HUDSON RESOURCES INC.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

FOR THE NINE MONTHS ENDED DECEMBER 31, 2019

(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 nine months ended December 31, 2019 have been prepared by the management of the Company and approved by the Company's Audit Committee on behalf of 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.
Consolidated Statements of Financial Position
(Expressed in Canadian Dollars)

As at		December 31, 2019		March 31, 2019
ASSETS				
Current assets				
Cash	$	**2,159,496**	$	1,469,162
Restricted cash (note 4)		**2,385,705**		-
Sales tax receivable		**46,937**		82,903
Deposits		**7,864**		7,892
Prepaid expenses		**690,998**		24,447
Inventory (note 5)		**4,536,987**		-
		9,827,987		**1,584,404**
Non-current assets				
Equipment and right of use asset (note 6)		**9,198,545**		12,478,520
Reclamation bonds (note 13)		**1,947,990**		2,006,360
Resource properties (note 7)		**-**		769,682
Development assets (note 8)		**41,116,358**		38,925,498
		52,262,893		54,180,060
TOTAL ASSETS	**$**	**62,090,880**	**$**	**55,764,464**
LIABILITIES				
Current liabilities				
Accounts payable and accrued liabilities (note 9 and note 16)	$	**3,838,350**	$	2,433,986
Short term loan payable (note 11)		**7,835,119**		-
Note payable (note 10)		**-**		502,959
		11,673,469		**2,936,945**
Non-current liabilities				
Lease obligations (note 14)		**524,245**		583,494
Loan payable (note 12)		**35,339,478**		28,984,604
Reclamation obligation (note 13)		**1,589,128**		1,627,599
		37,452,851		**31,195,697**
TOTAL LIABILITIES		**49,126,320**		**34,132,642**
EQUITY				
Share capital (note 15(b))	$	**78,206,360**	$	78,070,360
Reserves		**10,979,337**		11,349,778
Deficit		**(76,221,137)**		(67,788,316)
TOTAL EQUITY		**12,964,560**		**21,631,822**
TOTAL EQUITY AND LIABILITIES	**$**	**62,090,880**	**$**	**55,764,464**

Corporate information and continuance of operations (note 1)
Commitments (note 17)
Segmented information (note 18)
Subsequent events (note 21)

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

These condensed consoliated interim financial statements were approved for issue by the Audit Committee of the Company on behalf of the Board of Directors on February 28, 2020 and signed on its behalf by:

/s/ Flemming Knudsen Director *Director* →

/s/ Herbert Wilson Director

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

	For the three months ended December 31, 2019	For the three months ended December 31, 2018	For the nine months ended December 31, 2019	For the nine months ended December 31, 2018
EXPENSES				
Accretion of interest (note 13)	**$ 2,978**	$ 3,055	**$ 9,023**	$ 9,246
Depreciation (note 6)	**12,420**	1,637	**37,304**	4,953
Directors' fees (note 16)	**35,000**	30,000	**105,000**	90,000
Exploration and evaluation costs	**8,232**	29,021	**33,803**	51,315
Foreign exchange	**(28,628)**	426,869	**(209,944)**	92,287
Foreign exchange - unrealized	**(2,099,574)**	57,661	**(1,051,467)**	1,707,403
Gain on debt refinancing (note 12)	**-**	-	**(1,488,481)**	-
Impairment of resource properties (note 7)	**769,682**	-	**769,682**	-
Interest and financing costs (note 9)	**967,566**	652	**1,012,936**	37,130
Interest income	**-**	(17,822)	**(1,406)**	(60,199)
Inventory adjustment (note 5)	**2,122,515**	-	**7,100,897**	-
Office	**26,247**	36,199	**58,372**	71,923
Personnel costs (note 16)	**266,129**	142,967	**765,300**	560,497
Professional fees (note 16)	**75,872**	102,740	**231,069**	285,723
Rent	**6,952**	19,811	**21,105**	59,832
Share-based payments (note 15(d) and 16)	**622,050**	68,226	**889,377**	875,814
Shareholder and corporate communications	**60,100**	797	**80,342**	46,009
Transfer agent and filing fees	**21,083**	13,016	**41,199**	30,269
Travel and accommodation	**1,327**	14,387	**28,711**	85,299
LOSS (INCOME) FOR THE PERIOD	**2,869,951**	929,216	**8,432,822**	3,947,501
OTHER COMPREHENSIVE (INCOME) LOSS				
Foreign currency translation on foreign operations	**961,353**	(946,235)	**1,724,624**	(179,005)
TOTAL COMPREHENSIVE LOSS (INCOME) FOR THE PERIOD	**$ 3,831,304**	$ (17,019)	**$ 10,157,446**	$ 3,768,496
Basic and diluted loss (income) per share for the period	**$ 0.02**	$ 0.01	**$ 0.05**	$ 0.02
Weighted average number of common shares outstanding - basic and diluted	**178,392,705**	177,992,705	**178,367,614**	167,533,232

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

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

		Share capital		Reserves					
	Note	Number of shares	Amount	Additional paid-in capital	Stock options reserve	Warrants reserve	Foreign currency translation reserve	Deficit	Total
Balance at March 31, 2018		**136,779,873**	**$ 62,065,956**	**$ 3,685,583**	**$ 1,921,369**	**$ 3,100,406**	**$ 703,371**	**$ (61,221,852)**	**$ 10,254,833**
Shares issued for cash - private placement		41,082,832	16,677,898	-	-	1,809,376	-	-	**18,487,274**
Share issue costs		-	(720,894)	-	-	-	-	-	**(720,894)**
Shares issued for cash - exercise of stock options		130,000	47,400	69,035	(69,035)	-	-	-	**47,400**
Expiry of options		-	-	31,052	(31,052)	-	-	-	**-**
Expiry of warrants		-	-	573,567	-	(573,567)	-	-	**-**
Share-based payments	15(d)	-	-	-	875,814	-	-	-	**875,814**
Loss and comprehensive loss		-	-	-	-	-	179,005	(3,947,501)	**(3,768,496)**
Balance at December 31, 2018		**177,992,705**	**$ 78,070,360**	**$ 4,359,237**	**$ 2,697,096**	**$ 4,336,215**	**$ 882,376**	**$ (65,169,353)**	**$ 25,175,931**
Balance at March 31, 2019		**177,992,705**	**$ 78,070,360**	**$ 4,359,173**	**$ 2,761,995**	**$ 4,336,215**	**$ (107,605)**	**$ (67,788,316)**	**$ 21,631,822**
Shares issued for cash - exercise of stock options		400,000	136,000	108,068	(108,068)	-	-	-	**136,000**
Expiry of stock options		-	-	527,298	(527,298)	-	-	-	**-**
Expiry of warrants		-	-	185,170	-	(185,170)	-	-	**-**
Fair value of warrants issued for short term loan		-	-	-	-	531,347	-	-	**531,347**
Fair value of warrants issued for loan payable		-	-	-	-	464,806	-	-	**464,806**
Fair value of warrants cancelled from loan payable		-	-	104,501	-	(104,501)	-	-	**-**
Share-based payments	15(d)	-	-	-	358,030	-	-	-	**358,030**
Loss and comprehensive loss		-	-	-	-	-	(1,724,624)	(8,432,821)	**(10,157,445)**
Balance at December 31, 2019		**178,392,705**	**$ 78,206,360**	**$ 5,284,211**	**$ 2,484,659**	**$ 5,042,696**	**$ (1,832,229)**	**$ (76,221,137)**	**$ 12,964,560**

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 nine months ended December 31, 2019	For the nine months ended December 31, 2018
Cash flows from (used in):		
OPERATING ACTIVITIES		
Net income (loss) for the period	**$ (8,432,822)**	**$ (3,947,501)**
Adjustments for items not affecting cash:		
Depreciation	37,304	4,953
Share-based payments	1,354,183	875,814
Accretion of interest	9,857	9,246
Impairment on or resource properties	769,682	-
Inventory adjustment	7,100,893	-
Reclamation obligations	(1,130)	-
Gain on debt refinancing	(1,488,481)	-
	(650,514)	**(3,057,488)**
Net changes in non-cash working capital items:		
Amounts receivable	-	(3,057)
Sales tax receivable	35,966	51,850
Prepaid expenses	(678,151)	1,089,447
Deposits	-	3,259
Inventory	(8,620,717)	-
Accounts payable and accrued liabilities	912,659	1,617,048
Net cash flows used in operating activities	**(9,000,757)**	**(298,941)**
FINANCING ACTIVITIES		
Proceeds from share issuance, net of share issue costs	-	17,813,780
Proceeds from exercise of stock options	136,000	-
Proceeds from loan payable, net of cash transaction costs	17,362,869	-
Repayment of interest on loan payable	(1,961,658)	(1,337,731)
Repayment of note payable	(526,137)	(1,305,604)
Lease payments	(140,607)	-
Net cash flows from financing activities	**14,870,467**	**15,170,445**
INVESTING ACTIVITIES		
Equipment purchases	(23,468)	(1,845,612)
Restricted cash	(2,423,863)	-
Expenditures on development assets	(3,376,453)	(12,220,081)
Net cash flows used in investing activities	**(5,823,784)**	**(14,065,693)**
Effect of exchange rate changes on cash	**644,408**	**(1,000,772)**
Net increase (decrease) in cash and cash equivalents	**690,334**	**(194,961)**
Cash, beginning of period	**1,469,162**	**2,296,303**
Cash, end of period	**$ 2,159,496**	**$ 2,101,342**
Cash received during the period for interest	**$ 1,406**	**$ 60,199**
Cash paid during the period for interest on note payable	**$ 26,137**	**$ 34,441**
Cash paid during the year for interest on loan payable	**$ 1,961,658**	**$ 1,337,731**
Cash paid during the year for income taxes	**$ -**	**$ -**
Supplementary cash flow information		
Reclassification of the fair value of options expired	**$ 527,298**	**$ 31,052**
Reclassification of grant date fair value on exercise of stock options	**$ 108,068**	**$ 69,035**
Reclassification of the fair value of warrants issued	**$ 464,806**	**$ 1,809,376**
Reclassification of the fair value of warrants expired	**$ 104,501**	**$ 573,567**
Transaction costs - short term loan payable	**$ 896,357**	**$ -**
Transaction costs - loan payable	**$ 1,207,718**	**$ -**
Equipment included in lease obligations	**$ 1,099,053**	**$ -**
Expenditures on development assets included in accounts payable and accrued liabilities	**$ 148,704**	**$ 1,273,349**

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

1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS

Hudson Resources Inc. (the "Company") is a publicly listed company and its shares are listed on the TSX Venture Exchange under the symbol "HUD". The Company was incorporated on March 7, 2000 under the Company Act of the Province of British Columbia. 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 prospecting for, developing, and mining mineral resources located in Greenland and is now focused on production from the White Mountain Project (the "Project" or "Qaqortorsuaq" in Greenlandic) located on its Naajat anorthosite mineral holding. The Company announced that it had completed construction at the White Mountain Project site in the prior fiscal year and commenced production of its anorthosite product. 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 an exploitation license for the Naajat resource. The Company entered the development phase of the White Mountain Project on July 17, 2017. The Company completed a funding arrangement (loan payable) with Cordiant Capital Inc. ("Cordiant") for debt financing of US$13 million (the "Senior Loan") and US$9.5 million (the "Subordinated Loan") for the Project through its 100% owned Greenland subsidiary, Hudson Greenland A/S (Note 12).

Going concern

The Company has experienced recurring operating losses and as at December 31, 2019, the Company had working capital deficit of $1,845,482 and an accumulated deficit of $76,221,137, with the cumulative losses being attributable to the very long lead times required to identify and secure potential minerals resources of commercial value, to obtain all necessary permits and licenses required for development of a deposit and the complexity of construction of the processing plant and shipping facilities in a remote location. Working capital is defined as current assets less current liabilities and provides a measure of the Company's ability to settle liabilities that are due within one year with assets that are also expected to be converted into cash within one year. The Company currently holds a minimal amount of cash and is in discussions with its lender to increase its debt facility and as part of the arrangement, has drawn down on its restricted cash funds. There is no guarantee that these discussions will be successful or that it will be offered on terms acceptable to the Company.

These steps are subject to material uncertainties and the Company expects to incur further losses in the development of its business, all of 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 additional financing.

These condensed consolidated interim 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. Realizable values may be substantially different from carrying values as shown.

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

Statement of compliance and basis of preparation

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"). These condensed consolidated interim 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 December 31, 2019.

Basis of consolidation

These condensed consolidated interim financial statements include the accounts of the Company and its subsidiary. All intercompany balances, transactions, income and expenses, and profits or losses have been eliminated on consolidation.

Basis of presentation

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all of the information and disclosures required in full annual financial statements and should be read in conjunction with the Company's annual financial statements as at March 31, 2019 which have been prepared in accordance with IFRS. These condensed consolidated interim financial statements have been prepared on a historical cost basis except for financial instruments carried at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting except for cash flow information. Certain amounts in prior periods have been reclassified to conform to the current period presentation.

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, 2019 except for the new accounting policies adopted as of April 1, 2019 (Note 3) and with the addition of the following upon the Company having now commenced production.

Inventory

Anorthosite inventory is stated at the lower of cost and net realizable value. Cost for anorthosite inventory is determined on an average cost basis. Such costs include direct labour, fuel, freight, depreciation, depletion, repair parts, supplies, raw materials, and production overhead. Consumable supplies are stated at the lower of cost and net realizable value. Costs for consumable supplies are determined on a first-in, first-out basis.

When inventories have been written down to net realizable value ("NRV"), the Company makes a new assessment of NRV in each subsequent period. If the circumstances that caused the write-down no longer exist, the remaining amount of the write-down is reversed.

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 determined as the Danish Krone ("DKK").

3. NEW ACCOUNTING STANDARDS

Adoption of new and amended accounting standards

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting periods beginning before or on April 1, 2019.

IFRS 16 - Leases

Effective April 1, 2019, the Company adopted IFRS 16 using the modified retrospective application method, where the prior year comparatives are not restated and the cumulative effect of initially applying IFRS 16 has been recorded on January 1, 2019 for any differences identified. The Company has determined that the adoption of IFRS 16 resulted in no adjustments to the opening balance of accumulated deficit.

Lease definition

At inception of a contract, the Company assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. An identified asset may be implicitly or explicitly specified in a contract, but must be physically distinct, and must not have the ability for substitution by a lessor. The Company has the right to control an identified asset if it obtains substantially all of its economic benefits and either pre-determines or directs how and for what purpose the asset is used.

Measure of right-of-use ("ROU") assets and lease obligations

At lease commencement, the Company recognizes a ROU asset and a lease obligation. The ROU asset is initially measured at cost, which comprises the initial amount of the lease obligation adjusted for any lease payments made at, or before, the commencement date, plus any initial direct costs incurred, less any lease incentives received.

The ROU asset is subsequently amortized on a straight-line basis over the shorter of the term of the lease, or the useful life of the asset determined on the same basis as the Company's property and equipment. The ROU asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease obligation.

The lease obligation is initially measured at the present value of lease payments remaining at the lease commencement date, discounted using the Company's incremental borrowing rate. Lease payments included in the measurement of the lease obligation, when applicable, may comprise fixed payments, variable payments that depend on an index or rate, amounts expected to be payable under a residual value guarantee and the exercise price under a purchase, extension or termination option that the Company is reasonably certain to exercise.

The lease obligation is subsequently measured at amortized cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Company's estimate of the amount expected to be payable under a residual value guarantee, or if the Company changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease obligation is remeasured, a corresponding adjustment is made to the carrying amount of the ROU asset.

(Expressed in Canadian Dollars)

3. NEW ACCOUNTING STANDARDS (CONTINUED)

Recognition exemptions

The Company has elected not to recognize ROU assets and lease obligations for short-term leases that have a lease term of twelve months or less or for leases of low-value assets. Payments associated with these leases are recognized as an operating expense on a straight-line basis over the lease term within costs and expenses on the consolidated statement of comprehensive loss.

New accounting standards 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, 2019. Updates which are not applicable or are not consequential to the Company have been excluded thereof.

4. RESTRICTED CASH

On July 17, 2017, the Company completed a debt funding arrangement with Cordiant (Note 1) for debt financing of US$13 million on a Senior Loan and US$9.5 million on a Subordinated Loan (the "Loan Agreements") for the White Mountain Project in Greenland through its 100% owned Greenland subsidiary, Hudson Greenland A/S (Note 12). Pursuant to the Loan Agreements, the Company is required to maintain a restricted cash balance of an amount at least equal to the next upcoming interest payment. On March 29, 2019, the Company announced that it had reached agreement with Cordiant to provide an increase to its existing loan facility. As part of this arrangement, the Company was able to drawdown on the restricted cash and replenish the balance upon closing and funding of the new loan facility increase in May 2019 (Note 12) and remain in compliance with the restricted cash requirements pursuant to the Loan Agreements.

As at December 31, 2019, restricted cash was $2,385,705 (US$1,840,097) (March 31, 2019 - $Nil).

5. INVENTORY

		December 31, 2019		**March 31, 2019**
Supplies inventory	$	897,821	$	-
Work in process		1,483		-
Finished product		3,637,683		-
	$	**4,536,987**	**$**	**-**

The Company's inventory on hand are located at both the company's terminal facilities in the United States and the White Mountain project site in Greenland. In accordance with the Company's accounting policy as described in Note 2, the Company recorded an inventory adjustment of $7,100,897 during the nine months ended December 31, 2019 to state inventory at the lower of cost and net realizable value.

(Expressed in Canadian Dollars)

6. EQUIPMENT

	Office equipment	Computer equipment	Field equipment	Vehicle	Right of use asset	Total
Cost						
As at March 31, 2019	$ 21,067	$ 23,260	$ 17,599,802	$ 2,099,939	$ -	**$ 19,744,068**
Additions	-	-	23,468	-	138,210	**161,678**
Effect of movements in exchange rates	(613)	-	(512,394)	(61,093)	-	**(574,100)**
Balance as at December 31, 2019	**$ 20,454**	**$ 23,260**	**$ 17,110,876**	**$ 2,038,846**	**$ 138,210**	**$ 19,331,646**
Depreciation						
As at March 31, 2019	$ (8,536)	$ (20,617)	$ (7,056,472)	$ (179,923)	$ -	**$ (7,265,548)**
Charged for the period	(3,975)	(594)	(2,801,465)	(288,264)	(32,734)	**(3,127,032)**
Effect of movements in exchange rates	315	-	249,392	9,773	-	**259,480**
Balance as at December 31, 2019	**$ (12,196)**	**$ (21,211)**	**$ (9,608,545)**	**$ (458,414)**	**$ (32,734)**	**$(10,133,100)**
Net book value						
As at March 31, 2019	$ 12,531	$ 2,643	$ 10,543,330	$ 1,920,016	$ -	$ 12,478,520
As at December 31, 2019	**$ 8,258**	**$ 2,049**	**$ 7,502,331**	**$ 1,580,432**	**$ 105,476**	**$ 9,198,546**

During the nine months ended December 31, 2019, the Company charged $3,127,032 (2019 – $2,843,626) in depreciation expense of which $37,304 (2019 – $4,953) was charged to statement of loss and comprehensive loss and $3,089,728 was capitalized as inventory (2019 – $2,836,674 capitalized as development assets).

Upon transition to the development stage of the White Mountain project on July 17, 2017, buildings and land improvements which represented tangible exploration and evaluation costs have been transferred to development assets (Note 8).

On adoption of IFRS 16 (Note 3), the Company recognized ROU assets in relation to a lease for office space at its head office which had previously been classified as operating leases under the principles of IAS 17. The ROU assets were recognized based on the amount equal to the lease liability. Upon transition to IFRS 16, the Group recognized ROU assets and lease obligations of $138,210.

<u>Asset restrictions and contractual commitments</u>

The Company's assets are subject to certain restrictions on title, all assets except for ROU assets, have been pledged as security for credit facility arrangements (Note 12).

(Expressed in Canadian Dollars)

7. RESOURCE PROPERTIES

The Company currently has one exploitation license, the Naajat EL (2015/39). The Sarfartoq Mineral Claim is an exploration stage property.

As of July 17, 2017, the Company has transitioned to the development stage for the White Mountain mineral claim. As a result of the transition, the Company transferred the $224,843 carrying value of the White Mountain mineral claim from resource properties to development assets.

	Sarfartoq Mineral Claim	Naajat (White Mountain) Mineral Claim	Total
Acquisition costs / license fees			
Balance as at March 31, 2018	**$ 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 March 31, 2019	**$ 769,682**	**$ -**	**$ 769,682**
Disposals	(769,682)	-	**(769,682)**
Balance as at December 31, 2019	**$ -**	**$ -**	**$ -**

Sarfartoq Mineral Claim (2010/40), Greenland

Prior to December 31,2019, the Company held an Exploration License ("EL") in Greenland, the Sarfartoq EL (2010/40), which is an exploration stage property. 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 which permitted the Company to carry accrued work commitments until December 31, 2020. In December 2017, Hudson renewed the license for an additional 3-year period expiring December 31, 2020, however, this extension triggered a requirement for further work commitment expenditures in 2020 expected to be in excess of $5 million, consequently the Company relinquished the Sarfartoq mineral claim just prior to December 31, 2019. The Company has applied to reacquire the EL under a new license in order to reset the minimum work commitment expenditures which would be nominal. Accordingly, the previous capitalized costs associated with this property have been written down to nil. There is no guarantee that the Company will be successful in its application to reacquire the Sarfartoq EL.

Pingasut Mineral Claim (2013/01), Greenland

Prior to March 31, 2019, the Company held an exploration license on the Pingasut mineral claim which was granted during the year ended March 31, 2014, with $nil capitalized as resource properties. The Company had to submit an annual report by April 1, of each year detailing its activities and expenditures for approval in order to maintain the license which was due to expire December 31, 2018. Management of the Company had determined that the resource within the license area had no strategic value to the development of the White Mountain Project and accordingly the license was allowed to expire on December 31, 2018.

(Expressed in Canadian Dollars)

8. DEVELOPMENT ASSETS

Balance as at March 31, 2018			**$**	**19,241,194**
Transfer from equipment (Note 5)				
Transfer from resource properties (Note 6)				
Additions:				
Buildings	$	6,848,294		
Drilling, camp, field and other		5,679,116		
Shipping		833,293		13,360,703
Capitalized borrowing costs (Note 11)				3,864,379
Capitalized depreciation charges (Note 5)				3,904,820
Effect of movements in exchange rates				(1,445,598)
Balance as at March 31, 2019			**$**	**38,925,498**
Capitalized borrowing costs (Note 11)				2,563,691
Effect of movements in exchange rates				(372,831)
Balance as at December 31, 2019			**$**	**41,116,358**

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, 2019		March 31, 2019
Trade payables	$	970,947	$	1,166,691
Interest accrued - loan payable		2,395,460		937,432
Lease obligations - current portion (see note 13)		220,113		205,946
Accrued liabilities		251,830		123,917
	$	**3,838,350**	**$**	**2,433,986**

(Expressed in Canadian Dollars)

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. The Company entered into an agreement with the lender to extend the maturity date of the unsecured bridge loan, and the loan, together with accrued interest, was fully repaid in July 2018.

On March 13, 2019, the Company received an unsecured advance for $500,000 from a related party (Note 16). Total proceeds of the advance were used for working capital purposes. The unsecured advance was for a term of three months bearing interest at 12% per annum and was fully repaid in August 2019.

The Company's note payable balance as of June 30, 2019 is as follows:

Balance as at March 31, 2018	**$**	**1,305,604**
Additions		500,000
Interest expense		37,400
Payment		(1,340,045)
Balance as at March 31, 2019	**$**	**502,959**
Interest expense		23,178
Payment		(526,137)
Balance as at December 31, 2019	**$**	**-**

11. SHORT TERM LOAN PAYABLE

On December 18, 2019, the Company announced it had entered into definitive agreements with its existing lenders, Cordiant Capital Inc. and its affiliates ("Cordiant"), and Romeo Fund – Flexi and its affiliates ("Romeo"), with respect to an additional US$10 million six month bridge loan facility (the "Short Term Loan") designed to facilitate completion of deliveries to lead customers and completion of its strategic process announced earlier in 2019. The additional loan facility was provided by Cordiant and Romeo on a 50:50 basis.

The Short Term Loan provided for an immediate US$10 million loan facility increase, of which the Company drew down US$6 million as at December 31, 2019. The additional funds bear interest at 20% per annum and mature on June 16, 2020. In connection with this loan facility increase, the Company issued a total of 29,400,000 share purchase warrants to the lenders, each warrant entitling the holder to purchase one additional share in the capital of the Company until December 16, 2020 at an exercise price of $0.325 per share. The securities issued, including any shares issued upon exercise of the warrants, are subject to a 4 month hold period. The Company also incurred cash transaction costs of $896,357 associated with this loan facility and these costs have been recognized in the Statement of Loss and Comprehensive Loss.

Prior to the completion of the Short Term Loan facility, the Company entered into additional short-term loan agreements for US$109,197 and US$350,000 with Cordiant and Romeo respectively which were used to make direct payment of certain invoices to its vendors. The loans bore interest at a rate of LIBOR plus 9.5% and were fully repaid with the proceeds from the Short Term Loan facility.

(Expressed in Canadian Dollars)

12. LOAN PAYABLE

The Company's loan payable balance as at December 31, 2019, is as follows:

		in USD		in CAD
Balance as at March 31, 2019				
Long term portion	$	21,712,161	$	28,984,604
Short term portion in accrued liabilities		702,223		937,432
Total loan amount		22,414,384		29,922,036
Add: interest expense and accretion of transaction costs (Note 8)		2,545,813		3,376,273
Add: advances		8,000,000		10,609,650
Less: transaction costs (cash and non-cash)		(1,260,285)		(1,671,398)
Less: difference recognized as gain on refinancing		(1,112,410)		(1,488,502)
Less: payment of interests		(1,479,150)		(1,961,657)
Less: current portion of interest payable (note 9)		(1,847,834)		(2,395,460)
Add: effect of movements in exchange rates		-		(1,051,464)
Balance as at December 31, 2019	**$**	**27,260,520**	**$**	**35,339,478**

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 (fully drawn as at March 31, 2018), for the Project through its 100% owned Greenland subsidiary, Hudson Greenland A/S. As at December 31, 2019, included in development assets to date is $6,523,409 of capitalized borrowing costs based on a capitalization rate of 100%.

The Subordinated Loan and the Senior Loan each initially have a term of seven years, maturing on July 15, 2024. Semi-annual principal repayments start on January 15, 2020 with only interest payments are required prior to that date. The Senior Loan carries an interest rate of $US six-month LIBOR plus 6.5% until July 15, 2018 and increased to LIBOR plus 9.5% after that date. 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.

Both the Subordinated Loan and the Senior Loan contain identical financial covenants stating that at the end of December 31 and June 30 of each year upon the commencement of principal repayments, the Company's historic debt service cover ratio and its forecast debt service cover ratio, as defined in the respective loan agreements, shall not be less than 110%.

In May 2019, the Company entered into definitive agreements with its lender, Cordiant, with respect to a loan facility increase and extension originally announced on March 29, 2019. The agreements provided for an immediate US$5 million loan facility increase, which was received by the Company in May 2019. The additional funds were provided based on the same terms as the existing facility and the definitive agreements extend the maturity of the total loan facility from July 15, 2024 to July 15, 2025, with the first principal repayment also being deferred by one year accordingly from January 15, 2020 to January 15, 2021.

In connection with this loan facility increase, the Company issued 1,950,000 share purchase warrants, each warrant entitling Cordiant to purchase one additional share in the capital of the Company until May 23, 2024, at an exercise price of $0.45 per share, and cancelled the 450,000 share purchase warrants issued to Cordiant in 2017 in connection with the existing facility. The securities issued, including any shares issued upon exercise of the warrants, are subject to a 4 month hold period. The definitive agreements also provided for a further US$3 million loan facility increase to be disbursed upon the fulfillment of certain conditions.

(Expressed in Canadian Dollars)

13. LOAN PAYABLE (CONTINUED)

In August 2019, the Company entered into definitive agreements with Cordiant and its new lender, Romeo Fund – Flexi and its affiliates ("Romeo") with respect to the US$3 million loan facility increase originally announced on May 24, 2019. Pursuant to the agreements, which provide for the assignment by Cordiant to Romeo of Cordiant's commitments in respect of the third tranche, Romeo funded the US$3 million loan facility increase. The additional funds are provided based on the same terms as the existing facility and the definitive agreements. In connection with this loan facility increase, the Company has issued 900,000 share purchase warrants, each warrant entitling Romeo to purchase one additional share in the capital of the Company until May 23, 2024. The securities issued, including any shares issued upon exercise of the warrants, are subject to a 4 month hold period.

Under IFRS 9, a gain or loss on the modification of debt would result in a gain or loss. Modifications to debt can occur when the borrower and lender negotiate changes to the terms of the debt such as changing the interest rate or extending the maturity date. In such cases, the original debt would have to be derecognized and replaced with the present value of the modified debt. In addition, any costs or fees incurred to change the terms would need to be adjusted to the carrying amount of the modified debt and amortized over the remaining term of the modified debt. The facility increase in May 2019 resulted in modifications of the loan payable including the extension of the maturity date and the commencement of the principal repayment of the original loan. Accordingly, the Company recognized a gain of $1,488,502 on the modification of the original debt.

14. RECLAMATION BONDS AND RECLAMATION OBLIGATION

Reclamation bonds

The Company maintains cash deposits that are restricted, and held in a restricted escrow account, to the funding of estimated reclamation costs. As at December 31, 2019, the carrying value of the Company's reclamation bonds is $1,947,990 (March 31, 2019 - $2,006,360) after given effect to movements in foreign exchange ($2,024,572 (DKK 10,000,000) was paid during the year ended March 31, 2018).

Reclamation obligation

The following table presents the aggregate discounted carrying amount of the obligation associated with clean-up and abandonment of the Company's White Mountain project:

	in DKK	in CAD
Balance as at March 31, 2019	**8,097,057**	**1,627,599**
Accretion of interest	45,588	9,023
Effect of movements in exchange rates	-	(47,494)
Balance as at December 31, 2019	**8,142,645**	**1,589,128**

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 reclamation obligation and associated asset (development assets). To the extent that reclamation obligation is created due to exploration activities which do not yet qualify for capitalization, the amount is expensed to exploration and evaluation costs, otherwise capitalized to development assets to the extent the reclamation obligation relates to such activity. 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.

(Expressed in Canadian Dollars)

15. LEASE OBLIGATIONS

In the prior year, the Company entered into two leases for heavy equipment to be used on the White Mountain project. These leases have four-year terms and the Company has obligations to purchase the equipment at the end of the term.

	DKK Payments In DKK	DKK Payments in CAD	CAD Payments	Total CAD
Total lease obligations (1)	**3,261,421**	**$ 635,322**	**$ 109,036**	**$ 744,358**
Less: current portion in accrued liabilities	(917,730)	(178,773)	(41,340)	(220,113)
Balance as at December 31, 2019	**2,343,691**	**$ 456,549**	**$ 67,696**	**$ 524,245**

(1) Obligations under capital lease for vehicles with interest at a rate of 3.87%, maturing on December 31, 2022

Minimum lease payments in respect of lease obligations for the ROU assets and the effect of discounting are as follow:

Minimum lease payments under opertaing leases as at March 31, 2019	$	165,180
Effect from discounting at the incremental booroowing rate as at April 1, 2019		(26,970)
Lease liabilities recognized as at April 1, 2019		**138,210**
Right of use asset recognized as at April 1, 2019	**$**	**138,210**

The lease liabilities were discounted at a rate of 12% as at April 1, 2019

Future minimum lease payments, including principal and interest, under the capital leases for subsequent years are as follows:

	DKK Payments In DKK	DKK Payments in CAD	CAD Payments	Total CAD
2020	256,617	49,989	26,100	76,089
2021	1,026,468	199,955	52,200	252,155
2022	1,026,468	199,955	52,200	252,155
2023	1,152,677	224,540	8,700	233,240
	3,462,230	**674,439**	**139,200**	**813,639**

The obligations under capital leases are secured by the underlying lease assets.

15. SHARE CAPITAL

a) Authorized share capital

Unlimited number of common shares without par value.

b) Issued share capital

As at December 31, 2019, the Company had 178,392,705 common shares issued and outstanding (March 31, 2019 – 177,992,705).

During nine months ended December 31, 2019

- 400,000 stock options with an exercise price of $0.34 were exercised for gross proceeds of $136,000 in April 2019.

During nine months ended December 31, 2018

- The Company completed a non-brokered private placement of 41,082,832 units at a price of $0.45 for gross proceeds of $18,487,274. Each Unit consists of one common share of the Company and one-half of one warrant. Each whole warrant entitles the holder to purchase one common share of the Company at a price of $0.75 for a period of three years following the date of issuance, subject to acceleration in the event that the common shares of the Company trade above a weighted average of $1.50 for twenty consecutive days.

  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 1.80%, an expected life of 3 years, an expected volatility of 54% and an expected dividend yield of 0%, which totaled $1,809,376, 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 $16,677,898 was recorded as common shares.

  In connection with the private placements, the Company paid $720,894 in share issue costs.

- 130,000 stock options with exercise prices ranging from $0.34 to $0.38 were exercised for gross proceeds of $47,400 in July 2018.

(Expressed in Canadian Dollars)

15. SHARE CAPITAL (CONTINUED)

c) Share purchase warrants

The changes in warrants during the nine months ended December 31, 2019 and 2018, are as follow:

	Number outstanding	Weighted average exercise price
Balance, March 31, 2019	**43,149,669**	**$ 0.67**
Issued	32,250,000	0.34
Expired	(2,025,000)	0.60
Cancelled	(450,000)	0.55
Balance, December 31, 2019	**72,924,669**	**$ 0.53**

In August 2019, 2,025,000 warrants with an exercise price of $0.60 expired without exercise.

In connection with the loan facility increases, the Company issued 1,950,000 and 900,000 share purchase warrants on May 23, 2019 and August 15, 2019 respectively, each warrant entitling the debt holders to purchase one additional share in the capital of the Company until May 23, 2024, at an exercise price of $0.45 per share, and has cancelled the 450,000 share purchase warrants issued to Cordiant in 2017 in connection with the existing facility. 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 1.55% and 1.20% respectively, an expected life of 5 years for both, an expected volatility of 55% for both and an expected dividend yield of 0% for both, which totaled $309,096 and $155,743 respectively, and recorded this value in warrant reserve with a corresponding decrease in the carrying value of the liability.

In connection with the short term loan received in December 2019, the Company issued to the lenders a total of 29,400,000 share purchase warrants, each warrant entitling the debt holders to purchase one additional share in the capital of the Company until December 16, 2020, at an exercise price of $0.325 per share. 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 1.72%, an expected life of 5 years, an expected volatility of 51% and an expected dividend yield of 0%, which totaled $531,347, and recorded this value in warrant reserve with a corresponding increase in share based payments.

Expiry date	Warrants outstanding	Exercise price	Weighted average remaining contractual life (in years)
February 1, 2020	13,323,853	0.500	0.09
February 16, 2020	2,809,400	0.500	0.13
March 30, 2020	4,000,000	0.700	0.25
December 16, 2020	29,400,000	0.325	0.96
May 29, 2021	9,619,805	0.750	1.41
June 20, 2021	10,921,611	0.750	1.47
May 23, 2024	2,850,000	0.450	4.40
	72,924,669		**1.00**

(Expressed in Canadian Dollars)

15. SHARE CAPITAL (CONTINUED)

d) Stock options

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

The changes in stock options during the nine months ended December 31, 2019 are as follow:

	Number outstanding	Weighted average exercise price
Balance, March 31, 2019	**13,500,000**	**$ 0.44**
Expired	(1,650,000)	0.34
Cancelled	(500,000)	0.45
Exercised	(400,000)	0.34
Balance, December 31, 2019	**10,950,000**	**$ 0.46**

During nine months ended December 31, 2019

- 400,000 stock options with an exercise price of $0.34 were exercised for gross proceeds of $136,000 in April 2019.
- 1,650,000 options with an exercise price of $0.34 expired in April 2019 without exercise.
- 500,000 options with an exercise price of $0.45 were cancelled in December 2019 without exercise.

During nine months ended December 31, 2018

- On June 26, 2018, the Company granted 5,230,000 options with an exercise price of $0.47 to its officers, directors, employees and consultants. The options are exercisable for a period of five years. One-third vested on the date of grant and one-third will vest on each of the first and second anniversary of the date of grant.
- There were 130,000 options exercised with exercise price ranging from $0.34 to $0.38, and 100,000 options were cancelled.

(Expressed in Canadian Dollars)

15. SHARE CAPITAL (CONTINUED)

d) Stock options (continued)

The following summarizes information about Options outstanding and exercisable at December 31, 2019:

Expiry date	Options outstanding	Options exercisable	Exercise price	Estimated grant date fair value	Weighted average remaining contractual life (in years)
September 8, 2020	2,600,000	2,600,000	$ 0.50	$ 838,417	0.69
January 18, 2022	2,180,000	2,180,000	$ 0.38	$ 481,346	2.05
March 30, 2022	80,000	80,000	$ 0.65	$ 36,638	2.25
June 28, 2023	4,980,000	3,320,003	$ 0.47	$ 1,132,729	3.49
February 20, 2024	1,110,000	370,004	$ 0.45	$ 343,836	4.14
	10,950,000	**8,550,007**		**$ 2,832,966**	**2.60**

The weighted average exercise price of the exercisable Options was $0.46.

The estimated grant date fair value of the options granted during the nine months ended December 31, 2019 and 2018, was calculated using the Black-Scholes option pricing model with the following weighted average assumptions:

	For the nine months ended	
	December 31, 2019	**December 31, 2018**
Share price at the grant date	N/A	$ 0.44
Risk-free interest rate	N/A	1.98%
Expected annual volatility	N/A	58.07%
Expected life	N/A	5.00
Expected dividend yield	N/A	0.00%
Grant date fair value per option	N/A	$ 0.22

During the nine months ended December 31, 2019, the Company recognized share-based payments expense of $889,377.

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.

(Expressed in Canadian Dollars)

15. SHARE CAPITAL (CONTINUED)

e) Reserves (continued)

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.

16. RELATED PARTY TRANSACTIONS AND BALANCES

a) Related party balances

The balance due to related parties included in accounts payable and accrued liabilities was $138,333 for directors' fees as at December 31, 2019 (March 31, 2019 – $33,333). These amounts are unsecured and non-interest bearing. The directors of the Company have agreed to defer payment of these fees until the completion of the Company's strategic process.

On March 13, 2019, the Company received an unsecured advance for $500,000 from a related party (Note 10). Total proceeds of the advance were used for working capital purposes and the balance was repaid in August 2019 including accrued interest. The unsecured advance was for an initial term of three months bearing interest at 12% per annum.

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, 2019	**December 31, 2018**
Short-term employee benefits - personnel costs	(1)	**$ 557,250**	$ 616,750
Short-term employee benefits - professional fees	(2)	**-**	76,843
Short-term employee benefits - directors' fees		**105,000**	50,000
Share-based payments		**246,724**	-
		$ 908,974	$ 743,593

(1) During the nine months ended December 31, 2019, the Company recognized $557,250 of salaries and wages of which $412,000 and $145,250 were recognized as personnel costs and inventory, respectively.

During the nine months ended December 31, 2018, the Company incurred $616,750 of salaries and wages of which $376,750 and $240,000 were recognized as personnel costs and development assets, respectively.

(2) The Company incurred $nil during the nine months ended December 31, 2019 (2018 – $76,843) for accounting and corporate secretarial services to Quantum Advisory Partners LLP whose incorporated partner was the Company's former Chief Financial Officer.

(Expressed in Canadian Dollars)

17. COMMITMENTS

	Total	2020	2021	2022	2023	2024 and thereafter
Lease from right of use asset	$ 120,900	$ 12,090	$ 48,360	$ 48,360	$ 12,090	$ -
Capital leases	4,238,811	83,167	1,330,677	1,330,677	1,494,290	-
Short term loan and loans payable [(1)]	70,870,774	2,395,467	22,654,700	11,774,784	10,864,461	23,181,362
	$ 75,230,485	**$ 2,490,724**	**$ 24,033,737**	**$ 13,153,821**	**$ 12,370,841**	**$ 23,181,362**

(1) Represents the undiscounted cash flow.

18. SEGMENTED INFORMATION

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

	Canada	United States	Mexico	Greenland	Total
As at March 31, 2019					
Equipment	**$ 3,776**	**$ -**	**$ -**	**$ 12,197,447**	**$ 12,201,223**
Resource properties	-	-	-	769,682	**769,682**
Development asset	-	-	-	19,241,194	**19,241,194**
	$ 3,776	**$ -**	**$ -**	**$ 32,208,323**	**$ 32,212,099**
As at December 31, 2019					
Inventory	**$ -**	**$ 2,046,156**	**$ 1,536,147**	**$ 954,685**	**$ 4,536,987**
Equipment	107,528	-	-	9,091,018	**9,198,546**
Development assets	-	-	-	41,116,358	**41,116,358**
	$ 107,528	**$ 2,046,156**	**$ 1,536,147**	**$ 51,162,061**	**$ 54,851,891**

19. CAPITAL MANAGEMENT

The Company manages its capital structure, being its shareholders' equity, loan payable, and note payable, 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, 2019. The Company is subject to externally imposed capital requirements in connection with its loan payable, as detailed in Note 12. The Company is in compliance with these capital requirements.

(Expressed in Canadian Dollars)

20. 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, 2019		March 31, 2019	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Financial assets:				
Amortized cost				
Cash	$ **2,159,496**	$ **2,159,496**	$ 1,469,162	$ 1,469,162
Restricted cash	**2,385,705**	**2,385,705**	-	-
Sales tax receivable	**46,937**	**46,937**	82,903	82,903
Deposits	**7,864**	**7,864**	7,892	7,892
Reclamation bonds	**1,947,990**	**1,947,990**	2,006,360	2,006,360
	$ **6,547,992**	$ **6,547,992**	$ 3,566,317	$ 3,566,317
Financial liabilities:				
Amortized cost				
Accounts payable and accrued liabilities	$ **3,838,350**	$ **3,838,350**	$ 2,433,986	$ 2,433,986
Short term loan payable	**7,835,119**	**7,835,119**	-	-
Note payable	-	-	502,959	502,959
Loan payable	**35,339,478**	**35,339,478**	28,984,604	28,984,604
Lease obligations	**524,245**	**524,245**	-	-
	$ **47,537,192**	$ **47,537,192**	$ 31,921,549	$ 31,921,549

The carrying values 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 Company's loan payable also approximates fair value as it bears market rates of interest.

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

20. FINANCIAL INSTRUMENTS (CONTINUED)

b) Financial risk management

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash, restricted cash and sales tax receivable are exposed to credit risk. The Company reduces its credit risk on cash and restricted cash by placing these instruments with institutions of high credit worthiness. As at December 31, 2019, 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, 2019, the Company had cash of $2,159,496 in order to meet short-term business requirements. The Company's also had restricted cash of $2,385,705 to cover for the interest payments due in January 2020, which was paid accordingly. As at December 31, 2019, the Company had accounts payable and accrued liabilities (inclusive of accrued interest payments due from loans payable) of $3,838,350. All accounts payable and accrued liabilities are current liabilities.

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 at December 31, 2019 and 2018

The Company's interest rate risk principally arises from fluctuations in the LIBOR rate as it relates to the Company's loan payable. The Company is also subject to interest rate risk on its cash balances as they are held in interest bearing accounts. A 1% change in interest rates on cash would have an insignificant impact on the Company's profit or loss. A 1% change in the LIBOR rate would result in approximately a $302,000 impact on the Company's profit or loss for the nine months ended December 31, 2019.

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 at December 31, 2019, a 1% change in US LIBOR would result in approximately $302,000 change to the Company's net loss for the nine months ended December 31, 2019.

20. FINANCIAL INSTRUMENTS (CONTINUED)

b) Financial risk management (continued)

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, restricted cash, deposits, accounts payable and accrued liabilities, loan payable, 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, 2019:

	in CAD	in USD	in DKK
Cash	$ 147,461	$ 1,317,136	$ 1,563,385
Restricted cash	-	1,840,304	-
Sales tax receivable	46,937	-	-
Deposits	6,993	-	4,480
Reclamation bonds	-	-	10,000,000
Accounts payable and accrued liabilities	(436,343)	(1,962,935)	(4,401,078)
Short term loan payable	-	-	(40,221,555)
Note payable	-	-	-
Reclamation obligations	-	-	(8,157,785)
Loan payable	-	(27,260,439)	-
Lease obligations	(67,696)	-	(2,343,691)
	(302,648)	**(26,065,934)**	**(43,556,244)**
Rate to convert to $1.00 CAD	1.000	0.7714	5.1335
Equivalent to Canadian dollars	**(302,648)**	**(33,790,965)**	**(8,484,713)**

Based on the above net exposures as at December 31, 2019, 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 $4,000,000 during the nine months ended December 31, 2019.

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.

21. SUBSEQUENT EVENT

Subsequent to December 31, 2019, a total of 16,133,253 warrants with an exercise price of $0.50 expired without exercise.