

HUDSON RESOURCES INC.

CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEARS ENDED MARCH 31, 2019 AND 2018

(Expressed in Canadian Dollars)

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of
Hudson Resources Inc.

Opinion

We have audited the accompanying consolidated financial statements of Hudson Resources Inc. (the "Company"), which comprise the consolidated statements of financial position as at March 31, 2019 and 2018, and the consolidated statements of loss and comprehensive loss, changes in equity and cash flows for the years then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at March 31, 2019 and 2018, and its financial performance and its cash flows for the years then ended in accordance with International Financial Reporting Standards ("IFRS").

Basis for Opinion

We conducted our audits in accordance with Canadian generally accepted auditing standards. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Canada, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our opinion.

Material Uncertainty Related to Going Concern

We draw attention to Note 1 of the consolidated financial statements, which indicates that the Company has events and conditions that indicate a material uncertainty exists that may cast significant doubt on the Company's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

Other Information

Management is responsible for the other information. The other information obtained at the date of this auditor's report includes Management's Discussion and Analysis.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.



We obtained Management's Discussion and Analysis prior to the date of this auditor's report. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Canadian generally accepted auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with Canadian generally accepted auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

The engagement partner on the audit resulting in this independent auditor's report is Erez Bahar.

“DAVIDSON & COMPANY LLP”

Vancouver, Canada

Chartered Professional Accountants

July 19, 2019

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

<i>As at</i>	March 31, 2019	March 31, 2018
ASSETS		
Current assets		
Cash	\$ 1,469,162	\$ 2,296,303
Restricted cash (note 4)	-	5,337,736
Sales tax receivable	82,903	120,437
Deposits	7,892	11,206
Prepaid expenses	24,447	1,182,553
	1,584,404	8,948,235
Non-current assets		
Equipment (note 5)	12,478,520	12,201,223
Reclamation bonds (note 12)	2,006,360	2,129,850
Resource properties (note 6)	769,682	769,682
Development assets (note 8)	38,925,498	19,241,194
	54,180,060	34,341,949
TOTAL ASSETS	\$ 55,764,464	\$ 43,290,184
LIABILITIES		
Current liabilities		
Accounts payable and accrued liabilities (note 9 and note 15)	\$ 2,433,986	\$ 2,509,377
Note payable (note 10)	502,959	1,305,604
	2,936,945	3,814,981
Non-current liabilities		
Lease obligations (note 13)	583,494	-
Loan payable (note 11)	28,984,604	27,505,456
Reclamation obligation (note 12)	1,627,599	1,714,914
	31,195,697	29,220,370
TOTAL LIABILITIES	34,132,642	33,035,351
EQUITY		
Share capital (note 14(b))	\$ 78,070,360	\$ 62,065,956
Reserves	11,349,778	9,410,729
Deficit	(67,788,316)	(61,221,852)
TOTAL EQUITY	21,631,822	10,254,833
TOTAL EQUITY AND LIABILITIES	\$ 55,764,464	\$ 43,290,184

Corporate information and continuance of operations (note 1)
Commitments (note 16)
Segmented information (note 17)
Subsequent events (note 21)

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

These consolidated financial statements were approved for issue by the Board of Directors on July 17, 2019, and signed on its behalf by:

/s/ James Cambon Director */s/ Flemming Knudsen Director*

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

	For the year ended	
	March 31, 2019	March 31, 2018
EXPENSES		
Accretion of interest (note 12)	\$ 12,309	\$ 12,080
Bank charges and interest	42,340	146,972
Depreciation (note 5)	5,226	397,393
Directors' fees (note 15)	123,333	100,000
Exploration and evaluation costs	57,428	4,763,130
Foreign exchange	505,781	(695,607)
Foreign exchange - unrealized	2,697,902	(539,982)
Interest income	(62,856)	(17,407)
Office	121,012	125,040
Personnel costs (note 15)	1,444,360	583,750
Professional fees (note 15)	317,054	494,979
Rent	79,643	73,627
Share-based payments (note 14(d) and 15)	940,649	24,918
Shareholder and corporate communications	58,090	42,548
Transfer agent and filing fees	42,517	32,617
Travel and accommodation	181,676	30,806
LOSS FOR THE YEAR	6,566,464	5,574,864
OTHER COMPREHENSIVE (INCOME) LOSS		
Foreign currency translation on foreign operations	810,976	(728,057)
LOSS AND COMPREHENSIVE LOSS FOR THE YEAR	\$ 7,377,440	\$ 4,846,807
Basic and diluted loss per share for the year attributable to common shareholders	\$ 0.04	\$ 0.04
Weighted average number of common shares outstanding - basic and diluted	167,533,232	135,628,434

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)

	Note	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, 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 - exercise of stock options		2,175,000	783,000	-	-	-	-	-	783,000
Reclassification of grant date fair value on exercise of stock options		-	676,650	-	(676,650)	-	-	-	-
Expiry of stock options		-	-	50,890	(50,890)	-	-	-	-
Fair value of warrants issued for loan payable		-	-	-	-	104,501	-	-	104,501
Share-based payments	14(d)	-	-	-	24,918	-	-	-	24,918
Loss and comprehensive loss		-	-	-	-	-	728,057	(5,574,864)	(4,846,807)
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	30,548	(30,548)	-	-	-	47,400
Expiry of stock options		-	-	69,475	(69,475)	-	-	-	-
Expiry of warrants		-	-	573,567	-	(573,567)	-	-	-
Share-based payments	14(d)	-	-	-	940,649	-	-	-	940,649
Loss and comprehensive loss		-	-	-	-	-	(810,976)	(6,566,464)	(7,377,440)
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

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

	For the year ended	
	March 31, 2019	March 31, 2018
Cash flows from (used in):		
OPERATING ACTIVITIES		
Net loss for the period	\$ (6,566,464)	\$ (5,574,864)
Adjustments for items not affecting cash:		
Depreciation	6,590	397,393
Share-based payments	940,649	24,918
Accretion of interest	12,309	12,080
Foreign exchange	505,781	-
Foreign exchange - unrealized	2,697,902	-
Net changes in non-cash working capital items:		
Sales tax receivable	37,534	(72,777)
Prepaid expenses	1,109,367	1,086,058
Deposits	3,259	(7,037)
Accounts payable and accrued liabilities	(956,229)	116,797
Net cash flows used in operating activities	(2,209,302)	(4,017,432)
FINANCING ACTIVITIES		
Proceeds from share issuance, net of share issue costs	17,766,380	783,000
Proceeds from exercise of stock options	47,400	-
Share subscriptions received	-	4,000,000
Proceeds from loan payable, net of cash transaction costs	-	26,861,921
Repayment of interest on loan payable	(3,122,593)	(862,684)
Proceeds from note payable	500,000	-
Repayment of note payable	(1,302,645)	(88,914)
Lease payments	(265,373)	-
Net cash flows from financing activities	13,623,169	30,693,323
INVESTING ACTIVITIES		
Equipment purchases	(3,811,169)	(13,862,140)
Resource property acquisition costs	-	(1,009)
Reclamation bonds	-	(2,024,572)
Restricted cash	5,108,138	(5,050,943)
Expenditures on development assets	(13,261,796)	(8,938,913)
Net cash flows used in investing activities	(11,964,827)	(29,877,577)
Effect of exchange rate changes on cash	(276,181)	(884,584)
Net increase (decrease) in cash and cash equivalents	(827,141)	(4,086,270)
Cash, beginning of year	2,296,303	6,382,573
Cash, end of year	\$ 1,469,162	\$ 2,296,303
Cash received during the year for interest	\$ 62,856	\$ 17,407
Cash paid during the year for interest on note payable	\$ 174,372	\$ 228,800
Cash paid during the year for interest on loan payable	\$ 3,122,593	\$ 633,884
Cash paid during the year for income taxes	\$ -	\$ -
Supplementary cash flow information		
Reclassification of the fair value of options expired	\$ 69,475	\$ 676,650
Reclassification of grant date fair value on exercise of stock options	\$ 30,548	\$ -
Reclassification of the fair value of warrants issued	\$ 1,809,376	\$ 104,501
Reclassification of the fair value of warrants expired	\$ 573,567	\$ -
Transaction costs - loan payable	\$ -	\$ 104,501
Equipment included in lease obligations	\$ 1,099,053	\$ -
Expenditures on development assets included in accounts payable and accrued liabilities	\$ 1,054,832	\$ 955,925

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

Hudson Resources Inc.
Notes to the Consolidated Financial Statements
For the Years Ended March 31, 2019 and 2018
(Expressed in Canadian Dollars)

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 current 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 exploration license for its Sarfartoq Mineral Claim and 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 11).

Going concern

As at March 31, 2019, the Company had a working capital deficit of \$1,352,541 and a deficit of \$67,788,316, 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. The Company negotiated with its lender in respect of the conditions under which the restricted cash funds was released and is continuing discussions in seeking additional funds and to establish an operating line of credit to address working capital needs as the Company commences commercial sales and shipments. 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 consolidated 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.

Hudson Resources Inc.
Notes to the Consolidated Financial Statements
For the Years Ended March 31, 2019 and 2018
(Expressed in Canadian Dollars)

2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

Statement of compliance and basis of preparation

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

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

These consolidated financial statements, including comparatives, have been prepared on the basis of IFRS standards that are published at the time of preparation and that are effective on March 31, 2019.

Basis of consolidation

These consolidated financial statements comprise the accounts of the Company and its wholly-owned subsidiary, Hudson Greenland A/S, a company incorporated under the laws of Greenland with a March 31 reporting date of March 31.

i. Subsidiaries

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

Resource properties

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

Hudson Resources Inc.
Notes to the Consolidated Financial Statements
For the Years Ended March 31, 2019 and 2018
(Expressed in Canadian Dollars)

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

Resource properties (continued)

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

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

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

Exploration and evaluation costs

Exploration and evaluation costs, other than those acquisition costs described above, are expensed as incurred including costs incurred prior to obtaining mineral use rights, until such time that permits to operate the mineral resource property are received, financing to complete development has been obtained, and technical feasibility and commercial viability are demonstrable. Following confirmation of mineral reserves or receipt of permits to commence mining operations and obtaining necessary financing, exploration and evaluation expenditures are capitalized within development assets and capitalized expenditures are transferred from exploration and evaluation assets, and equipment, to development assets.

Exploration and evaluation costs that are considered to be tangible, are recorded as a component of equipment at cost less accumulated impairment losses. As the asset is not available for use, is not depreciated.

Development assets

Development expenditures incurred by the Company are accumulated separately as development assets for each area of interest in which technical feasibility and commercial viability has been demonstrated. Such expenditures comprise costs directly attributable to the construction of a mine and the related infrastructure (including buildings and land improvements). Development assets are carried net of the proceeds of incidental sales of metals from mineralized stockpiles extracted during the development stage.

On initial recognition, development assets are valued at cost, less 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 (reclamation obligation). The corresponding liability is recognized within reclamation obligation.

Hudson Resources Inc.
Notes to the Consolidated Financial Statements
For the Years Ended March 31, 2019 and 2018
(Expressed in Canadian Dollars)

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

Development assets (continued)

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.

In accordance with IAS 36, *“Impairment of Assets”*, upon transition to the development stage the Company is required to assess the recoverable amount of development assets against its carrying amount.

Borrowing costs

Interest on borrowings directly related to the financing of qualifying capital projects under construction is added to the capitalized cost of those projects during the construction phase (development stage), until such time as the assets are substantially ready for their intended use or sale which, in the case of development assets, is when they are capable of commercial production. Where funds have been borrowed specifically to finance a project, the amount capitalized represents the actual borrowing costs incurred. Where the funds used to finance a project form part of general borrowings, the amount capitalized is calculated using a weighted average of rates applicable to relevant general borrowings of the Company during the period. All other borrowing costs are recognized in profit or loss during the period in which they are incurred.

Equipment

Equipment is initially recognized at cost. As well as the purchase price, cost includes directly attributable costs and the estimated present value of any future costs of dismantling and removing items. The corresponding liability is recognized within reclamation obligation. All items of equipment are subsequently carried at cost less accumulation depreciation except for exploration and evaluation costs that are considered tangible in nature (see *“Exploration and evaluation costs”* above), and impairment losses, if any.

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

Depreciation is provided for at the following rates:

- Office equipment 30%
- Computer equipment 30%
- Vehicles 20%
- Field equipment 30%

Additions during the year are depreciated at one-half rates. When parts of an item of equipment have different useful lives, they are accounted for as separate items (major components) of equipment. Material residual value estimates and estimates of useful life are reviewed at each financial year end and adjusted if appropriate.

Hudson Resources Inc.
Notes to the Consolidated Financial Statements
For the Years Ended March 31, 2019 and 2018
(Expressed in Canadian Dollars)

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

Land improvements

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

Land improvements are stated at cost less any impairment losses.

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

Impairment of non-financial assets

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

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

Impairment losses previously recognized are assessed at each reporting date for indications that the loss has decreased or no longer exists. An impairment loss is reversed to the extent that the asset's new carrying amount does not exceed the original carrying amount, net of related accumulated depletion, and depreciation, if there has been an increase in the estimate of the recoverable amount.

Reclamation obligation

The Company recognizes liabilities for statutory, contractual, constructive or legal obligations associated with the retirement or reclamation of resource properties or development assets. The net present value of future reclamation cost estimates is expensed as exploration and evaluation costs in connection with exploration and evaluation activities (resource properties) in accordance with the Company's policy on exploration and evaluation costs. For reclamation obligations arising from development activities the net present value of future reclamation costs is capitalized to the related asset (development assets) along with a corresponding increase in the reclamation obligation in the year incurred. Discount rates using a pre-tax rate that reflect the time value of money are used to calculate the net present value.

Hudson Resources Inc.
Notes to the Consolidated Financial Statements
For the Years Ended March 31, 2019 and 2018
(Expressed in Canadian Dollars)

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

Reclamation obligation (continued)

The Company's estimates of reclamation costs underlying its reclamation obligation could change as a result of changes in regulatory requirements, discount rates and assumptions regarding the amount and timing of the future expenditures. These changes are recorded as an expense to the extent they relate to exploration activities and resource properties or are recorded directly to the related assets to the extent they relate to development assets, with a corresponding entry to the reclamation obligation. The Company's estimates are reviewed annually for changes in regulatory requirements, discount rates, effects of inflation and changes in estimates.

Changes in the net present value, excluding changes in the Company's estimates of its reclamation obligation, are charged to profit or loss in the year the estimates change. The Company has a reclamation obligation as at March 31, 2019 and 2018.

Taxation

Income tax expense comprises of current and deferred taxes. Current tax and deferred tax are recognized in profit or loss except to the extent that it relates to a business combination or items recognized directly in equity or reserves.

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

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

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

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

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

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

Hudson Resources Inc.
Notes to the Consolidated Financial Statements
For the Years Ended March 31, 2019 and 2018
(Expressed in Canadian Dollars)

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

Currency translation

The presentation currency and functional currency of the Company is the Canadian dollar. The functional currency of its subsidiary is the Danish Krone (“DKK”). The functional currency of the Company is measured using the currency of the primary economic environment in which that entity operates based on assessments of IAS 21, “*The Effects of Foreign Exchange Rates*”.

Transactions and balances

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

Foreign operations

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

Share-based payments

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

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

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

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

Hudson Resources Inc.
Notes to the Consolidated Financial Statements
For the Years Ended March 31, 2019 and 2018
(Expressed in Canadian Dollars)

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

Share-based payments (continued)

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

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

Where a grant of options is cancelled or settled during the vesting period, excluding forfeitures when vesting conditions are not satisfied, the Company immediately accounts for the cancellation as an acceleration of vesting and recognizes the amount that otherwise would have been recognized for services received over the remainder of the vesting period.

Cash

Cash comprise cash on hand, deposits held on call with banks, and highly liquid investments that are readily convertible into a known amount of cash and which are subject to insignificant risk of changes in value.

Financial instruments

Effective April 1, 2018, the Company has adopted IFRS 9 – Financial Instruments retrospectively. Prior periods were not restated, and no material changes resulted from adopting this new standard. IFRS 9 introduced a revised model for classification and measurement. The Company completed an assessment of its financial instruments as at April 1, 2018 and determined that neither the classification nor the measurement of the financial instruments were impacted from adopting this standard.

The following table shows the original classification under IAS 39 and the new classification under IFRS 9:

	Original classification IAS 39	New classification IFRS 9
Financial assets:		
Cash	Loans and receivables, measured at amortized cost	Amortized cost
Restricted cash	Loans and receivables, measured at amortized cost	Amortized cost
Sales tax receivable	Loans and receivables, measured at amortized cost	Amortized cost
Deposits	Loans and receivables, measured at amortized cost	Amortized cost
Reclamation bonds	Loans and receivables, measured at amortized cost	Amortized cost
Financial liabilities:		
Accounts payable and accrued liabilities	Financial liabilities, measured at amortized cost	Amortized cost
Note payable	Financial liabilities, measured at amortized cost	Amortized cost
Loan payable	Financial liabilities, measured at amortized cost	Amortized cost
Lease obligations	Financial liabilities, measured at amortized cost	Amortized cost

Hudson Resources Inc.
Notes to the Consolidated Financial Statements
For the Years Ended March 31, 2019 and 2018
(Expressed in Canadian Dollars)

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

Financial instruments (continued)

IFRS 9 uses a single approach to determine whether a financial asset is classified and measured at amortized cost or fair value, replacing the multiple rules in IAS 39, Financial Instruments: Recognition and Measurement ("IAS 39"). The approach in IFRS 9 is based on how an entity manages its financial instruments and the contractual cash flow characteristics of the financial asset. For financial liabilities, IFRS 9 retains most of the IAS 39 requirements and since the Company does not have any financial liabilities designated at fair value through profit or loss ("FVTPL"), the adoption of IFRS 9 did not impact the Company's accounting policies for financial liabilities.

As a result of the adoption of IFRS 9, the Company's accounting policy for financial assets has been updated as follows:

Financial instruments

Financial assets

Classification and measurement

The Company classifies its financial assets in the following categories: at FVTPL, at fair value through other comprehensive income ("FVTOCI") or at amortized cost. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

The classification of debt instruments is driven by the business model for managing the financial assets and their contractual cash flow characteristics. Debt instruments are measured at amortized cost if the business model is to hold the instrument for collection of contractual cash flows and those cash flows are solely principal and interest. If the business model is not to hold the debt instrument, it is classified as FVTPL. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Equity instruments that are held for trading (including all equity derivative instruments) are classified as FVTPL, for other equity instruments, on the day of acquisition the Company can make an irrevocable election (on an instrument by-instrument basis) to designate them as at FVTOCI.

Financial assets at FVTPL

Financial assets carried at FVTPL are initially recorded at fair value and transaction costs are expensed in the income statement. Realized and unrealized gains and losses arising from changes in the fair value of the financial asset held at FVTPL are included in the income statement in the period in which they arise. Derivatives are also categorized as FVTPL unless they are designated as hedges.

Financial assets at FVTOCI

Investments in equity instruments at FVTOCI are initially recognized at fair value plus transaction costs. Subsequently they are measured at fair value, with gains and losses arising from changes in fair value recognized in other comprehensive income. There is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment.

Financial assets at amortized cost

Financial assets at amortized cost are initially recognized at fair value and subsequently carried at amortized cost less any impairment. They are classified as current assets or non-current assets based on their maturity date.

Hudson Resources Inc.
Notes to the Consolidated Financial Statements
For the Years Ended March 31, 2019 and 2018
(Expressed in Canadian Dollars)

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

Financial instruments (continued)

Impairment of financial assets at amortized cost

The Company recognizes a loss allowance for expected credit losses on financial assets that are measured at amortized cost. At each reporting date, the loss allowance for the financial asset is measured at an amount equal to the lifetime expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. If at the reporting date, the financial asset has not increased significantly since initial recognition, the loss allowance is measured for the financial asset at an amount equal to twelve month expected credit losses. For trade receivables the Company applies the simplified approach to providing for expected credit losses, which allows the use of a lifetime expected loss provision.

Impairment losses on financial assets carried at amortized cost are reversed in subsequent periods if the amount of the loss decreases and the decrease can be objectively related to an event occurring after the impairment was recognized.

Derecognition of financial assets

Financial assets are derecognized when they mature or are sold, and substantially all the risks and rewards of ownership have been transferred. Gains and losses on derecognition of financial assets classified as FVTPL or amortized cost are recognized in the income statement. Gains or losses on financial assets classified as FVTOCI remain within accumulated other comprehensive income.

Share capital

Equity instruments are contracts that give a residual interest in the net assets of the Company. Financial instruments issued by the Company are classified as equity only to the extent that they do not meet the definition of a financial liability or financial asset. The Company's common shares, share options, and warrants are classified as equity instruments. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

Leases

Leases are classified as either finance or operating in nature. Finance leases are those which substantially transfer the benefits and risks of ownership to the Company. Assets acquired under finance leases are depreciated at the same rates as those described under Equipment in note 2. Obligations recorded under finance leases are reduced by the principal portion of lease payments. The imputed interest portion of lease payments is charged to finance costs. Payments made under operating leases are recognized in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognized as an integral part of the total lease expense, over the term of the lease.

Revenue from Contracts with Customers

Effective April 1, 2018, the Company has adopted IFRS 15 – Revenue from Contracts with Customers. This standard contains a single model that applies to contracts with customers and two approaches to recognizing revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognized. New estimates and judgmental thresholds have been introduced, which may affect the amount and/or timing of revenue recognized. The adoption of this standard did not have an impact on these consolidated financial statements.

Hudson Resources Inc.
Notes to the Consolidated Financial Statements
For the Years Ended March 31, 2019 and 2018
(Expressed in Canadian Dollars)

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

Critical accounting estimates and judgments

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

Judgments

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

Development stage

Management has determined that the construction of the White Mountain project was completed in the third quarter of the current fiscal year and was thus in the development stage until that time. Accordingly, related costs incurred have been capitalized as development assets to the extent these costs are economically recoverable. Management uses several criteria in its assessments of stage of mining including metallurgic information, scoping and feasibility studies, accessible facilities, existing permits, availability of financing, and life of mine plans.

Commencement of commercial production

As at March 31, 2019, management has determined that the White Mountain project was in pre-commercial production stage. Costs associated with the commissioning of new assets, in the pre-commercial period before they are operating in the way intended by management, are capitalized, net of any pre-production revenues. Commercial production is deemed to have occurred when management determines that, amongst other items, the completion of operational commissioning of major well components has been reached, operating results are being achieved consistently for a period of time, and there are indicators that these operating results will continue, all of which involve management judgments. The Company has not yet reached commercial production.

Cash generating units ("CGU")

The determination of cash generating units requires judgment in defining a group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. CGUs are determined by similar geological structure, shared infrastructure, geographical proximity, commodity type, similar exposure to market risks and materiality.

Hudson Resources Inc.
Notes to the Consolidated Financial Statements
For the Years Ended March 31, 2019 and 2018
(Expressed in Canadian Dollars)

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

Critical accounting estimates and judgments (continued)

Deferred tax assets

The assessment of the probability of future taxable income against which deferred tax assets can be utilized is based on the Company's estimates of future profits or losses adjusted for significant non-taxable income and expenses and specific limits to the use of any unused tax loss or credit. The tax rules in the jurisdictions in which the Company operates are also carefully taken into consideration. If a positive forecast of taxable income indicates the probable use of a deferred tax asset, especially when it can be utilized without a time limit, that deferred tax asset is usually recognized in full. The recognition of deferred tax assets that are subject to certain legal or economic limits or uncertainties is assessed individually by management based on the specific facts and circumstances (see note 20). Management believes that, at March 31, 2019, it is not probable that taxable profit will be available against which deductible temporary differences can be utilized.

Impairment

If information becomes available suggesting that the carrying amount of equipment, development assets, and resource properties may exceed its recoverable amount, or upon transition to the development stage, the Company carries out an impairment test at the cash-generating unit or group of cash-generating unit level. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future gross profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause significant adjustments to the Company's assets within the next financial year.

Reclamation Obligations

In evaluating whether a reclamation obligation exists, management applies judgment to evaluate whether they have a constructive, or legal obligation. See "Estimates" below and, Note 12.

Determination of functional currency

In accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates", management determined that the functional currency of the Company and its subsidiary is Canadian dollar and Danish Krone, respectively, as these are the currencies of the primary economic environments in which the entities operate.

Estimates

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

Hudson Resources Inc.
Notes to the Consolidated Financial Statements
For the Years Ended March 31, 2019 and 2018
(Expressed in Canadian Dollars)

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

Critical accounting estimates and judgments (continued)

Carrying value and recoverability of non-current assets

The carrying amount of the Company's non-current assets do not necessarily represent present or future values, and the Company's resource properties and development assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's non-current assets.

In accordance with IAS 36, Impairment of Assets, as of July 17, 2017, upon the Company's transition to the development stage with respect to its White Mountain project, the Company was required to assess the recoverable amount of the White Mountain project, which consists of the capitalized resource property costs classified as a single cash-generating unit ("CGU") against its carrying amount. The Company determined that the present value of future cash flows expected to be derived from the White Mountain project exceeded the carrying value, and therefore no impairment loss was recorded upon transition as of March 31, 2019.

Reclamation Obligations

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

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

The expected timing of expenditure can also change, for example, in response to changes in ore reserves or production rates or economic conditions. As a result, there could be significant adjustments to the provision for decommissioning and site restoration, which would affect future financial results. As at March 31, 2019 a reclamation obligation of \$1,627,599 (March 31, 2018 – \$1,714,914) is recognized.

Share-based payment transactions

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock options, volatility and dividend yield and making assumptions about them. The assumptions and models used for estimating fair value for share-based payment transactions are disclosed in Note 14.

Hudson Resources Inc.
Notes to the Consolidated Financial Statements
For the Years Ended March 31, 2019 and 2018
(Expressed in Canadian Dollars)

3. NEW ACCOUNTING STANDARDS

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 January 1, 2019. 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:

- IFRS 16 specifies how an IFRS reporter will recognize, measure, present and disclose leases. The standard provides a single lessee. The IASB issued IFRS 16, Leases, in January 2016, which replaces the current guidance in IAS 17. Under IAS 17, lessees were required to make a distinction between a finance lease and an operating lease. IFRS 16 requires lessees to recognize a lease liability reflecting future lease payments and a “right-of-use asset” for virtually all lease contracts. The IASB has included an optional exemption for certain short-term leases and leases of low-value assets. IFRS 16 is effective for annual periods beginning on or after January 1, 2019.

The Company expects that the impact of IFRS 16 will have on its consolidated financial statements is to record a right to use asset with an offsetting liability for its existing leases, as well as additional disclosure. The adoption of this standard is not expected to have a material impact on the consolidated financial statements.

4. RESTRICTED CASH

On July 17, 2017, the Company completed a debt funding arrangement with Cordiant (Note 1) for debt financing of up to 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 11). 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 subsequent to year-end (Note 21) and remain in compliance with the restricted cash requirements pursuant to the Loan Agreements.

As of March 31, 2019, restricted cash was \$nil (2018 - \$5,337,736 (US\$4,140,251)). Subsequent to March 31, 2019, the restricted cash balance was replenished and the interest payments due on July 15, 2019 was paid.

Hudson Resources Inc.
Notes to the Consolidated Financial Statements
For the Years Ended March 31, 2019 and 2018
(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	-	10,540,349	222,629	3,078,090	-	13,862,140
Additions	-	-	-	-	(3,045,606)	(1,439,535)	(4,485,141)
Effect of movements in exchange rates	1,291	-	1,065,481	15,435	(32,484)	7,793	1,057,516
Balance as at March 31, 2018	\$ 22,363	\$ 23,260	\$ 15,543,259	\$ 238,064	\$ -	\$ -	\$ 15,826,946
Depreciation							
As at March 31, 2017	\$ -	\$ (17,865)	\$ (1,098,170)	\$ -	\$ -	\$ -	\$ (1,116,035)
Charged for the year	(3,201)	(1,619)	(2,262,449)	(22,714)	-	-	(2,289,983)
Effect of movements in exchange rates	(154)	-	(218,459)	(1,092)	-	-	(219,705)
Balance as at March 31, 2018	\$ (3,355)	\$ (19,484)	\$ (3,579,078)	\$ (23,806)	\$ -	\$ -	\$ (3,625,723)
Net book value							
As at March 31, 2017	\$ -	\$ 5,282	\$ 1,182,121	\$ -	\$ -	\$ 974,269	\$ 4,276,396
As at March 31, 2018	\$ 19,008	\$ 3,776	\$ 11,964,181	\$ 214,258	\$ -	\$ -	\$ 12,201,223
Cost							
As at March 31, 2018	\$ 22,363	\$ 23,260	\$ 15,543,259	\$ 238,064	\$ -	\$ -	\$ 15,826,946
Additions	-	-	3,004,742	1,905,478	-	-	4,910,220
Effect of movements in exchange rates	(1,296)	-	(948,199)	(43,603)	-	-	(993,098)
Balance as at March 31, 2019	\$ 21,067	\$ 23,260	\$ 17,599,802	\$ 2,099,939	\$ -	\$ -	\$ 19,744,068
Depreciation							
As at March 31, 2018	\$ (3,355)	\$ (19,484)	\$ (3,579,078)	\$ (23,806)	\$ -	\$ -	\$ (3,625,723)
Charged for the year	(5,458)	(1,133)	(3,743,456)	(159,999)	-	-	(3,910,046)
Effect of movements in exchange rates	277	-	266,062	3,882	-	-	270,221
Balance as at March 31, 2019	\$ (8,536)	\$ (20,617)	\$ (7,056,472)	\$ (179,923)	\$ -	\$ -	\$ (7,265,548)
Net book value							
As at March 31, 2018	\$ 19,008	\$ 3,776	\$ 11,964,181	\$ 214,258	\$ -	\$ -	\$ 12,201,223
As at March 31, 2019	\$ 12,531	\$ 2,643	\$ 10,543,330	\$ 1,920,016	\$ -	\$ -	\$ 12,478,520

During the year ended March 31, 2019, the Company charged \$3,910,046 (2018 – \$2,289,983) in depreciation expense of which \$5,226 (2018 – \$397,393) was charged to statement of loss and comprehensive loss and \$3,904,820 (2018 – \$1,892,590) was capitalized as development assets (Note 8).

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).

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 Consolidated Financial Statements
For the Years Ended March 31, 2019 and 2018
(Expressed in Canadian Dollars)

6. RESOURCE PROPERTIES

The Company currently has one Exploration License (“EL”) in Greenland, the Sarfartoq EL (2010/40) and one exploitation license, the Naajat EL (2015/39). The Pingasut EL (2013/01) Exploration License was not renewed at December 31, 2018. 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
<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 March 31, 2018 and 2019	\$ 769,682	\$ -	\$ 769,682

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 until December 31, 2020. In December 2017, Hudson applied for, and obtained a license renewal for an additional 3-year period expiring December 31, 2020.

Pingasut Mineral Claim (2013/01), Greenland

The Pingasut mineral claim license 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.

Hudson Resources Inc.
Notes to the Consolidated Financial Statements
For the Years Ended March 31, 2019 and 2018
(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION COSTS

The exploration and evaluation costs expensed by the Company on its Greenland properties during the years ended March 31, 2019 and 2018, are broken down as follows:

	For the year ended		Cumulative exploration and evaluation costs, March 31, 2019
	March 31, 2019	March 31, 2018	
Exploration and evaluation costs:			
Sarfartoq			
Assay and analysis	\$ -	\$ 4,450	\$ 1,378,242
Camp and portable shelters	-	-	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	-	-	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	-	-	1,724,111
Wages and benefits	-	-	224,435
Total	\$ -	\$ 4,450	\$ 27,728,673

	For the year ended		Cumulative exploration and evaluation costs, March 31, 2019
	March 31, 2019	March 31, 2018	
Naajat / White Mountain			
Assay and analysis	-	5,484	1,110,717
Camp and portable shelters	-	-	344,839
Consulting	-	164,339	2,384,901
Drilling	-	111,204	693,816
Parts and spares	-	526,868	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	1,732,441
Legal	-	-	71,291
Project management	-	1,028,173	1,028,173
Reclamation	-	-	1,541,533
Shipping	-	623,066	1,258,051
Supplies	-	769,277	1,218,348
Travel	-	300,040	806,711
Wages and benefits	-	-	95,374
Total	\$ -	\$ 4,410,708	\$ 14,271,166

Hudson Resources Inc.
Notes to the Consolidated Financial Statements
For the Years Ended March 31, 2019 and 2018
(Expressed in Canadian Dollars)

7. EXPLORATION AND EVALUATION COSTS (CONTINUED)

	For the year ended		Cumulative evaluation and exploration costs, March 31, 2019
	March 31, 2019	March 31, 2018	
Pingasut Mineral Claim			
Assay and analysis	\$ -	\$ -	\$ 254
Camp and portable shelters	-	-	7,376
Consulting	-	-	33,110
Parts and spares	-	-	15,164
Fuel	-	-	1,667
Helicopter	-	-	62,527
Legal	-	-	592
Shipping	-	-	9,461
Supplies	-	-	1,419
Travel	-	-	15,400
Wages and benefits	-	-	559
Total	\$ -	\$ -	\$ 147,529
Total exploration and evaluation costs:	\$ -	\$ 4,415,158	\$ 42,147,368

As of July 17, 2017, the Company 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 have been capitalized as development assets (Note 8).

8. DEVELOPMENT ASSETS

Balance as at March 31, 2017		\$ -
Transfer from equipment (Note 5)		4,485,141
Transfer from resource properties (Note 6)		224,843
Additions:		
Buildings	\$ 2,446,369	
Drilling, camp, field and other	4,963,116	
Shipping	2,485,353	9,894,838
Capitalized borrowing costs (Note 11)		1,605,094
Capitalized depreciation charges (Note 5)		1,892,590
Effect of movements in exchange rates		1,138,688
Balance as at March 31, 2018		\$ 19,241,194
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

Hudson Resources Inc.
Notes to the Consolidated Financial Statements
For the Years Ended March 31, 2019 and 2018
(Expressed in Canadian Dollars)

8. DEVELOPMENT ASSETS (CONTINUED)

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:

	March 31, 2019		March 31, 2018	
Trade payables	\$	1,166,691	\$	1,706,351
Interest accrued - loan payable		937,432		663,026
Lease obligations - current portion (see note 13)		205,946		-
Accrued liabilities		123,917		140,000
	\$	2,433,986	\$	2,509,377

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 15). 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.

The Company's note payable balance as of March 31, 2019 and 2018, are as follow:

Balance as at March 31, 2017	\$	1,394,518
Interest expense		139,886
Payment		(228,800)
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

Hudson Resources Inc.
Notes to the Consolidated Financial Statements
For the Years Ended March 31, 2019 and 2018
(Expressed in Canadian Dollars)

10. NOTE PAYABLE (CONTINUED)

During the year ended March 31, 2019, the Company repaid in full \$1,340,045 on the unsecured bridge loan, including \$174,372 in interest (March 31, 2018 – \$228,800). As at March 31, 2019, the balance of the note payable as at March 31, 2019 including interest is \$502,959 (March 31, 2018 – \$1,305,604).

11. LOAN PAYABLE

The Company's loan payable balance as of March 31, 2019, is as follows:

	in USD		in CAD	
Initial recognition				
Gross amount	\$	22,500,000	\$	28,304,498
Less: Transaction costs (cash and non-cash)		(1,234,916)		(1,547,078)
		21,265,084		26,757,420
Add: interest expense and accretion of transaction costs (Note 8)		1,270,613		1,605,094
Less: current portion of interest payable (note 9)		(514,280)		(663,026)
Less: payments of interest		(686,622)		(862,684)
Add: effect of movements in exchange rates		-		668,652
Balance as at March 31, 2018	\$	21,334,795	\$	27,505,456
Balance as at March 31, 2018				
Long term portion	\$	21,334,795	\$	27,505,456
Short term portion in accrued liabilities		514,280		663,026
Total loan amount		21,849,075		28,168,482
Add: interest expense and accretion of transaction costs (Note 8)		2,945,013		3,864,379
Less: payments of interest		(2,379,703)		(3,122,593)
Less: current portion of interest payable (note 9)		(702,224)		(937,432)
Add: effect of movements in exchange rates		-		1,011,768
Balance as at March 31, 2019	\$	21,712,161	\$	28,984,604

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 March 31, 2019, included in development assets to date is \$5,469,473 (2018 - \$1,605,094) of capitalized borrowing costs based on a capitalization rate of 100%.

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 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%.

Hudson Resources Inc.
Notes to the Consolidated Financial Statements
For the Years Ended March 31, 2019 and 2018
(Expressed in Canadian Dollars)

11. LOAN PAYABLE (CONTINUED)

On March 29, 2019, the Company announced that it had reached agreement with Cordiant to provide additional working capital of up to US \$8M and to extend the maturity and first principal payment of its loan by one year. The increase in the loan facility are on substantially the same terms as the current facility and the Company has agreed to grant Cordiant a warrant package consisting of 2.85 million warrants at a price of \$0.45 for a period of five years (Note 21)

12. 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 March 31, 2019, the carrying value of the Company's reclamation bonds is \$2,006,360 (2018 - \$2,129,850) 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, 2017	7,991,869	1,529,732
Additions		
Additions	59,939	12,080
Effect of movements in exchange rates	-	173,102
Balance as at March 31, 2018	8,051,808	1,714,914
Accretion of interest	45,249	12,309
Effect of movements in exchange rates	-	(99,624)
Balance as at March 31, 2019	8,097,057	1,627,599

During the year ended March 31, 2016, the Company entered into a counter-guarantee agreement with the Bank of Greenland for the Company's reclamation obligation on its White Mountain project. Under the agreement, the Bank of Greenland guaranteed to the Government of Greenland that the Company's reclamation obligation of DKK 1,250,000 on the White mountain project was in place. There was no reclamation bond posted for this amount. The Company pledged its field equipment as security against the counter-guarantee. The counter-guarantee agreement was released during the year ended March 31, 2018, upon funds being remitted to the Government of Greenland (see reclamation bonds above).

During the year ended March 31, 2019, the Company determined the amount of the reclamation obligation to be DKK 10,000,000, coinciding with the reclamation bond it posted with the Government of Greenland.

Hudson Resources Inc.
Notes to the Consolidated Financial Statements
For the Years Ended March 31, 2019 and 2018
(Expressed in Canadian Dollars)

12. RECLAMATION BONDS AND RECLAMATION OBLIGATION (CONTINUED)

Reclamation obligation (continued)

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

	For the years ended	
	March 31, 2019	March 31, 2018
Pre-tax risk-free discount rate	1.750%	1.750%
Inflation rate	1.000%	1.000%
Estimated settlement date	2047	2047

The reclamation obligation at the date of the statement of financial position represents management's best estimate of the present value of the future site restoration costs required. Changes to estimated future costs are recognized in the statement of financial position by adjusting the 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.

13. CAPITAL LEASE OBLIGATIONS

During the third quarter of the current fiscal 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.

	in DKK	in CAD
Balance as at March 31, 2018	-	\$ -
Additions ⁽¹⁾	4,155,186	833,680
	4,155,186	833,680
Less: current portion in accrued liabilities	(1,026,468)	(205,946)
Effect of movements in exchange rates	-	(44,240)
Balance as at March 31, 2019	3,128,718	\$ 583,494

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

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

	in DKK	in CAD
2020	1,026,468	205,946
2021	1,026,468	205,946
2022	1,026,468	205,946
2023	1,238,216	248,431
	4,317,620	866,269

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

Hudson Resources Inc.
Notes to the Consolidated Financial Statements
For the Years Ended March 31, 2019 and 2018
(Expressed in Canadian Dollars)

14. SHARE CAPITAL

a) Authorized share capital

Unlimited number of common shares without par value.

b) Issued share capital

As at March 31, 2019, the Company had 177,992,705 common shares issued and outstanding (March 31, 2018 – 136,779,873).

During the year ended March 31, 2019

- 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.

During the year ended March 31, 2018

- On April 6, 2017, the Company received \$4,000,000 from Greenland Venture A/S relating to 8,000,000 units issued by the Company to Greenland Venture A/S for gross proceeds \$4,000,000 during the year ended March 31, 2017.
- During the year ended March 31, 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.

Hudson Resources Inc.
Notes to the Consolidated Financial Statements
For the Years Ended March 31, 2019 and 2018
(Expressed in Canadian Dollars)

14. SHARE CAPITAL (CONTINUED)

c) Share purchase warrants

The changes in warrants during March 31, 2019 and 2018, are as follows:

	March 31, 2019		March 31, 2018	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
Outstanding, beginning of year	27,009,053	\$ 0.58	26,559,053	\$ 0.58
Issued	20,541,416	0.75	450,000	0.55
Expired	(4,400,800)	0.75	-	-
Outstanding, end of year	<u>43,149,669</u>	\$ 0.64	<u>27,009,053</u>	\$ 0.58

During the year ended March 31, 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 as part of the transaction cost associated with the completion of the Loan Agreement (Note 11). The Company estimated the grant date fair value of the warrants, using the Black-Scholes option pricing model, assuming a risk-free interest rate of 1.27%, an expected life of 3 years, an expected volatility of 64% and an expected dividend yield of 0%, which totaled \$104,501, and recorded this value in warrant reserve with a corresponding decrease in the carrying value of the liability.

The following summarizes information about share purchase warrants outstanding at March 31, 2019:

Expiry date	Warrants outstanding	Exercise price	Weighted average remaining contractual life (in years)
August 10, 2019	2,025,000	\$ 0.60	0.36
February 1, 2020	13,323,853	0.50	0.84
February 16, 2020	2,809,400	0.50	0.88
March 30, 2020	4,000,000	0.70	1.00
July 26, 2020	450,000	0.55	1.32
May 29, 2021	9,619,805	0.75	2.16
June 20, 2021	10,921,611	0.75	2.22
	<u>43,149,669</u>		<u>1.35</u>

During the year ended March 31, 2019, 4,400,800 warrants with an exercise price of \$0.75 expired unexercised.

Hudson Resources Inc.
Notes to the Consolidated Financial Statements
For the Years Ended March 31, 2019 and 2018
(Expressed in Canadian Dollars)

14. 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 years ended March 31, 2019 and 2018 are as follow:

	March 31, 2019		March 31, 2018	
	Number outstanding	Weighted average exercise price	Number outstanding	Weighted average exercise price
Outstanding, beginning of year	7,140,000	\$ 0.41	9,490,000	\$ 0.40
Granted	6,840,000	0.47	-	-
Exercised	(130,000)	0.36	(2,175,000)	0.36
Expired	-	-	(175,000)	0.36
Cancelled	(350,000)	0.48	-	-
Outstanding, end of year	<u>13,500,000</u>	<u>\$ 0.44</u>	<u>7,140,000</u>	<u>\$ 0.41</u>

During year ended March 31, 2019

- 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.
- On February 20, 2019, the Company granted 1,610,000 options with an exercise price of \$0.45 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 350,000 options were cancelled.

During year ended March 31, 2018

- 175,000 options with an exercise price of \$0.36 expired unexercised.

Hudson Resources Inc.
Notes to the Consolidated Financial Statements
For the Years Ended March 31, 2019 and 2018
(Expressed in Canadian Dollars)

14. SHARE CAPITAL (CONTINUED)

d) Stock options (continued)

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

Expiry date	Options outstanding	Options exercisable	Exercise price	Estimated grant date fair value	Weighted average remaining contractual life (in years)
April 24, 2019	2,050,000	2,050,000	\$ 0.34	\$ 567,378	0.07
September 8, 2020	2,600,000	2,600,000	\$ 0.50	\$ 838,417	1.44
January 18, 2022	2,180,000	2,180,000	\$ 0.38	\$ 481,346	2.81
March 30, 2022	80,000	80,000	\$ 0.65	\$ 36,638	3.00
June 28, 2023	4,980,000	1,660,004	\$ 0.47	\$ 1,132,729	4.25
February 20, 2024	1,610,000	536,671	\$ 0.45	\$ 343,836	4.90
	13,500,000	9,106,675		\$ 3,400,344	2.91

The weighted average exercise price of the exercisable Options was \$0.44.

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

	For the year ended	
	March 31, 2019	March 31, 2018
Share price at the grant date	\$ 0.44	N/A
Risk-free interest rate	1.94%	N/A
Expected annual volatility	57.55%	N/A
Expected life	5.00	N/A
Expected dividend yield	0.00%	N/A
Grant date fair value per option	\$ 0.22	N/A

During March 31, 2019 and 2018, the Company recognized share-based payments expense of \$940,649 and \$24,918, 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.

Hudson Resources Inc.
Notes to the Consolidated Financial Statements
For the Years Ended March 31, 2019 and 2018
(Expressed in Canadian Dollars)

14. 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.

15. RELATED PARTY TRANSACTIONS AND BALANCES

a) Related party balances

The balance due to related parties included in accounts payable and accrued liabilities was \$33,333 for directors' fees as at March 31, 2019 (March 31, 2018 – \$139,207). These amounts are unsecured and non-interest bearing.

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 as at March 31, 2019 was \$502,959, including accrued interest. The unsecured advance was for a 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 year ended	
	March 31, 2019	March 31, 2018
Short-term employee benefits - personnel costs ⁽¹⁾	\$ 825,833	\$ 1,161,250
Retiring allowance - personnel costs	650,000	-
Short-term employee benefits - professional fees ⁽²⁾	76,843	228,800
Short-term employee benefits - directors' fees	123,333	100,000
Share-based payments	833,179	-
	\$ 2,509,188	\$ 1,490,050

(1) During the year ended March 31, 2019, the Company recognized \$1,475,833 of salaries and wages of which \$1,164,167 (including a \$650,000 retiring allowance) and \$311,667 were recognized as personnel costs and development assets, respectively.

During year ended March 31, 2018, the Company incurred \$1,161,250 of management fees of which \$583,750, \$364,167 and \$213,333 were recognized as management fees, project management in exploration and evaluation costs and development assets, respectively. During the year ended March 31, 2017, no management fees were recognized as project management in exploration and evaluation costs.

(2) The Company incurred \$76,843 during the year ended March 31, 2019 (2018 – \$228,800) for accounting and corporate secretarial services to Quantum Advisory Partners LLP whose incorporated partner was the Company's former Chief Financial Officer.

Hudson Resources Inc.
Notes to the Consolidated Financial Statements
For the Years Ended March 31, 2019 and 2018
(Expressed in Canadian Dollars)

16. COMMITMENTS

	Total	2020	2021	2022	2023	2024 and thereafter
ting leases	\$ 157,170	\$ 48,360	\$ 48,360	\$ 48,360	\$ 12,090	\$ -
l leases	866,269	205,946	205,946	205,946	248,431	-
(1)	42,007,705	6,694,413	9,142,259	8,397,139	7,661,319	10,112,575
	\$ 43,031,144	\$ 6,948,719	\$ 9,396,565	\$ 8,651,445	\$ 7,921,840	\$ 10,112,575

(1) Represents the undiscounted cash flow.

17. 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	Greenland	Total
As at March 31, 2018			
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 March 31, 2019			
Equipment	\$ 2,643	\$ 12,475,877	\$ 12,478,520
Resource properties	-	769,682	769,682
Development assets	-	38,925,498	38,925,498
	\$ 2,643	\$ 52,171,057	\$ 52,173,700

18. 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 year ended March 31, 2019. The Company is subject to externally imposed capital requirements in connection with its loan payable, as detailed in Note 11. The Company is in compliance with these capital requirements.

Hudson Resources Inc.
Notes to the Consolidated Financial Statements
For the Years Ended March 31, 2019 and 2018
(Expressed in Canadian Dollars)

19. 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).

	March 31, 2019		March 31, 2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets:				
Amortized cost				
Cash	\$ 1,469,162	\$ 1,469,162	\$ 2,296,303	\$ 2,296,303
Restricted cash	-	-	5,337,736	5,337,736
Sales tax receivable	82,903	82,903	120,437	120,437
Deposits	7,892	7,892	11,206	11,206
Reclamation bonds	2,006,360	2,006,360	2,129,850	2,129,850
	\$ 3,566,317	\$ 3,566,317	\$ 9,895,532	\$ 9,895,532
Financial liabilities:				
Amortized cost				
Accounts payable and accrued liabilities	\$ 2,433,986	\$ 2,433,986	\$ 2,509,377	\$ 2,509,377
Note payable	502,959	502,959	1,305,604	1,305,604
Loan payable	28,984,604	28,984,604	27,505,456	27,505,456
Lease obligations	583,494	583,494	-	-
	\$ 32,505,043	\$ 32,505,043	\$ 31,320,437	\$ 31,320,437

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 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.

Hudson Resources Inc.
Notes to the Consolidated Financial Statements
For the Years Ended March 31, 2019 and 2018
(Expressed in Canadian Dollars)

19. 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 March 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 March 31, 2019, the Company had cash of \$1,469,162 in order to meet short-term business requirements. At March 31, 2019, the Company had accounts payable and accrued liabilities and note payable of \$2,433,986 and \$502,959, respectively. All accounts payable and accrued liabilities, and the note payable are current.

Market Risk

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

Interest Rate Risk

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash and cash equivalents are held mainly in high yield saving accounts and term deposits and therefore there is currently minimal interest rate risk. Because of the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as of March 31, 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 \$280,000 impact on the Company's profit or loss for the year ended March 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 of March 31, 2019, a 1% change in US LIBOR would result in approximately \$280,000 change to the Company's net loss for the year ended March 31, 2019.

Hudson Resources Inc.
Notes to the Consolidated Financial Statements
For the Years Ended March 31, 2019 and 2018
(Expressed in Canadian Dollars)

19. 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 March 31, 2019:

	in CAD		in USD		in DKK		in EURO	
Cash	\$	512,643	\$	492,259	\$	1,492,143	\$	-
Restricted cash		-		-		-		-
Amounts receivable		-		-		-		-
Sales tax receivable		82,903		-		-		-
Deposits		6,993		-		4,480		-
Reclamation bonds		-		-		10,000,000		-
Accounts payable and accrued liabilities		(459,259)		(733,973)		(4,861,644)		(5,890)
Note payable		(502,959)		-		-		-
Reclamation obligations		-		-		(8,112,197)		-
Loan payable		-		(21,712,161)		-		-
Lease obligations		-		-		(2,908,223)		-
		(359,679)		(21,953,875)		(4,385,441)		(5,890)
Rate to convert to \$1.00 CAD		1.000		0.7491		4.9842		0.6670
Equivalent to Canadian dollars		(359,679)		(29,307,325)		(879,877)		(8,831)

Based on the above net exposures as at March 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 \$3,100,000 during the year ended March 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.

Hudson Resources Inc.
Notes to the Consolidated Financial Statements
For the Years Ended March 31, 2019 and 2018
(Expressed in Canadian Dollars)

20. INCOME TAXES

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

	2019	2018
Loss before income taxes	\$(6,566,464)	\$(5,574,864)
Expected income tax recovery	(1,773,000)	(1,505,000)
(Increase) decrease in income tax recovery resulting from:		
Impact of foreign tax rates, changes in unrecognized deferred tax assets and other	(6,158,000)	1,505,000
Non-deductible differences	94,000	-
Adjustment of prior years' provision versus statutory tax returns and expiry of non-capital losses	7,837,000	-
Deferred tax expense (recovery)	\$ -	\$ -

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

	2018	Expiry Date Range	2017	Expiry Date Range
Temporary Differences				
Resource properties and equipment	\$ -	No expiry date	\$22,305,000	No expiry date
Share issuance costs	\$ 1,185,000	No expiry date	\$ 464,000	No expiry date
Non-capital losses carried forward	\$34,277,000	2026 to 2039	\$28,302,460	2026 to 2038

21. SUBSEQUENT EVENTS

- Subsequent to March 31, 2019, the Company received gross proceeds of \$136,000 for the exercise of 400,000 stock options at a price of \$0.34 per share.
- Subsequent to March 31, 2019, 1,650,000 options with an exercise price of \$0.34 expired without exercise.

Hudson Resources Inc.
Notes to the Consolidated Financial Statements
For the Years Ended March 31, 2019 and 2018
(Expressed in Canadian Dollars)

21. SUBSEQUENT EVENTS (CONTINUED)

- Subsequent to March 31, 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. Upon the Company receiving this further loan increase it will, at that time, issue an additional 900,000 warrants having the same terms as the warrants described above.