exercise	2,175,000	783,000	-	-	-	-	-	783,000	
Reclassification of grant-date fair value on exercise of stock options	-	676,650	-	(676,650)	-	-	-	-	
Reclassification of grant-date fair value on expired options	-	-	50,890	(50,890)	-	-	-	-	
Fair value of warrants issued for loan payable	-	-	-	-	104,501	-	-	104,501	
Share-based payments	-	-	-	22,148	-	-	-	22,148	
Total loss and comprehensive loss	-	-	-	-	-	250,846	(5,938,929)	(5,688,083)	
Balance at December 31, 2017	136,779,873	\$ 62,065,956	\$ 3,685,583	\$ 1,918,599	\$ 3,100,406	\$ 226,160	\$ (61,585,917)	\$ 9,410,787	

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

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

	For the nine months ended	
	December 31, 2017	December 31, 2016
Cash flows from (used in):		
OPERATING ACTIVITIES		
Net loss for the period	\$ (5,938,929)	\$ (2,663,845)
Adjustments for items not affecting cash:		
Depreciation	396,987	274,315
Share-based payments	22,148	182,117
Accretion of interest	8,948	-
Net changes in non-cash working capital items:		
Amounts receivable	-	7,106
Sales tax receivable	(79,248)	4,792
Prepaid expenses	240,056	(584,880)
Deposits	(7,027)	32
Accounts payable and accrued liabilities	978,953	389,424
Note payable	(123,407)	105,394
Net cash flows used in operating activities	(4,501,519)	(2,285,545)
FINANCING ACTIVITIES		
Proceeds from share issuance, net of share issue costs	783,000	1,535,995
Share subscription receivable	4,000,000	-
Proceeds from loans and borrowings, net of transaction costs	21,462,102	-
Net cash flows from financing activities	26,245,102	1,535,995
INVESTING ACTIVITIES		
Equipment purchases	(12,239,404)	(549,279)
Resource property acquisition costs	(1,009)	(37,122)
Reclamation deposits	(1,325,275)	-
Restricted cash	(3,512,197)	-
Expenditures on mine development	(8,491,447)	-
Net cash flows used in investing activities	(25,569,332)	(586,401)
Effect of exchange rate changes on cash and cash equivalents	(765,365)	(1,148)
Net decrease in cash	(4,591,114)	(1,337,099)
Cash, beginning of period	6,382,573	1,476,790
Cash, end of period	\$ 1,791,459	\$ 139,691
Cash received during the period for interest	\$ 17,399	\$ 6,083
Supplementary cash flow information		
Reclassification of the fair value of options expired	\$ 50,890	\$ 536,468
Reclassification of grant-date fair value on exercise of stock options	\$ 676,650	\$ -
Reclassification of the fair value of warrants issued	\$ -	\$ 185,170
Fair value of warrants issued for loan payable	\$ 104,501	\$ -

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

Hudson Resources Inc.
Notes to the Condensed Consolidated Interim Financial Statements (unaudited)
For the Nine Months Ended December 31, 2017
(Expressed in Canadian Dollars)

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 developing the Qaqortorsuaq (White Mountain) anorthosite mine in Greenland. It may also acquire, explore and evaluate other resource properties, and either joint venture or develop these properties further or dispose of them when the evaluation is completed. The Company currently holds two exploration licenses (Sarfartoq Mineral Claim (currently under license renewal) and Pingasut Mineral Claim) and one exploitation license (Naajat (White Mountain or Qaqortorsuaq) Mineral Claim) in Greenland. As of July 17, 2017, the Company entered the development phase of its Naajat (Qaqortorsuaq) Mineral Claim. On July 17, 2017, the Company completed a debt funding arrangement with Cordiant Capital Inc. ("Cordiant") for debt financing of up to US\$13 million ("Senior Loan") and US\$9.5m ("Subordinated Loan") for Hudson's White Mountain Anorthosite Project in Greenland (the "Project") through its 100% owned Greenland subsidiary, Hudson Greenland A/S.

As at December 31, 2017, the Company had not yet achieved profitable operations, had a deficit of \$61,585,917, and expects to incur further losses in the development of its business, all of which indicates material uncertainties which may cast significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future cash flow from its operations and / or obtain the necessary financing to meet its obligations and repay its liabilities arising from normal business operations when they come due. These financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Realization values may be substantially different from carrying values as shown.

The unaudited interim condensed consolidated financial statements of the Company for the three and nine months ended December 31, 2017 were approved by the Board of Directors on February 27, 2018.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

Statement of compliance to International Financial Reporting Standards

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

Basis of consolidation

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

Hudson Resources Inc.
Notes to the Condensed Consolidated Interim Financial Statements (unaudited)
For the Nine Months Ended December 31, 2017
(Expressed in Canadian Dollars)

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

Basis of presentation

This condensed consolidated interim financial report does not include all of the information required of a full annual financial report and is intended to provide users with an update in relation to events and transactions that are significant to an understanding of the changes in financial position and performance of the Company since the end of the last annual reporting period. It is therefore recommended that this financial report be read in conjunction with the annual audited consolidated financial statements of the Company for the year ended March 31, 2017. However, this condensed consolidated interim financial report provides selected significant disclosures that are required in the annual financial statements under IFRS.

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

Development assets

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

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

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

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

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

Functional and presentation currency

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

Hudson Resources Inc.
Notes to the Condensed Consolidated Interim Financial Statements (unaudited)
For the Nine Months Ended December 31, 2017
(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, 2017. Updates which are not applicable or are not consequential to the Company have been excluded thereof. The following have not yet been adopted by the Company and are being evaluated to determine their impact:

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

4. RESTRICTED CASH

On July 17, 2017, the Company completed a debt funding arrangement with Cordiant for debt financing of up to US\$13 million on the Senior Loan and US\$9.5 million on the Subordinated Loan for the Project in Greenland through its 100% owned Greenland subsidiary, Hudson Greenland A/S (Note 11). Pursuant to the Subordinated Loan agreement (“Loan Agreement”), the Company is required to maintain a credit balance on the Debt Service Reserve Account (“DSRA”) of an amount at least equal to the aggregate amount of the projected finance costs to fall due for payment under the Senior Loan and the Subordinated Loan in the 6-month period commencing on the day immediately following the disbursement date.

As of December 31, 2017, restricted cash included a portion of the Senior Loan financing totaling \$2,261,793 (US\$1,802,160), which was held in escrow and \$1,297,033 (US\$1,033,443) maintained in the DSRA.

Hudson Resources Inc.
Notes to the Condensed Consolidated Interim Financial Statements (unaudited)
For the Nine Months Ended December 31, 2017
(Expressed in Canadian Dollars)

5. EQUIPMENT

	Office equipment	Computer equipment	Field equipment	Vehicle	Buildings	Land improvements	Total
Cost							
As at March 31, 2017	\$ -	\$ 23,260	\$ 3,937,429	\$ -	\$ -	\$ 1,431,742	\$ 5,392,431
Additions	21,072	-	8,917,613	222,629	3,078,090	-	12,239,404
Transfer to development asset	-	-	-	-	(3,045,606)	(1,439,535)	(4,485,141)
Effect of movements in exchange rates	125	-	339,471	3,019	(32,484)	7,793	317,924
Balance as at December 31, 2017	\$ 21,197	\$ 23,260	\$ 13,194,513	\$ 225,648	\$ -	\$ -	\$ 13,464,618
Depreciation							
As at March 31, 2017	\$ -	\$ (17,865)	\$ (1,098,170)	\$ -	\$ -	\$ -	\$ (1,116,035)
Charged for the period	(1,969)	(1,213)	(1,478,355)	(13,934)	-	-	(1,495,471)
Effect of movements in exchange rates	(18)	-	(57,061)	(133)	-	-	(57,212)
Balance as at December 31, 2017	\$ (1,987)	\$ (19,078)	\$ (2,633,586)	\$ (14,067)	\$ -	\$ -	\$ (2,668,718)
Net book value							
As at March 31, 2017	\$ -	\$ 5,395	\$ 2,839,259	\$ -	\$ -	\$ 1,431,742	\$ 4,276,396
As at December 31, 2017	\$ 19,210	\$ 4,182	\$ 10,560,927	\$ 211,581	\$ -	\$ -	\$ 10,795,900

During the nine months ended December 31, 2017 (“YTD 2018”), the Company charged \$1,495,471 (December 31, 2016 (“YTD 2017”) – \$274,315) in depreciation expense of which \$396,987 (YTD 2017 – \$274,315) was charged to statement of loss and comprehensive loss and \$1,098,484 (YTD 2017 – \$nil) was capitalized as development assets (Note 8).

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

Asset restrictions and contractual commitments

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

Hudson Resources Inc.
Notes to the Condensed Consolidated Interim Financial Statements (unaudited)
For the Nine Months Ended December 31, 2017
(Expressed in Canadian Dollars)

6. RESOURCE PROPERTIES

	Sarfartoq Mineral Claim	Naajat (White Mountain) Mineral Claim	Total
<i>Acquisition costs / license fees</i>			
Balance as at March 31, 2017	\$ 768,673	\$ 219,678	\$ 988,351
Additions	1,009	-	1,009
Transfer to development assets	-	(224,843)	(224,843)
Effect of movements in exchange rates	-	5,165	5,165
Balance as at December 31, 2017	\$ 769,682	\$ -	\$ 769,682

The Company currently has two Exploration Licenses (“EL”) in Greenland, the Sarfartoq EL (2010/40), which is currently under a renewal application, and the Pingasut EL (2013/01) and one exploitation license, the Naajat EL (2015/39). In 2014, Hudson was granted a license renewal on the Sarfartoq EL.

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

As of December 31, 2017, and March 31, 2017, respectively, the carrying value of the Sarfartoq mineral claim was \$769,682 and \$768,673, respectively.

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

Current Resource Properties

Sarfartoq Mineral Claim (2010/40), Greenland

The Company must submit an annual report by April 1, of each year detailing its activities and expenditures for approval. In 2015, the Company’s license was renewed to December 31, 2017. Subsequently, in December 2015, the Greenland government granted the Company a 2-year exploration commitment holiday. In December 2017, the Greenland government extended the exploration commitment holiday for an additional year. 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, 2020. In December 2017, Hudson applied to extend the license for an additional 3-year period.

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 2017 was 1,512,180 DKK (approximately \$300,000). Hudson has accrued sufficient credits (2,475,727 DKK) from previous expenditures to carry the license beyond December 31, 2017, with credits available until December 31, 2018.

Hudson Resources Inc.
Notes to the Condensed Consolidated Interim Financial Statements (unaudited)
For the Nine Months Ended December 31, 2017
(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION COSTS

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

	For the nine months ended		Cumulative exploration and evaluation costs, December 31, 2017
	December 31, 2017	December 31, 2016	
Sarfartoq			
Assay and analysis	\$ 2,760	\$ 2,168	\$ 1,376,552
Camp and portable shelters	-	992	1,178,756
Consulting	-	-	2,906,252
Data processing	-	-	56,737
Diamond recovery plant and operations	-	-	1,672,479
Drilling	-	-	6,717,631
Parts and spares	-	-	671,305
Explosives	-	-	50,026
Fuel	-	-	324,255
Geophysical data	-	-	611,754
Helicopter	-	1,157	7,483,533
Insurance	-	-	47,166
Legal	-	-	14,940
Recoveries	-	-	(208,588)
Sample extraction and processing	-	-	1,599,963
Shipping	-	-	1,073,325
Supplies	-	-	202,351
Travel	-	1,402	1,724,111
Wages and benefits	-	-	224,435
Total	\$ 2,760	\$ 5,719	\$ 27,726,983

Hudson Resources Inc.
Notes to the Condensed Consolidated Interim Financial Statements (unaudited)
For the Nine Months Ended December 31, 2017
(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION COSTS (CONTINUED)

	For the nine months ended		Cumulative exploration and evaluation costs, December 31, 2017
	December 31, 2017	December 31, 2016	
Naajat / White Mountain			
Administrative	\$ 347,972	\$ -	\$ 347,972
Assay and analysis	5,484	54,363	1,110,717
Camp and portable shelters	-	65,387	344,839
Consulting	164,339	456,523	2,384,901
Drilling	111,204	-	693,816
Parts and spares	526,868	165,665	1,051,798
Engineering	608,719	-	608,719
Explosives	68,415	-	68,415
Fuel	162,385	-	202,767
Geophysical data	-	-	53,272
Helicopter	42,738	35,842	1,732,441
Legal	-	1,950	71,291
Project management	1,028,173	-	1,028,173
Reclamation	-	-	1,541,533
Shipping	623,066	92,370	1,258,051
Supplies	769,277	208,697	1,218,348
Travel	300,040	111,497	806,711
Wages and benefits	-	23,307	95,374
Total	\$ 4,758,680	\$ 1,215,601	\$ 14,619,138
Pingasut Mineral Claim			
Assay and analysis	\$ -	\$ -	\$ 254
Camp and portable shelters	-	992	7,376
Consulting	-	-	33,110
Parts and spares	-	-	15,164
Fuel	-	-	1,667
Helicopter	-	1,157	62,527
Legal	-	-	592
Shipping	-	-	9,461
Supplies	-	-	1,419
Travel	-	1,402	15,400
Wages and benefits	-	-	559
Total	\$ -	\$ 3,551	\$ 147,529
Total exploration and evaluation costs:	\$ 4,761,440	\$ 1,224,871	\$ 42,493,650

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

Hudson Resources Inc.
Notes to the Condensed Consolidated Interim Financial Statements (unaudited)
For the Nine Months Ended December 31, 2017
(Expressed in Canadian Dollars)

8. DEVELOPMENT ASSETS

Balance as at March 31, 2017	\$	-
Transfer from equipment		4,485,141
Transfer from resource properties		224,843
Additions		8,491,447
Capitalized borrowing costs		827,160
Capitalized depreciation charges		1,098,484
Effect of movements in exchange rates		231,028
Balance as at December 31, 2017	\$	15,358,103

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

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

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

9. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

	December 31, 2017		March 31, 2017	
Trade payables	\$	1,558,796	\$	626,077
Interest payable		734,944		-
Accrued liabilities		124,992		59,346
	\$	2,418,732	\$	685,423

Hudson Resources Inc.
Notes to the Condensed Consolidated Interim Financial Statements (unaudited)
For the Nine Months Ended December 31, 2017
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10. NOTE PAYABLE

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

During YTD 2018, interest expense of \$105,394 (YTD 2017 – \$105,394) was charged to the statement of loss and comprehensive loss and increased the carrying value of the note payable.

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

As at December 31, 2017, the balance of the note payable including interest is \$1,271,111 (March 31, 2017 – \$1,394,518).

11. LOAN PAYABLE

The Company's loan payable balance as of December 31, 2017, is as follows:

	in USD	in CAD
Initial recognition		
Gross amount	\$ 17,900,000	\$ 22,494,698
Less: Transaction costs	(1,234,916)	(1,547,078)
	16,665,084	20,947,620
Accretion of interest	655,294	827,160
Amounts transferred to interest payable (note 9)	(585,584)	(734,944)
Effect of movements in exchange rates	-	(36,632)
Balance as at December 31, 2017	\$ 16,734,794	\$ 21,003,204

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

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11. LOAN PAYABLE (CONTINUED)

The Subordinated Loan and the Senior Loan each have a term of seven years, maturing on July 15, 2024. Semi-annual principal repayments start on January 15, 2020. Prior to that only interest payments are required. The Senior Loan carries an interest rate of \$US six-month LIBOR plus 6.5%. The rate increases to LIBOR plus 9.5% after July 15, 2018 in the event that Cordiant remains the holder of the loan. Cordiant may syndicate the loan prior to then, in which case the rate will remain LIBOR plus 6.5%. The Subordinated Loan's rate is \$US six-month LIBOR plus 9.5%. The Subordinated Loan and the Senior Loan are secured by all the assets of the Company.

In connection with the debt funding arrangement, the Company incurred transaction costs of \$1,442,577. These transaction costs were recorded as a reduction of the carrying value of the liability.

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

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

On October 10, 2017 and November 7, 2017, respectively, the Company drew down US\$3.9 million (\$4,883,666) and US\$4.5 million (\$5,739,138) of the Senior Loan.

During YTD 2018, accretion expense of \$827,160 was capitalized as development assets with a corresponding increase in the carrying value of the liability.

During YTD 2018, the Company reclassified \$734,944 (US\$585,584) from loan payable to accounts payable and accrued liabilities as interest payable. These amounts were paid subsequent to December 31, 2017.

As at December 31, 2017, the carrying value of loan payable was \$21,003,204.

Subsequent to December 31, 2017, the Company drew down the remaining US\$4.6 million of the Senior Loan.

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12. RECLAMATION OBLIGATION

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

	in DKK	in CAD
Balance as at March 31, 2017	7,991,869	1,529,732
Accretion of interest	44,913	8,948
Effect of movements in exchange rates	-	83,761
Balance as at December 31, 2017	8,036,782	1,622,441

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

13. SHARE CAPITAL

a) Authorized share capital

Unlimited number of common shares without par value.

b) Issued share capital

At December 31, 2017 and March 31, 2017, respectively, the Company had 136,779,873 and 134,604,873 common shares issued and outstanding.

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

During the YTD 2018, 2,175,000 options were exercised for proceeds of \$783,000. In addition, the Company reclassified the grant date fair value of the exercised options of \$676,650 from stock options reserve to share capital.

c) Share purchase warrants

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

	Number outstanding	Weighted average exercise price
Balance, March 31, 2017	26,559,053	\$ 0.58
Issued	450,000	0.55
Balance, December 31, 2017	27,009,053	\$ 0.58

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

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13. SHARE CAPITAL (CONTINUED)

c) Share purchase warrants (continued)

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

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

Expiry date	Warrants outstanding	Exercise price	Weighted average remaining contractual life (in years)
September 1, 2018	4,023,500	\$ 0.75	0.67
September 17, 2018	377,300	0.75	0.71
August 10, 2019	2,025,000	0.60	1.61
February 1, 2020	13,323,853	0.50	2.09
February 16, 2020	2,809,400	0.50	2.13
March 30, 2020	4,000,000	0.70	2.25
July 26, 2020	450,000	0.55	2.57
	27,009,053		1.86

d) Stock options

The Company has a stock option plan whereby the maximum number of shares reserved for issue shall not exceed 10% of the issued and outstanding common shares of the Company as at the date of the grant. The maximum number of common shares reserved for issue to any one optionee under the plan cannot exceed 5% of the total issued and outstanding number of common shares on a non-diluted basis. The maximum number of common shares reserved for issue to any insiders as a group shall not exceed 10% of the total number of issued and outstanding shares on a non-diluted basis. The maximum number of common shares reserved for issue to any one consultant shall not exceed 2% of the total number of issued and outstanding shares on a non-diluted basis. The maximum number of common shares reserved for issue to all eligible persons who undertake investor relation activities shall not exceed 2% in the aggregate of the total number of issued and outstanding shares on a non-diluted basis. The Company has granted directors, officers and consultants common share purchase options ("Options"). These Options are granted with an exercise price equal to no less than the closing market price of the Company's shares prevailing on the day that the Option is granted. Options may have a maximum term of ten years. Under the stock option plan, the Board of Directors can determine vesting periods for Options granted.

During YTD 2018, 175,000 options with an exercise price of \$0.36 expired unexercised.

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13. SHARE CAPITAL (CONTINUED)

d) Stock options (continued)

The following summarizes information about Options outstanding and exercisable at December 31, 2017:

<u>Expiry date</u>	<u>Options outstanding</u>	<u>Options exercisable</u>	<u>Exercise price</u>	<u>Estimated grant date fair value</u>	<u>Weighted average remaining contractual life (in years)</u>
April 24, 2019	2,100,000	2,100,000	\$ 0.34	\$ 567,378	1.31
September 8, 2020	2,700,000	2,700,000	\$ 0.50	\$ 838,417	2.69
January 18, 2022	2,260,000	2,260,000	\$ 0.38	\$ 481,346	4.05
March 30, 2022	80,000	50,000	\$ 0.65	\$ 36,638	4.25
	7,140,000	7,110,000		\$ 1,923,779	2.73

The weighted average exercise price of the exercisable Options was \$0.42.

During YTD 2018 and, YTD 2017, the Company recognized share-based payments expense of \$22,148 and \$182,117, 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.

14. RELATED PARTY TRANSACTIONS AND BALANCES

a) Related party balances

The balances due to related parties included in accounts payable and accrued liabilities were \$92,212 as at December 31, 2017 (March 31, 2017 – \$49,128). These amounts are unsecured and non-interest bearing.

As at December 31, 2017, an amount of \$17,172 (March 31, 2017 – \$nil) was due from a related party of the Company. These amounts were paid subsequent to December 31, 2017.

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14. RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)

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 nine months ended	
	December 31, 2017	December 31, 2016
Short-term employee benefits - management fees ⁽¹⁾	\$ 1,000,000	\$ 330,000
Short-term employee benefits - professional fees ⁽²⁾	194,480	109,720
Short-term employee benefits - exploration and evaluation costs	-	40,000
Short-term employee benefits - directors' fees	75,000	75,000
Share-based payments	-	175,370
	\$ 1,269,480	\$ 730,090

(1) During YTD 2018, the Company incurred \$1,000,000 of management fees of which \$502,500, \$364,167 and \$133,333 were recognized as management fees, project management in exploration and evaluation costs and development assets, respectively. During YTD 2017, no management fees were recognized as project management in exploration and evaluation costs.

(2) The Company paid \$194,480 in YTD 2018 (YTD 2017 – \$109,720) for accounting and corporate secretarial services to Quantum Advisory Partners LLP whose incorporated partner is the Company's Chief Financial Officer.

15. COMMITMENTS

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

<i>For the year ended</i>	
March 31, 2018	\$ 12,090
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
	\$ 217,620

16. SEGMENTED INFORMATION

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

	Canada	Greenland	Total
As at December 31, 2017			
Restricted cash	\$ -	\$ 3,558,826	\$ 3,558,826
Equipment	4,182	10,791,719	10,795,901
Resource properties	-	769,682	769,682
Development assets	-	15,358,103	15,358,103

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17. CAPITAL MANAGEMENT

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

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

There were no changes in the Company's approach to capital management during the nine months ended December 31, 2017.

18. FINANCIAL INSTRUMENTS

a) Fair value

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

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

	December 31, 2017		March 31, 2017	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
<i>Loans and receivables</i>				
Cash and cash equivalents	\$ 1,791,459	\$ 1,791,459	\$ 6,382,573	\$ 6,382,573
Restricted cash	3,558,826	3,558,826	-	-
Deposits	11,156	11,156	4,117	4,117
	\$ 5,361,441	\$ 5,361,441	\$ 6,386,690	\$ 6,386,690
Financial liabilities:				
<i>Other financial liabilities</i>				
Accounts payable and accrued liabilities	\$ 2,418,732	\$ 2,418,732	\$ 685,423	\$ 685,423
Note payable	1,271,111	1,271,111	1,394,518	1,394,518
Loan payable	21,003,204	21,003,204	-	-
	\$ 24,693,047	\$ 24,693,047	\$ 2,079,941	\$ 2,079,941

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18. FINANCIAL INSTRUMENTS (CONTINUED)

a) Fair value (continued)

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

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

b) Financial risk management

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash and cash equivalent, restricted cash and sales tax receivable are exposed to credit risk. The Company reduces its credit risk on cash and cash equivalents and restricted cash by placing these instruments with institutions of high credit worthiness. As at December 31, 2017, the Company's maximum exposure to credit risk is the carrying value of its financial assets.

Liquidity risk

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

As at December 31, 2017, the Company had cash of \$1,791,459 in order to meet short-term business requirements. At December 31, 2017, the Company had accounts payable and accrued liabilities and note payable of \$2,418,732 and \$1,271,111, respectively. All accounts payable and accrued liabilities, and the note payable are current.

Subsequent to December 31, 2017, US\$4.6 million was advanced from the credit facility of the Senior Loan.

Market Risk

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

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18. FINANCIAL INSTRUMENTS (CONTINUED)

b) Financial risk management (continued)

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 December 31, 2017.

The Company's interest rate risk principally arises from the interest rate impact of interest earned on cash and cash equivalents. A 1% change in interest rates on cash and cash equivalents outstanding at December 31, 2017 would result in an approximately \$18,000 change to the Company's net loss for YTD 2018.

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

The Company is exposed to interest rate risk through its outstanding loans, which bear interest at variable rates. Based on the outstanding amount of loans payable as of December 31, 2017, a 1% change in US LIBOR would result in approximately \$179,000 change to the Company's net loss for YTD 2018.

Currency risk

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

The Company's cash and cash equivalents, amounts receivable, deposits, accounts payable and accrued liabilities, and note payable are held in CAD, USD, EURO and DKK; therefore, the USD, EURO and DKK accounts are subject to fluctuation against the Canadian dollar.

The Company had the following balances in Canadian and foreign currencies as at December 31, 2017:

	in CAD	in USD	in DKK	in EURO
Cash and cash equivalents	\$ 1,426,921	\$ 77,444	\$ 1,324,281	\$ -
Restricted cash	-	2,835,578	-	-
Amounts receivable	126,908	-	-	-
Deposits	10,251	-	4,480	-
Accounts payable and accrued liabilities	(1,367,555)	(597,522)	(1,243,033)	(33,464)
Note payable	(1,271,111)	-	-	-
Loan payable	-	(16,734,794)	-	-
	(1,074,586)	(14,419,295)	85,728	(33,464)
Rate to convert to \$1.00 CAD	1.000	0.7968	4.9535	0.6652
Equivalent to Canadian dollars	(1,074,586)	(18,097,109)	17,307	(50,310)

Based on the above net exposures as at December 31, 2017, and assuming that all other variables remain constant, a 10% change of the CAD against the USD, EURO and DKK would impact comprehensive loss by approximately \$1,400,000 during YTD 2018.

18. FINANCIAL INSTRUMENTS (CONTINUED)

b) Financial risk management (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.