# HUDSON RESOURCES INC.

## CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

## FOR THE NINE MONTHS ENDED DECEMBER 31, 2021

**(Unaudited)**

**(Expressed in Canadian Dollars as CA$ or $)**

**NOTICE OF NO AUDITOR REVIEW OF INTERIM FINANCIAL STATEMENTS**

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

**The accompanying unaudited condensed consolidated interim financial statements of Hudson Resources Inc. for the nine months ended December 31, 2021, have been prepared by the management of the Company and approved by the Company's Audit Committee and the Company's Board of Directors.**

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

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

| *As at* | | December 31, 2021 | | March 31, 2021 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| **Current assets** | | | | |
| Cash | $ | **62,678** | $ | 121,544 |
| Sales tax and other receivables | | **16,647** | | 37,258 |
| Deposits | | **6,993** | | 6,993 |
| Prepaid expenses | | **10,654** | | 6,042 |
| | | **96,972** | | **171,837** |
| **Non-current assets** | | | | |
| Equipment and right of use asset (note 4) | | **19,191** | | 52,216 |
| Resource properties (note 5) | | **13,626** | | 6,253 |
| Investment in associate (note 7) | | **-** | | 4,725,709 |
| | | **32,817** | | 4,784,178 |
| **TOTAL ASSETS** | **$** | **129,789** | **$** | **4,956,015** |
| **LIABILITIES** | | | | |
| **Current liabilities** | | | | |
| Accounts payable and accrued liabilities (note 8 and note 12) | $ | **608,780** | $ | 415,988 |
| Notes payable (note 9) | | **127,655** | | - |
| | | **736,435** | | **415,988** |
| **Non-current liabilities** | | | | |
| Lease obligations (note 10) | | **-** | | 8,573 |
| | | **-** | | **8,573** |
| **TOTAL LIABILITIES** | | **736,435** | | **424,561** |
| **EQUITY** | | | | |
| Share capital (note 11(b)) | $ | **78,208,835** | $ | 78,208,835 |
| Reserves | | **13,300,142** | | 13,196,043 |
| Deficit | | **(92,115,623)** | | (86,873,424) |
| **TOTAL EQUITY** | | **(606,646)** | | **4,531,454** |
| **TOTAL EQUITY AND LIABILITIES** | **$** | **129,789** | **$** | **4,956,015** |

*Corporate information and continuance of operations (note 1)*
*Commitments (note 13)*
*Segmented information (note 15)*
*Subsequent events (note 19)*

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

*These condensed consolidated interim financial statements were approved for issue by the Audit Committee of the Company on behalf of the Board of Directors on February 28, 2022 and signed on its behalf by:*

*/s/ Antony Harwood Director*   */s/ Donna Phillips Director*

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

| | For the three months ended | | For the nine months ended | |
|---|---|---|---|---|
| | December 31, 2021 | December 31, 2020 | December 31, 2021 | December 31, 2020 |
| | *(unaudited)* | *(unaudited)* | | |
| **EXPENSES** | | | | |
| Depreciation (note 4) | **11,008** | 11,049 | **$ 33,025** | $ 33,150 |
| Directors' fees (note 12) | **24,000** | 27,667 | **72,000** | 97,667 |
| Exploration and evaluation costs | **5,320** | 14,566 | **35,072** | 20,549 |
| Foreign exchange | **-** | - | **-** | (369,565) |
| Foreign exchange - unrealized | **(24)** | 2,357 | **(154)** | (2,039,651) |
| Interest and financing costs | **4,807** | 3,115 | **9,888** | 2,063,133 |
| Office | **12,563** | 17,707 | **22,666** | 48,740 |
| Personnel costs (note 12) | **119,058** | 207,479 | **436,067** | 730,034 |
| Professional fees | **5,306** | 5,664 | **29,648** | 161,896 |
| Rent | **7,153** | 6,952 | **20,839** | 20,825 |
| Share-based payments (note 11(d) and 12) | **20,785** | 206,067 | **104,099** | 450,529 |
| Shareholder and community engagement | **2,580** | 4,140 | **8,925** | 10,480 |
| Transfer agent and filing fees | **5,334** | 8,685 | **16,052** | 25,947 |
| Travel and accommodation | **67** | 172 | **109** | 866 |
| **TOTAL EXPENSES** | **217,957** | 515,620 | **788,236** | 1,254,600 |
| **OTHER ITEMS** | | | | |
| Management services | **-** | - | **(271,746)** | (320,378) |
| Gain on disposition of controlling interest (note 7) | **-** | - | **-** | (3,811,129) |
| Share of loss from associates (note 7) | **1,822,405** | (939,336) | **4,725,709** | (899,598) |
| **NET LOSS (INCOME) FOR THE PERIOD** | **2,040,362** | (423,716) | **5,242,199** | (3,776,505) |
| **OTHER COMPREHENSIVE LOSS (INCOME)** | | | | |
| Reclassification of foreign currency differences on disposition of controlling interest | **-** | - | **-** | (11,488) |
| Foreign currency translation on foreign operations | **-** | - | **-** | (8,872) |
| **TOTAL COMPREHENSIVE LOSS FOR THE PERIOD** | **$ 2,040,362** | $ (423,716) | **$ 5,242,199** | $ (3,796,865) |
| **Basic and diluted loss per share for the year** | **$ 0.01** | $ (0.00) | **$ 0.03** | $ (0.02) |
| **Weighted average number of common shares outstanding - basic and diluted** | **178,409,205** | 178,395,933 | **178,409,205** | 178,393,785 |

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

**Hudson Resources Inc.**

**Condensed Consolidated Interim Statements of Changes in Equity**

**(Unaudited - Expressed in Canadian Dollars)**

| | | Share capital | | Reserves | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Note | Number of shares | Amount | Additional paid-in capital | Stock options reserve | Warrants reserve | Foreign currency translation reserve | Deficit | Total |
| **Balance at March 31, 2020** | | **178,392,705** | **$ 78,206,360** | **$ 7,559,876** | **$ 2,530,035** | **$ 2,805,527** | **$ 2,616** | **$ (82,010,793)** | **$ 9,093,621** |
| Shares issued for cash - exercise of stock options | | 16,500 | 2,475 | 840 | (840) | - | - | - | **2,475** |
| Expiry of stock options | | - | - | 1,254,653 | (1,254,653) | - | - | - | **-** |
| Cancellation and foreiture of stockl options | | - | - | 6,408 | (6,408) | - | - | - | **-** |
| Expiry of warrants | | - | - | 531,347 | - | (531,347) | - | - | **-** |
| Share-based payments | 11(d) | - | - | - | 450,529 | - | - | - | **450,529** |
| Loss and comprehensive loss | | - | - | - | - | - | 8,872 | 3,776,505 | **3,785,377** |
| Reclassification of foreign currency differences on disposition of controlling interest | | - | - | - | - | - | (11,488) | 11,488 | **-** |
| **Balance at December 31, 2020** | | **178,409,205** | **$ 78,208,835** | **$ 9,353,124** | **$ 1,718,663** | **$ 2,274,180** | **$ -** | **$ (78,222,800)** | **$ 13,332,002** |
| | | | | | | | | | |
| **Balance at March 31, 2021** | | **178,409,205** | **$ 78,208,835** | **$ 8,092,063** | **$ 2,829,800** | **$ 2,274,180** | **$ -** | **$ (86,873,424)** | **$ 4,531,454** |
| Cancellation and foreiture of stock options | | - | - | 103,536 | (103,536) | - | - | - | **-** |
| Share-based payments | 11(d) | - | - | - | 104,099 | - | - | - | **104,099** |
| Loss and comprehensive loss | | - | - | - | - | - | - | (5,242,199) | **(5,242,199)** |
| **Balance at December 31, 2021** | | **178,409,205** | **$ 78,208,835** | **$ 8,195,599** | **$ 2,830,363** | **$ 2,274,180** | **$ -** | **$ (92,115,623)** | **$ (606,646)** |

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

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

| | For the nine months ended December 31, 2021 | December 31, 2020 |
|---|---|---|
| **Cash flows from (used in):** | | |
| **OPERATING ACTIVITIES** | | |
| **Net income (loss) for the period** | $ (5,242,199) | $ 3,776,505 |
| **Adjustments for items not affecting cash:** | | |
| Depreciation | 33,025 | 33,150 |
| Share-based payments | 104,099 | 450,529 |
| Interest and financing costs | - | 18,102 |
| Foreign exchange | - | (369,565) |
| Foreign exchange - unrealized | - | (2,039,651) |
| Gain on disposition of controlling interest | - | (3,811,129) |
| Share of loss from equity accounted investments | 4,725,709 | (899,598) |
| | **(379,366)** | **(2,841,657)** |
| **Net changes in non-cash working capital items:** | | |
| Sales tax and other receivables | 20,611 | 24,192 |
| Prepaid expenses | (4,612) | 398,925 |
| Inventory | - | (102,850) |
| Accounts payable and accrued liabilities | 226,024 | 2,632,917 |
| **Net cash flows from (used in) operating activities** | **(137,343)** | **111,527** |
| **FINANCING ACTIVITIES** | | |
| Proceeds from notes payable | 125,000 | - |
| Lease payments | (39,150) | (145,383) |
| **Net cash flows from (used in) financing activities** | **85,850** | **(142,908)** |
| **INVESTING ACTIVITIES** | | |
| Equipment purchases | - | (596,540) |
| Resource property acquisition costs | (7,373) | (6,253) |
| Reclamation bonds | - | 1,023,274 |
| Expenditures on development assets | - | (3,215,518) |
| **Net cash flows used in investing activities** | **(7,373)** | **(1,356,252)** |
| **Effect of exchange rate changes on cash** | **-** | **(287,290)** |
| **Net increase (decrease) in cash** | **(58,866)** | **(1,674,923)** |
| **Cash, beginning of period** | **121,544** | **1,829,044** |
| **Cash, end of period** | **$ 62,678** | **$ 154,121** |
| **Cash paid during the year for interest on loan payable** | **$ -** | **$ -** |
| **Supplementary cash flow information** | | |
| Reclassification of the fair value of options expired | $ - | $ **1,248,932** |
| Reclassification of the fair value of options cancelled | $ **103,536** | $ **5,721** |
| Reclassification of grant date fair value on exercise of stock options | $ - | $ **840** |
| Reclassification of the fair value of warrants expired | $ - | $ **(531,347)** |

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

## 1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS

Hudson Resources Inc. ("Hudson" or 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 1500 – 701 West Georgia St, Vancouver, BC, V7Y 1C6.

The Company is in the business of prospecting for, developing, and mining mineral resources located in Greenland and is currently focused on its wholly owned Nukittooq niobium - tantalum ("Nb-Ta") project and its Sarfartoq rare earth element ("REE") projects and continues to support production from the White Mountain Project (the "Project" or "Qaqortorsuaq" in Greenland) located on its Naajat anorthosite mineral license holding. The Company 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.

***Debt restructuring in Hudson Greenland A/S***

On September 23, 2020, the Company announced it has closed its debt restructuring transaction (the "Transaction") with its existing lenders, Cordiant Capital Inc. and its affiliates, and Romeo Fund – Flexi and its affiliates (together, the "Lenders") after receiving shareholder approval and approval from the Government of Greenland.

Pursuant to the Transaction, the Company cancelled the inter-company debt owed by the Company's subsidiary, Hudson Greenland A/S ("Hudson Greenland" or the "Subsidiary"), to the Company and converted approximately US$13.7 million (CA$18.4 million), of the then existing debt of US$43 million (CA$58.6 million) owed to the Lenders pursuant to existing loan facilities, into preferred shares of Hudson Greenland, thereby reducing the Company's interest payments substantially. The conversion of the debt into preferred shares of Hudson Greenland pursuant to the Transaction resulted in the Lenders holding approximately 68.9% of Hudson Greenland and the remaining 31.1% by the Company. Additionally, the Lenders were granted the right to each nominate one director to the Hudson Greenland board, which comprises two of the four board members (one of which being appointed to Chairman of the board), with Hudson retaining one member, and the fourth member being the incumbent from Greenland Venture A/S, an investment company owned by the Greenland Government.

Hudson Greenland also issued a convertible debenture (the "Debenture") in the amount of US$10 million (CA$13.3 million) to the Lenders to provide funding directly into Hudson Greenland to ensure sufficient working capital to get the White Mountain anorthosite mine back into operation. The Debenture has a maturity date of five years from the date of issuance and are convertible into preferred shares in the capital of Hudson Greenland. The Debenture does not bear interest and will not confer voting rights on the Lenders until conversion of the Debenture, in accordance with its terms. The Debenture may be repaid based on 200% of its face value at any time to the date of maturity.

Proceeds of the Debenture are being used by Hudson Greenland for working capital purposes to put the White Mountain mine back into production and general corporate purposes, as approved by Hudson Greenland's board of directors. The Company retains back-in rights to redeem the preferred shares and repay the Debenture from the above transactions to regain 100% interest of the White Mountain Project over the next five years.

Through a separate services arrangement, the Company provides operational, logistical, sales and marketing support to Hudson Greenland related to all White Mountain anorthosite operations. This services arrangement covers the majority of Hudson's management and operating costs.

## 1. CORPORATE INFORMATION AND CONTINUANCE OF OPERATIONS (CONTINUED)

***Going Concern***

The Company has experienced recurring operating losses and as at December 31, 2021, had a working capital deficit of $639,463. Working capital is defined as current assets less current liabilities and provides a measure of the Company's ability to settle liabilities that are due within one year with assets that are also expected to be converted into cash within one year. For the current nine months ended December 31, 2021, the Company recorded a net loss of $5,242,199 and an accumulated deficit of $92,115,623 with cumulative losses being attributable to extensive lead times required to identify and secure potential minerals resources of commercial value, obtain all necessary permits and licenses for development of a deposit and the complexity of construction of the processing plant and shipping facilities in a remote location, and share of losses from associates.

The Company expects to incur further losses in the development of its business, all of which may cast significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future cash flow from its operations and/or obtain additional financing.

These condensed consolidated interim financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Realizable values may be substantially different from carrying values as shown.

***Impact of COVID-19***

On March 11, 2020, the World Health Organization declared a global pandemic related to the virus known as COVID-19. This pandemic has continued with various governments enacting restrictions on the movement of people and goods. Although multiple vaccines have been released and are being administered to the public, there have been coincidental mutations to the COVID-19 virus and which have been reported to be more virulent. Should vaccines prove less effective against the new virus strains resulting in a resurgence of COVID-19 during the year, it is anticipated that additional governments would again issue public health orders which may include further restrictions on the movement of people and goods, impacting the Company's ability to access its properties and complete exploration, development, or production programs in the current year. The Government of Greenland has imposed quarantine programs, and Covid-19 protocols have been implemented at the White Mountain anorthosite mine in Greenland where the Company has an interest.

Further uncertainties arise from the inability of the Company to gauge the duration of the pandemic. Fluctuations in currencies and volatile financial markets pose significant challenges in planning, budgeting, and carrying out meaningful exploration programs. Certain industrial mineral prices have declined in the wake of the COVID-19 pandemic, and continuing period of lower prices could significantly affect the economic potential or intentions with respect to the White Mountain Project and the Company's rare earth element (REE) and niobium/tantalum exploration projects. The expected impact of the pandemic may lead to a global slowdown in demand for some of the commodities and metals that the Company has in its portfolio. The pandemic has also put focus on supply chains which may be beneficial in an increase demand for the rare earth elements (REE's) and niobium-tantalum (Nb-Ta) critical metals that the Company has in its portfolio. The rapid conversion to green applications including electric vehicles and sustainable energy has greatly increase the demand for critical metals and the desire for secure supply chains.

The longer-term impact of these factors on the Company is not yet determinable, however they may have a material impact on the Company's financial position, results of operations and cash flows in future periods. There may be heightened risk of mineral property impairment and liquidity or going concern uncertainty.

## 2. SIGNIFICANT ACCOUNTING POLICIES AND BASIS OF PREPARATION

***Statement of compliance and basis of preparation***

These unaudited condensed consolidated interim financial statements of the Company have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"). These condensed consolidated interim financial statements comply with International Accounting Standard 34, Interim Financial Reporting ("IAS 34"). These condensed consolidated interim financial statements, including comparatives, have been prepared on the basis of IFRS standards that are published at the time of preparation and that are effective on September 30, 2021.

***Basis of consolidation and equity accounting***

Subsidiaries are all entities (including structured entities) over which the Company has control. The Company controls an entity where the Company is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Company. Subsidiaries are deconsolidated from the date that control ceases. All intercompany balances, transactions, income and expenses, and profits or losses are eliminated on consolidation.

Associates are all entities over which the Company has significant influence but not control or joint control. This is generally the case where the Company holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting after initially being recognized at cost.

Under the equity method of accounting, the investments are initially recognized at cost and adjusted thereafter to recognize the Company's share of the post-acquisition profits or losses of the investee in profit or loss, and the Company's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognized as a reduction in the carrying amount of the investment. Where the Company's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Company does not recognize further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealized gains on transactions between the Company and its associates and joint ventures are eliminated to the extent of the Company's interest in these entities. Unrealized losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The carrying amount of equity-accounted investments is tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

The Transaction as announced by the Company on September 23, 2020 (see note 1 and note 9) resulted in a loss of de-facto control of the Subsidiary as the facts and circumstances indicate. Accordingly, the Subsidiary has been deconsolidated as at the Transaction date when control ceased, and the Company commenced application of equity method of accounting for Hudson Greenland A/S and recognized its investment in associate at its fair value.

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

***Basis of presentation***

These condensed consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. They do not include all of the information and disclosures required in full annual financial statements and should be read in conjunction with the Company's annual financial statements as at March 31, 2021 which have been prepared in accordance with IFRS. These condensed consolidated interim financial statements have been prepared on a historical cost basis except for financial instruments carried at fair value. In addition, these condensed consolidated interim financial statements have been prepared using the accrual basis of accounting except for cash flow information.

These condensed consolidated interim financial statements follow the same accounting policies and methods of application as the annual audited financial statements for the year ended March 31, 2021.

***Functional and presentation currency***

These condensed consolidated interim financial statements are presented in Canadian dollars ("CAD") which is the functional currency of the Company.

## 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 April 1, 2021. The Company does not expect that any new or amended standards or interpretations that are effective for annual periods beginning on or after April 1, 2021 will have a significant impact on the Company's results of operations or financial position.

**(Unaudited - Expressed in Canadian Dollars)**

## 4. EQUIPMENT AND RIGHT OF USE ASSET

| | Computer equipment | Right of use asset | Total |
|---|---|---|---|
| ***Cost*** | | | |
| As at March 31, 2021 | $ 23,260 | $ 138,210 | **$ 161,470** |
| **Balance as at December 31, 2021** | **$ 23,260** | **$ 138,210** | **$ 161,470** |
| ***Depreciation*** | | | |
| As at March 31, 2021 | $ (21,964) | $ (87,290) | **$ (109,254)** |
| Charged for the period | (292) | (32,733) | **(33,025)** |
| **Balance as at December 31, 2021** | **$ (22,256)** | **$ (120,023)** | **$ (142,279)** |
| ***Net book value*** | | | |
| As at March 31, 2021 | $ 1,296 | $ 50,920 | $ 52,216 |
| **As at December 31, 2021** | **$ 1,004** | **$ 18,187** | **$ 19,191** |

During the nine months ended December 31, 2021, the Company charged $33,025 (2021 – $1,396,367) in depreciation expense of which $33,025 (2021 – $33,150) was charged to statement of loss and comprehensive loss and $1,350,677 was capitalized as development assets. Upon disposition of controlling interest in Hudson Greenland, the Company has deconsolidated the Subsidiary's assets and liabilities from the date on which the control ceased (see note 1 and note 7).

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

**Asset restrictions and contractual commitments**

Hudson Greenland's assets are subject to certain restrictions on title, and have been pledged as security for credit facility arrangements (Note 13).

## 6. RESOURCE PROPERTIES

The Company currently has two Exploration Licenses ("EL") in Greenland. The Sarfartoq EL (2020/32), an exploration stage property was reacquired by the Company, under a new EL at the end of the fiscal 2020 year.

The Company acquired another exploration property, EL (2021/56) with license M-306 located near Nuuk in West Greenland in 2021.

| | Sarfartoq Mineral Claim | EL 2021/56 Mineral Claim | Total |
|---|---|---|---|
| ***Acquisition costs / license fees*** | | | |
| **Balance as at March 31, 2021** | **$ 6,253** | **$ -** | **$ 6,253** |
| Additions | 993 | 6,380 | **7,373** |
| **Balance as at December 31, 2021** | **$ 7,246** | **$ 6,380** | **$ 13,626** |

The minimum work commitment expenditures on the Sarfartoq EL is approximately $60,000 per annum. Due to COVID-19, the Greenland government has also waived all work commitments for the calendar year 2021.

**(Unaudited - Expressed in Canadian Dollars)**

## 7. INVESTMENT IN ASSOCIATE

| | | |
|---|---|---|
| **As at March 31, 2020** | $ | - |
| Recognition of fair value of investment in associate upon disposition of controlling interest | | 8,226,301 |
| Share of loss from equity accounted investments | | (3,500,592) |
| **Balance as at March 31, 2021** | **$** | **4,725,709** |
| Share of loss from equity accounted investments | | (4,725,709) |
| **Balance as at December 31, 2021** | **$** | **-** |

The Company announced on September 23, 2020, that it had completed a debt restructuring of Hudson Greenland which resulted in a disposition of a controlling interest of 68.9% of the subsidiary, of which it held a 100% interest prior to that date. Hudson Greenland also completed a concurrent US$10 million convertible debenture financing (see note 1 and note 12) to ensure sufficient working capital to allow the White Mountain Project to get back into commercial operation. Hudson Greenland is in the business of developing and mining mineral resources from the White Mountain Project located in Greenland.

Through a separate services arrangement, the Company provided operational, logistical, sales and marketing support to Hudson Greenland related to White Mountain's anorthosite operations until the second quarter of this fiscal year. This arrangement covered the majority of Hudson's management and operating costs until that time.

**Significant judgements and assumptions**

Upon completion of the Transaction, the Company held 100% of the common shares and 31.1% of the voting rights in Hudson Greenland, and the Lenders held 100% of the voting preferred shares and 68.9% of the voting rights. The Company has appointed one and the Lenders have appointed two (including the Chairman of the Board) of Hudson Greenland's Board of Directors out of a total of four. In the event of a tie with decisions to be voted upon within Hudson Greenland, the Chairman of the Hudson Greenland Board of Directors shall cast the deciding vote in such situations.

Management has reassessed its involvement in Hudson Greenland in accordance with IFRS 10's control definition and guidance and concluded that it no longer has outright control but has retained significant influence. In making this judgement, management considered the Company's relative size of voting rights and the Lenders' decision-making ability on the Board of Directors. Accordingly, Hudson Greenland has been deconsolidated as at the Transaction date when control ceased, and the Company commenced application of the equity method of accounting for Hudson Greenland and recognized its investment in associate at its fair value as of the date of the Transaction.

**Loss of control over subsidiary during the last fiscal year**

On September 22, 2020, the Company disposed of a controlling interest in its Greenlandic subsidiary, Hudson Greenland and recorded a net gain of $370,781 on the disposition consisting of both a gain on disposition upon debt restructuring and a loss on the retained investment.

**(Unaudited - Expressed in Canadian Dollars)**

## 7. INVESTMENT IN ASSOCIATE (CONTINUED)

The Company recorded the following gain on disposition upon the debt restructuring in the prior fiscal year.

| | | September 22, 2020 |
|---|---|---|
| Cash | $ | 1,228,413 |
| Inventory | | 995,502 |
| Other current assets | | 251,465 |
| Total current assets | | 2,475,380 |
| | | |
| Reclamation bond | | 1,048,119 |
| Equipment | | 8,586,976 |
| Development assets | | 57,666,623 |
| Total assets | | 69,777,098 |
| | | |
| Accounts payable and accrued liabilities | | (10,306,441) |
| Borrowings | | (48,993,375) |
| Total current liabilities | | (59,299,816) |
| | | |
| Due to parent | | (31,166,369) |
| Other provisions | | (2,435,705) |
| Total liabilities | | (92,901,890) |
| | | |
| Total net liabilities | | (23,124,792) |
| | | |
| Net cash consideration | $ | - |
| Total net liabilities | | (23,124,792) |
| **Gain on disposition upon debt restructuring** | **$** | **23,124,792** |

As part of the Transaction (see note 1), the Company retained a 31.1% interest in Hudson Greenland and recorded a loss on the retained investment based on its fair value at the date when control was lost. Fair value, under IFRS 13 Fair Value Measurement, is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, and is also referred to as an exit price.

| | | |
|---|---|---|
| Fair value of retained investment | $ | 8,226,301 |
| Carrying value of investment | | (30,980,312) |
| **Loss on retained investment** | **$** | **(22,754,011)** |

The net gain on disposition of controlling interest is summarized below:

| | | |
|---|---|---|
| Gain on disposition upon debt restructuring | $ | 23,124,792 |
| Loss on retained investment | | (22,754,011) |
| **Net gain on disposition of controlling interest** | **$** | **370,781** |

### Commitments

Hudson Greenland has certain contractual commitments relating to its own liabilities, including the reclamation bond, capital leases, and short term and long term loans payable. Hudson Greenland's assets have been pledged as security for its credit facility arrangements. The Company has not provided any commitments or guarantees relating to these liabilities of Hudson Greenland except for the pledge of its ownership of common shares of Hudson Greenland to the Lenders as part of Hudosn Greenland's loan agreements.

**(Unaudited - Expressed in Canadian Dollars)**

## 8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

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

| | | December 31, 2021 | | March 31, 2021 |
|---|---|---|---|---|
| Trade payables | $ | 55,455 | $ | 1,646 |
| Lease obligations - current portion (see Note 10) | | 21,115 | | 47,995 |
| Accrued liabilities | | 532,210 | | 366,347 |
| | **$** | **608,780** | **$** | **415,988** |

See also note 12 for related parties balances.

## 9. NOTES PAYABLE

Between October 26 and November 2, 2021, the Company received unsecured advances totaling $125,000 from members of its Board of Directors (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 notes payable balance, including accrued interest, as at December 31, 2021, is as follows:

| | | |
|---|---|---|
| **Balance as at March 31, 2021** | **$** | **-** |
| Additions | | 125,000 |
| Interest expense | | 2,655 |
| **Balance as at December 31, 2021** | **$** | **127,655** |

## 10. LEASE OBLIGATIONS

The Company's long term lease obligations as at December 31, 2021 are as follow:

| | | |
|---|---|---|
| **Balance as at March 31, 2021** | **$** | **56,568** |
| Interest | | 3,696 |
| Principal payments | | (39,149) |
| Total lease obligations | | 21,115 |
| Less: current portion in accrued liabilities (Note 8) | | (21,115) |
| **Balance as at December 31, 2021** | **$** | **-** |

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

| | CAD |
|---|---|
| 2022 | 13,050 |
| 2023 | 8,700 |
| | **21,750** |

**(Unaudited - Expressed in Canadian Dollars)**

## 11. SHARE CAPITAL

### a) Authorized share capital

Unlimited number of common shares without par value.

### b) Issued share capital

As at December 31 and March 31, 2021, the Company had 178,409,205 common shares issued and outstanding.

***For the nine months ended December 31, 2021***

- None

***For the nine months ended December 31, 2020***

- 16,500 stock options with an exercise price of $0.15 were exercised for gross proceeds of $2,475 in December 2020.

### c) Share purchase warrants

The changes in warrants during the nine months ended December 31, 2021, are as follow:

| | Number outstanding | | Weighted average exercise price |
|---|---|---|---|
| **Balance, March 31, 2020** | **52,791,416** | **$** | **0.50** |
| Expired | (29,400,000) | | 0.75 |
| **Balance, March 31, 2021** | **23,391,416** | **$** | **0.66** |
| Expired | (20,541,416) | | 0.75 |
| **Balance, December 31, 2021** | **2,850,000** | **$** | **0.45** |

***For the nine months ended December 31, 2021***

- 9,615,805 share purchase warrants and 10,921,611 share purchase warrants, all with an exercise price of $0.75, expired without exercise in May and June 2021 respectively.

***For the nine months ended December 31, 2020***

- 29,400,000 share purchase warrants with an exercise price of $0.75 expired without exercise in December 2020

The following summarizes the share purchase warrants outstanding as at December 31, 2021:

| Expiry date | Warrants outstanding | | Exercise price | Weighted average remaining contractual life (in years) |
|---|---|---|---|---|
| May 23, 2024 | 2,850,000 | $ | 0.45 | 2.39 |
| | **2,850,000** | | | **2.39** |

**(Unaudited - Expressed in Canadian Dollars)**

## 11. 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 nine months ended December 31, 2021 are as follow:

| | Number outstanding | Weighted average exercise price |
|---|---|---|
| **Balance, March 31, 2020** | **10,790,000** | **$ 0.46** |
| Granted | 5,180,000 | 0.19 |
| Expired | (2,600,000) | 0.50 |
| Cancelled | (1,883,500) | 0.45 |
| Exercised | (16,500) | 0.15 |
| **Balance, March 31, 2021** | 11,470,000 | 0.33 |
| Cancelled | (660,000) | 0.32 |
| **Balance, December 31, 2021** | **10,810,000** | **$ 0.34** |

***For the nine months ended December 31, 2021***

- 660,000 stock options with exercise price ranging from $0.15 to $0.47 were cancelled during the current period.

***For the nine months ended December 31, 2020***

- None

**(Unaudited - Expressed in Canadian Dollars)**

## 11. SHARE CAPITAL (CONTINUED)

### d) Stock options (continued)

The following summarizes information about Options outstanding and exercisable at March 31, 2021:

| Expiry date | Options outstanding | Options exercisable | Exercise price | Estimated grant date fair value | Weighted average remaining contractual life (in years) |
|---|---|---|---|---|---|
| January 18, 2022 | 1,860,000 | 1,860,000 | $ 0.38 | $ 396,152 | 0.05 |
| June 28, 2023 | 3,580,000 | 3,580,000 | $ 0.47 | $ 775,367 | 1.49 |
| February 20, 2024 | 830,000 | 830,000 | $ 0.45 | $ 380,123 | 2.14 |
| August 10, 2025 | 3,640,000 | 2,433,100 | $ 0.15 | $ 179,955 | 3.61 |
| November 10, 2025 | 900,000 | 600,000 | $ 0.40 | $ 161,171 | 3.86 |
| | **10,810,000** | **9,303,100** | | **$ 1,892,768** | **2.20** |

During the nine months ended December 31, 2021, the Company recognized share-based payments expense of $104,099 (2021 – $450,529) from stock options. There were no stocks options granted during this period.

### e) Reserves

Additional paid-in capital

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

Stock options reserve

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

Warrants reserve

The warrants reserve records the fair value of the warrants issued until such time that the warrants are exercised, at which time the corresponding amount will be transferred to share capital. If the warrants expire unexercised, the amount recorded is transferred to additional paid-in capital.

**(Unaudited - Expressed in Canadian Dollars)**

## 12. RELATED PARTY TRANSACTIONS AND BALANCES

### a) Related party balances

The balance due to related parties included in accounts payable and accrued liabilities was $554,083 and included $367,000 for directors' fees and $187,083 in personnel costs as at December 31, 2021 (March 31, 2021 – $295,000 and $Nil respectively). These amounts are unsecured and non-interest bearing.

Included in notes payable is a balance of $127,655 owing to the existing members of the Board of Directors. The advances are unsecured and bear interest at 12% per annum (see note 9).

### b) Key management personnel compensation

Key management personnel are persons responsible for planning, directing and controlling the activities of an entity, and include executive and non-executive directors. Key management personnel compensation is comprised of:

| ` | For the nine months ended | |
|---|---|---|
| | **December 31, 2021** | **December 31, 2020** |
| Short-term employee benefits - personnel costs | **$ 438,750** | $ 426,417 |
| Short-term employee benefits - directors' fees | **72,000** | **97,667** |
| Share-based payments | **94,172** | **138,614** |
| | **$ 604,922** | $ 662,697 |

## 13. COMMITMENTS

| | | Total | 2022 | 2023 | 2024 | 2025 | 2026 and thereafter |
|---|---|---|---|---|---|---|---|
| Lease from right of use asset | | $ 21,750 | $ 13,050 | $ 8,700 | $ - | $ - | $ - |
| Capital leases | (1) | - | - | - | - | - | - |
| Reclamation bond | (1) | - | - | - | - | - | - |
| Short term loan payable | (1) | - | - | - | - | - | - |
| Loans payable | (1) | - | - | - | - | - | - |
| | | **$ 21,750** | **$ 13,050** | **$ 8,700** | **$ -** | **$ -** | **$ -** |

(1) Upon disposition of controlling interest in Hudson Greenland, the Company has deconsolidated the Subsidiary's assets and liabilities from the date on which the control ceased (see note 1 and note 7).

**(Unaudited - Expressed in Canadian Dollars)**

## 14. SEGMENTED INFORMATION

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

| | Canada | Greenland | Total |
|---|---|---|---|
| ***As at March 31, 2021*** | | | |
| Equipment and right of use asset | $ **52,216** | $ **-** | $ **52,216** |
| Resource properties | - | 6,253 | **6,253** |
| Investment in associate | - | 4,725,709 | **4,725,709** |
| | $ **52,216** | $ **4,731,962** | $ **4,784,178** |
| ***As at December 31, 2021*** | | | |
| Equipment and right of use asset | $ **19,191** | $ **-** | $ **19,191** |
| Resource properties | - | 13,626 | **13,626** |
| Investment in associate | - | - | - |
| | $ **19,191** | $ **13,626** | $ **32,817** |

Upon disposition of controlling interest in Hudson Greenland, the Company has deconsolidated the Subsidiary's assets and liabilities from the date on which the control ceased (see note 1 and note 7).

## 15. CAPITAL MANAGEMENT

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

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

There were no changes in the Company's approach to capital management during the nine months ended December 31, 2021. Hudson Greenland is subject to its own externally imposed capital requirements in connection with its own indebtedness.

**(Unaudited - Expressed in Canadian Dollars)**

## 16. FINANCIAL INSTRUMENTS

### a) Fair value

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

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

| | December 31, 2021 | | March 31, 2021 | |
|---|---|---|---|---|
| | **Carrying amount** | **Fair value** | Carrying amount | Fair value |
| **Financial assets:** | | | | |
| ***Amortized cost*** | | | | |
| Cash | **$ 62,678** | **$ 62,678** | $ 121,544 | $ 121,544 |
| Sales tax and other receivables | **16,647** | **16,647** | 37,258 | 37,258 |
| Deposits | **6,993** | **6,993** | 6,993 | 6,993 |
| | **$ 86,318** | **$ 86,318** | $ 165,795 | $ 165,795 |
| **Financial liabilities:** | | | | |
| ***Amortized cost*** | | | | |
| Accounts payable and accrued liabilities | **$ 608,780** | **$ 608,780** | $ 415,988 | $ 415,988 |
| Lease obligations | - | - | 8,573 | 8,573 |
| | **$ 736,435** | **$ 736,435** | $ 424,561 | $ 424,561 |

The carrying values of the Company's financial assets and liabilities are considered to be a reasonable approximation of fair value due to the short-term nature of these instruments. There are no financial instruments recorded at fair value through profit or loss (FVTPL) on the statements of financial position.

Upon disposition of controlling interest in Hudson Greenland, the Company has deconsolidated the Subsidiary's assets and liabilities from the date on which the control ceased (see note 2 and note 9).

### b) Financial risk management

***<u>Market Risk</u>***

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

***<u>Credit risk</u>***

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. The Company's cash, restricted cash and sales tax receivable are exposed to credit risk. The Company reduces its credit risk on cash and restricted cash by placing these instruments with institutions of high credit worthiness. As at December 31, 2021, the Company's maximum exposure to credit risk is the carrying value of its financial assets.

## 17. FINANCIAL INSTRUMENTS (CONTINUED)

### b) Financial risk management (continued)

***Liquidity risk***

Liquidity risk is the risk that an entity will encounter difficulty in raising funds to meet commitments associated with financial instruments. The Company manages liquidity by maintaining adequate cash and cash equivalent balances to meet liabilities as they become due. As at December 31, 2021, the Company had cash of $13,178 in order to meet short-term business requirements and accounts payable and accrued liabilities of $505,597. All accounts payable and accrued liabilities are current liabilities.

Upon disposition of controlling interest in the Company's subsidiary, the Company has deconsolidated the subsidiary's assets and liabilities from the date on which the control ceased (see note 2 and note 9).

***Interest Rate Risk***

Interest rate risk is the risk that the fair value or the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company's cash and cash equivalents are held mainly in high yield saving accounts and term deposits and therefore there is currently minimal interest rate risk. Because of the short-term nature of these financial instruments, fluctuations in market rates do not have a significant impact on estimated fair values as at December 31, 2021.

Prior to the disposition of controlling interest, 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 for the nine months ended December 31, 2021.

***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.

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.

Prior to the disposition of controlling interest, the Company's cash, restricted cash, deposits, accounts payable and accrued liabilities, loan payable, and note payable were held in CAD, USD, and DKK; therefore, the USD, and DKK accounts are subject to fluctuation against the Canadian dollar. Subsequent to the Company's disposition of controlling interest in its subsidiary and as at December 31, 2021, the Company's cash, sales tax receivables, and accounts payable and accrued liabilities are all denominated in CAD.

## 18. SUBSEQUENT EVENT

- 1,860,000 stock options with an exercise price of $0.38 expired in January 2022 without exercise.