ANNUAL REPORT / 2011

ASX : HRS | ACN 008 720 965

HUDSON
RESOURCES

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CORPORATE DIRECTORY

Hudson Resources Limited

ACN 008 720 965
ABN 71 008 720 965

Registered and Corporate Office

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131 Macquarie Street
Sydney NSW 2000
Telephone: +61 2 9251 7177
Facsimile: +61 2 9251 7500
Web: www.hudsonresources.com

Share Registry

Computershare Investor Services Pty Limited
GPO Box 2975
Melbourne VIC 3001
Telephone: 1300 850 505 (within Australia)

Bankers

Australia & New Zealand Banking Group Limited
20 Martin Place
Sydney NSW 2000
Telephone: +61 2 9227 1818

St George Bank Limited
Level 3, 1 Chifley Square
Sydney NSW 2000
Telephone: +61 2 9216 2200

Auditor

K.S. Black & Co
Level 6
350 Kent Street
Sydney NSW 2000
Telephone: +61 2 8839 3000

Lawyer

Piper Alderman
Level 23
Governor Macquarie Tower
1 Farrer Place
Sydney NSW 2000
Telephone: +61 2 9253 9999

Board of Directors

Peter J Meers (Chairman/Chief Executive Officer)
Tan Sri Ibrahim Menudin
Ken Boundy
Kit Foo Chye

Joint Company Secretaries

David L Hughes
Julian Rockett

ASX Code – HRS

Hudson Resources Limited shares are listed on the Australian Securities Exchange.

This financial report covers both Hudson Resources Limited as an individual entity and the consolidated entity consisting of Hudson Resources Limited and its consolidated entities.

Hudson Resources Limited is a company limited by shares, incorporated and domiciled in Australia.

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ANNUAL GENERAL MEETING
The Annual General Meeting of Hudson Resources Limited
will be held at Hudson House, Level 2, 131 Macquarie Street, Sydney NSW
at 12.00 noon on 29 May, 2012.

CHAIRMAN'S LETTER 2011

On behalf of the Company and its directors I am pleased to present our Annual Report for the twelve months ended 31 December 2011.

The net consolidated operating loss of Hudson Resources Limited (the Company) was $2 million against a loss of $0.8 million in 2010.

The financial results of the consolidated entity largely reflect the Company's subsidiaries and associated entities actions to employ capital for the purpose of identifying and developing mineral resources.

The underlying operations of the Company itself are cash flow positive resulting from generation of income from raw ore sales (attapulgite clay) and property income.

Shareholder value in the resource investment assets of the Company were maintained during a year of considerable financial unrest predominantly in Europe and the United States of America.

This was a commendable outcome against challenging world economic settings.

The core strategy of the Company remains unchanged.

Since 2008, the Company has developed on its roots as an absorbent clay miner and processor, supplying sorbent products to the supermarkets and industry, to a resource investment company holding strategic investments in metallurgical coal, bauxite, gold and industrial minerals (sorbent clays, graphite and magnesite).

The Company is now as a proven originator and discoverer of resource mineral assets with the potential to deliver high asset valuation appreciation. Now emerging is the Company controlled entities development of key partnerships enabling the movement through successful exploration and discovery stages to development and onwards to operation and production.

At the centre of the Company's strategy is the intention to originate and own tenements prospective in the bulk minerals of high valued coals and bauxite as well as non-ferrous and precious metals which now includes the company's interest in gold. Other mineral exploration opportunities will be added selectively in the future.

At the same time the Company continues to seek ways develop both directly and indirectly opportunities to expand the use of its sorbent clays i.e. attapulgite and diatomite raw ore mineralization to increase off-take revenue and deliver high asset valuation from measured mineral resources.

The utilization of cash flow from off take of raw ore from existing absorbent mineral to support exploration and development activities positions the Company with a unique strategy amongst comparable junior resource exploration peers.

At the date of this report the Company held the following investments:-

Key Mineral/Asset Class	Hudson Resources Limited Interest in the Entity	Entity/Company	JORC Resource Million Tonnes (Mt)	Share Price CMV 29/02/12
Bauxite	45%	Australian Bauxite Limited (ASX:ABZ) 45.6M ordinary shares.	84Mt	$23,949,102
Coal	31%	Tiaro Coal Limited (ASX: TCM) 31.8M ordinary shares.	Exploration Stage	$10,176,000
Gold	52%	Sovereign Gold Company Limited (ASX:SOC) 40.0M shares	Exploration Stage	$10,000,000
Graphite / Magnesite	14%	Archer Exploration Limited (ASX:AXE) 9.5M shares	Exploration Stage	$1,900,000

CHAIRMAN'S LETTER continued

Key Mineral/Asset Class	Hudson Resources Limited Interest in the Entity	Entity/Company	JORC Resource Million Tonnes (Mt)	CMV 29/02/12
Sorbent Minerals	100%	1. Attapulgite – Stockpile - 50Kt @ $20t (JORC Inferred Resource - 22Mt. 2. Diatomite – (JORC Inferred Resource – 1Mt) 3. Bleaching Earth* *1,530,000 shares in Hudson MPA Sdn Bhd. Written down value 31 December 2010	- - -	$1,000,000 - $401,000
Property Geraldton WA	100%	Land Factory Warehouse	Professional Valuation	$1,452,000 $515,000 $1,152,000
Plant & Equipment	100%	Rotary Kiln & Processing Equipment replacement value > $5M		-

At 31 December 2011 the total number of HRS shares quoted on ASX is 118.3 million

The Company continues to improve and increase the underlying intrinsic value of assets for shareholders as evidenced by the performance of its investments:-.

Australian Bauxite Limited (ASX:ABZ)

Since listing on the ASX on 24 December 2009, Australian Bauxite has discovered two gibbsite-rich ("trihydrate") bauxite projects in eastern Australia that appear economic:

1. Goulburn Bauxite Project (an inferred JORC resource of 25Mt has been announced to the ASX) centred on Goulburn-Taralga-Wingello areas in southern NSW, 130 kms west of Port Kembla; and
2. Binjour Bauxite Project (located between Gayndah and Mundubbera in the South Burnett region, 120 kms inland from Port of Bundaberg, central QLD. (An inferred JORC resource of 16.8Mt has been announced to the ASX)

Australian Bauxite has two other potential exploration projects:-

1. Tasmania
2. Inverell-Guyra in northern NSW –an inferred JORC resource of 42Mt has been announced to the ASX). Exploration work is ongoing to increase the size of the resource.

In order to advance the Company's business objectives, subsequent to balance date the Company sold 10M Australian Bauxite shares

Coal – Tiaro Coal Limited (ASX: TCM)

Tiaro Coal holds development and investment coal project areas:

Development

The Maryborough Coal Basin (MCB) hosts deposits with the potential for metallurgical (coking, PCI) and thermal coal production.

Initially Tiaro is actively exploring eight targets in the Tiaro Coal Measure within MCB.

Three new exploration areas covering approximately 900 square kilometres are expected to be granted to Tiaro during 2012 in areas covering the Burrum Coal Measures in the north parts of the MCB.

CHAIRMAN'S LETTER continued

Investment

Tiaro holds three coal investment areas:-

- Galilee Basin (advanced exploration program)
  36% interest in Galilee Basin Project with Guildford Coal Limited (ASX: GUF).
  Declared resource of 262 M/t.
- Clarence – Moreton Basin (medium to long term exploration program).
  55% Interest in Clarence–Moreton Basin Project with CM Basin Coal Holdings Limited
- West of Bowen Basin (medium to long term exploration program).
  50% Interest in West of Blair Athol and Clermont Coal Mines Project with Bundaberg Coal Pty Limited
  Initial Exploration Target - 50 Mt

Gold - Sovereign Gold Limited (ASX: SOC)

Sovereign Gold Company (Sovereign Gold) is an emerging gold company with assets in New South Wales and Malaysia.

Archer Exploration Limited (ASX: AXE)

Archer Exploration Limited (Archer) is predominantly an industrial minerals explorer of graphite (electronics & conductivity products) and developer of magnesite (magnesium based products) ore deposits.

Archer announced on 23 December 2011 that it had entered into a Heads of Agreement with BHP Billiton for the sale of up to 80% of its interests in the West Roxby tenements for $3 million with an exploration spend of $3 million over a three year period. BHP Billiton has sole project funding up to $50 million to a decision to mine. This sale process is contemplated to conclude in the 2nd quarter of 2012.

Subsequent to balance date, the Company has increased its holding in Archer to 9.5 million shares.

Sorbent Minerals – Hudson Resources Limited

Hudson's Sorbent Minerals Division is a supplier of attapulgite clays to a range of buyers requiring sorbent clay base material input.

The Sorbent Minerals Division continued its R & D program focusing on a broad range of environmental remediation issues in many facets of environmental contamination, remediation, and the validation of technology.

Also the Company holds mining licences over diatomite deposits located between Perth & Geraldton WA.

The principal deposits are at Badgingarra (stockpile 20,000t and inferred resource 330,000t).

Research work is focussing on the suitability of diatomite in broad acre agriculture as a slow release medium supporting longer water retention cycles as well as slower nutrient releases to soils

In summary although 2011 was a challenging year the Company continued to develop a stable of valuable resource assets whose underlying value we confidentially expect to grow during 2012 financial year increasing the intrinsic value of shareholders investment in the Company.

Your directors would like to thank management, staff and our consultants for their work in consolidating and advancing the performance of the Company over the past year.

Peter J Meers
Chairman

REVIEW OF OPERATIONS

Review of Operations

Hudson Resources Limited (Hudson) (ASX: HRS) is a listed Australian company specialising in investments in mining assets and listed resources companies.

These investments are primarily origination by Hudson's own geological team through proprietary exploration work and in some cases farm in mineralisation opportunities with other explorers by providing support through Hudson's core competencies of technical evaluation and Asian and local investor networking.

Current resource investments embrace coal, bauxite, gold, graphite, magnesite and sorbent materials.

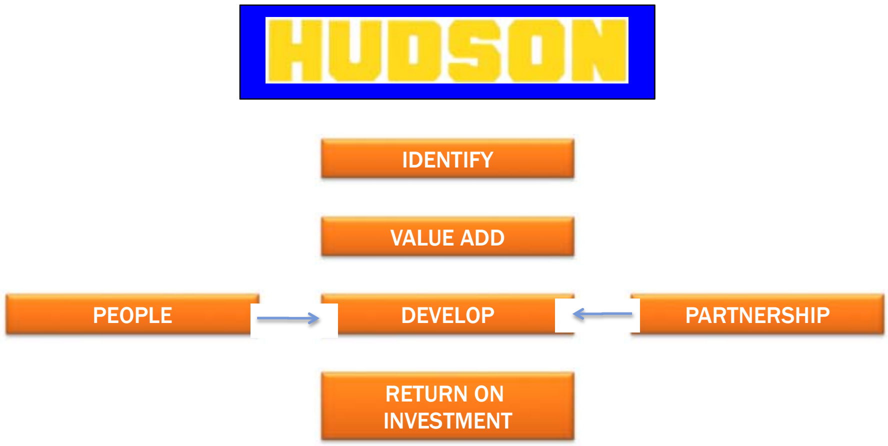

Figure 1 – Hudson origination model

ASSET PORTFOLIO SUMMARY

Mineral/Asset	Hudson Interest	Investment / Resource	No of Shares held	Current market value per share (31/12/11)
Coal	31%	Tiaro Coal Limited (ASX: TCM)	31,800,000	$0.25
Bauxite	55%	Australian Bauxite Limited (ASX: ABZ)	55,617,337	$0.36
Gold	52%	Sovereign Gold Company Limited (ASX: SOC) (escrowed to December 2012)	40,000,000	$0.28
Base Metals, Industrial Minerals	10%	Archer Exploration Limited (ASX: AXE)	6,500,000	$0.115

REVIEW OF OPERATIONS continued

KEY MINERAL INVESTMENTS[1]

HUDSON

31.8 M Shares 31.4%	55.6 M Shares 55.2%	40.0 M Shares 51.9%	Sorbent Minerals Div 100%

ASX Code	TCM
ASX Listing	3 Mar 2008
IPO Offer	A$3 Million
No Shares	101.2 Million
Market Cap	A$25.3 Million
Commodity	Coal
Area of Operations	Queensland: •Maryborough Basin •Galilee Basin •Clarence-Moreton Basin •West of the Bowen Basin
Global Objective	~900 Mt

ASX Code	ABZ
ASX Listing	24 Dec 2009
IPO Offer	A$4 Million
No Shares	100.6 Million
Market Cap	A$36.2 Million
Commodity	Bauxite
Area of Operations	East Australian Bauxite Province: •Queensland •NSW •Tasmania
Global Objective	~300 Mt

ASX Code	SOC
ASX Listing	3 Dec 2010
IPO Offer	A$4 Million
No Shares	77.0 Million
Market Cap	A$21.6 Million
Commodity	Gold
Area of Operations	NSW: •Rocky River – Uralla Gold Field Malaysia: •Eastern Gold Belt
Global Objective	~1.7 Moz

ASX Code	HRS
ASX Listing	26 Nov 1979
No Shares	118.3 Million
Market Cap	A$31.9 Million
Commodity	Sorbent Mineral
Area of Operations	WA
Global Objective	~100 Mt

COAL

Coal – Tiaro Coal Limited (ASX: TCM)

Tiaro's stated business objectives are:

Exploration

To undertake exploration in the Maryborough Coal Basin for coal deposits with the potential to produce metallurgical (coking, PCI) and thermal coal.

- Well positioned coal play in SE Queensland between Maryborough & Gympie.
- Two coal measures in Maryborough Coal Basin:
  - Tiaro Coal Measures
  - Burrum Coal Measures
- Large exploration area –7 granted tenements – 1,624 sq kms; and 3 tenements – 2,097 sq kms under application.
- Current resource drilling target area (T9) – 21 sq kms.
- Initial exploration target 20-30 Mt.
- Drilling to enable a JORC resource estimate in progress.
- Coal quality – high vitrinite characteristics
- Coal ranks range from predominantly Coking & PCI coals to thermal coal products.

[1] At 31 December 2011

REVIEW OF OPERATIONS continued

Investment

To invest through equity participation in significant coal projects:

Galilee Basin

- 36% interest in Galilee Basin Project with Guildford Coal Limited (ASX: GUF)
- Initial exploration target between 40 and 815 Mt estimated by JV partner.

Clarence – Moreton Basin

- 55% Interest in Clarence–Moreton Basin Project with CM Basin Coal Holdings Limited
- Initial Exploration Target - 50 Mt

West of Blair Athol & Clermont coal mines

- 50% Interest in EPC 1262 with Bundaberg Coal Limited

Minerals Trading

To develop a substantial volume of export trade in coal and other bulk commodities in partnership with China Qinfa Group.

- Facilitating trade supply negotiations and agreements with suppliers.
- Establishing a trading house supporting the commodity requirements of its key shareholder China Qinfa Group.

Tiaro holds interests in various Queensland joint venture projects covering coal prospects in the Maryborough, Clarence Moreton, and Galilee Coal Basins and west of Blair Athol & Clermont coalmines.

Galilee Basin - White Mountain Project

Through Tiaro's subsidiary company, Galilee Co Pty Ltd, Tiaro holds 36% interest in White Mountain Pty Ltd (Guildford Coal Limited (Guildford) holds 56%).

White Mountain holds EPC 1260 and EPC 1250, located approximately 230km southwest of Townsville, boundary of the Galilee Basin near Pentland (White Mountain Project). According to Guildford, the White Mountain Project has a total Exploration Target of 40 to 815 million tonnes of Galilee Basin thermal coal.

Guilford has advised the market that drilling had intersected significant coal seams with an interpreted 13.4 metres of net coal between 241 and 281 metres depth on EPC 1260.

Clarence Moreton Basin Joint Venture

Tiaro holds a 55% interest in EPC 1270, 1271, 1272 and 1273, located in the Walloon Coal Measures of the Clarence Moreton Basin.

Minority interests have committed $2.5 million toward expenditure and development.

West of Blair Athol & Clermont coal mines

Tiaro holds a 50% interest in EPC 1262 located to the west of Blair Athol & Clermont coal mines; the other 50% interest is held by Bundaberg Coal Limited.

Maryborough Coal Basin - Tiaro Coal Joint Ventures

The joint ventures hold EPC 956, 957, 967, 972, 1553 and 1540 covering an area of 1,279 sq kms. In addition applications have been made for EPCA 2511, 2513, 1264, 1269 and 1618 in the Maryborough Basin covering an area of 2,103 sq kms, which upon grant will be available to the TCJV.

The joint venture tenements cover most of the known exposures of the Tiaro Coal Measures within the Mesozoic Maryborough Basin, located between Gympie and Maryborough in southeast Queensland.

The tenements are well serviced by nearby infrastructure, including manpower, mining support services, road, and rail and port facilities. The rail line bisects the exploration tenements.

Hudson has 31.8 million shares representing 31% interest in Tiaro Coal Limited

BAUXITE

Bauxite - Australian Bauxite Limited (ASX: ABZ)

Australian Bauxite Limited (ABx) holds the core of the newly discovered Eastern Australian Bauxite Province. Its 38 bauxite tenements in Queensland, NSW and Tasmania covering 8,500 km^2 were rigorously selected on 3 principles:

1. good quality bauxite;
2. proximity to infrastructure connected to export ports; and
3. free of socio-environmental or native title land constraints.

REVIEW OF OPERATIONS continued

All tenements are 100% owned and free of obligations for processing and third-party royalties. ABx has already discovered many bauxite deposits and new discoveries are still being made as knowledge and expertise grows.

The company's bauxite is high quality and can be processed into alumina at low temperature – the type that is in short-supply globally. Global resources declared to date total 84 million tonnes.

Australian Bauxite Limited aspires to identify large bauxite resources in the Eastern Australian Bauxite Province, which is emerging as one of the world's best bauxite provinces.

ABx has the potential to create significant bauxite developments in three states - Queensland, New South Wales and Tasmania. Its bauxite deposits are favorably located for direct shipping of bauxite to both local and export customers.

MOU with Marubeni Corporation

ABx and Marubeni Corporation (Marubeni) signed a Memorandum of Understanding to jointly conduct a pre-feasibility study at the Goulburn-Taralga Project located in New South Wales, Australia. Marubeni will contribute 35% toward the Pre-feasibility funding, estimated to be $1.5 million.

Exploration

- Company global bauxite resources grew to 84 million tonnes
- Maiden JORC resource of 16.8Mt declared at Binjour, Queensland.

Goulburn Bauxite Project Pre-Feasibility Study (PFS)

The PFS continues to schedule and to budget. Marubeni is conducting a marketing scoping study. Metallurgical testing and product development continues with further resource areas defined.

Hudson has 55.6 million shares representing 55% interest in Australian Bauxite Limited.

GOLD

Gold - Sovereign Gold Limited (ASX: SOC)

Sovereign Gold Company (Sovereign Gold) is an emerging gold company with assets in New South Wales and Malaysia.

New South Wales

Sovereign Gold Company is exploring a large Intrusion-Related Gold System (IRGS) at the Rocky River-Uralla Goldfield in New South Wales.

Sovereign Gold's Rocky River-Uralla Goldfield Project covers 2,400 square kilometres.

The project is located around the township of Uralla, 21km southwest of Armidale, New South Wales, Australia, with superb infrastructure logistics. It is close to major roads, rail, airport, labour source, university, power, and engineering.

Available production records indicate that the Rocky River-Uralla Goldfield yielded 5,193 kg (approximately 167,000 ounces) of gold mostly from Tertiary deep leads during the period 1858-1967.

Sovereign Gold's exploration objective is to locate the hard rock gold sources.

Malaysia

Sovereign Gold is a 50% joint venture partner in the Ibam Hill Project, located in the Eastern Gold Belt in the Malaysian state of Pahang in the Bukit Ibam State Forest Reserve; which is 152km ENE of Kuala Lumpur.

The geology of Ibam Hill is not dissimilar to the Selinsing Gold Deposit in the Central Gold Belt. The Eastern Gold Belt is an under-explored part of the world with excellent exploration potential for gold, tin, iron ore and other commodities.

The initial exploration target is 100,000 - 150,000 ounces gold[1] in an obvious near surface, open pitable resource that averages 1 - 2 grams gold per tonne. Potential exists for significant extensions, outside the block selected for phase 1 drilling, of gold mineralisation at depth and along the strike. Field work also confirms there is potential for new targets in the near surroundings.

Hudson has 40 million shares representing between 52% interest in Sovereign Gold.

REVIEW OF OPERATIONS continued

IOMCG-U – INDUSTRIAL MINERALS

IOMCG-U – Archer Exploration Limited (ASX: AXE)

Archer Exploration Limited (Archer) is a copper, gold and uranium explorer focused on the discovery of ore deposits. Archer owns a portfolio of projects, covering an area in excess of 7,000 km2, in the highly prospective Gawler Craton and Adelaide Fold Belt regions of South Australia. Archer's Evelyn Dam prospect in the West Roxby Project is an iron ore-manganese-copper-gold-uranium (IOMCG-U) targets which has a gravity anomaly similar in size to the nearby Olympic Dam operations. Industrial Minerals embrace magnesite, graphite and phosphate mineralisations.

Archer announced that it had entered into a Heads of Agreement with BHP Billiton for the sale of up to 80% of its interests in 5 West Roxby tenements for $3 million with an exploration spend of $3 million over a three year period. BHP Billiton has sole project funding up to $50 million to a decision to mine. This sale process is contemplated to conclude in the 2nd quarter of 2012.

HRS held 6.5 million shares (representing 10% of the issued capital of Archer) at balance date. The company has subsequently increased its holding to 9.5 million shares.

SORBENT MATERIALS

The 2011 mining campaign concluded in January 2012. Mining is conducted on a seasonal basis; this campaign extracted in the order of 22,000 BCM of attapulgite.

Sorbent Minerals – Hudson Resources Limited

Hudson's Sorbent Minerals Division is undertaking an R & D program focusing on a broad range of environmental remediation issues in many facets of environmental contamination, remediation, and the validation of technology.

2011 mining campaign

Attapulgite

- 4 mining leases at Lake Nerramyne near Geraldton WA that host an attapulgite clay resource encompassing an area of 2,700 hectares; inferred JORC is 23.4 million tonnes including 9.4 million tonnes of high-grade attapulgite. Of the Inferred JORC the indicated JORC is 5.87 million tonnes of attapulgite including 2.98 million tonnes of high-grade attapulgite.
- The Inferred JORC was defined from an area of approximately 40% of the total area covered by Hudson mining leases; since 1979 Hudson and its predecessor Mallina Holdings Limited have operated the mine and supplies raw attapulgite ore.
- The current off take rate is in the order of 40,000 tonnes per annum (38,565 of attapulgite was sold during the reporting period).

Diatomite

- Hudson holds mining licences over diatomite deposits located between Perth & Geraldton WA; Principal deposits are Badgingarra (stockpile 20,000t and inferred resource 330,000t) and Dongara (inferred resource 500,000t).
- Research program underway to test diatomite suitability in broad acre agriculture as a slow release agent in regional sandy soils; earlier test work confirmed diatomite as a suitable feedstock to produce high quality geotechnical aggregates.

REVIEW OF OPERATIONS continued

Hudson MPA Sdn Bhd

- Hudson holds a strategic shareholding of 22.50% interest in Hudson-MPA Sdn Bhd (HMPA) in Malaysia.
- Malaysia is amongst the world's largest consumers of bleaching earth.
- HMPA operates production facilities at Lumut and a marketing office in Kuala Lumpur in West Malaysia.

OTHER INVESTMENTS

Land & Building Complexes - Narngulu Geraldton WA

- Rental income from Hudson's industrial properties, comprising 14.5 hectares in area, at Geraldton Western Australia is A$300,000 p.a.
- The properties include industrial complexes consisting of industrial and packaging sheds, warehouses and office facilities
- The properties have a combined value of A$3.1 million at the end of the reporting period.

Plant & Equipment

- Hudson purchased new plant and equipment for a diatomite processing and filtration plant in the 1990s
- Key item is a unused rotary kiln (25,000 tpa processing capacity)
- Strategic future asset for use in upstream mineral investments
- Replacement value in excess of A$5 million.

DIRECTORS' REPORT

Your directors present their report together with the financial statements of the parent entity and the consolidated entity (referred to hereafter as the Group) consisting of Hudson Resources Limited (the Company) and the entities it controlled for the financial year ended 31 December 2011.

Principal activities and significant changes in nature of activities

The principal activities of the Group during the course of the financial year were as follows:

- The mining and sale of attapulgite;
- Investment in coal exploration activities;
- Investment in bauxite exploration activities;
- Investment in gold exploration activities;
- Exploration and development of attapulgite mining lease; and
- Investment opportunities to develop the Company's earning base.

Consolidated results

The net consolidated loss of the Group for the year ended 31 December 2011 was $2,010,000 compared to a loss of $816,000 for the previous corresponding period.

Total Shareholders' funds as at 31 December 2011 are $34.4 million.

Additional information on the operations of the Group is disclosed in both the Chairman's Review and the Review of Operations section of this report.

Review of operations and operating results

Information on the operations and financial position of the Group and its business strategies and prospects is set out in the review of operations on pages 5 to 10 of this annual report.

Dividends

The Directors of the Company do not recommend that any amount be paid by way of dividend. The Company has not paid or declared any amount by way of dividend since the commencement of the financial year.

Directors

The following persons held office as Directors of Hudson Resources Limited at anytime during or since the end of the financial year:

Peter J Meers	Chairman / Chief Executive Officer
Tan Sri Ibrahim Menudin	Non-Executive Director
Ken Boundy	Non-Executive Director
Kit Foo Chye	Non-Executive Director
Nicholas Raffan	Non-Executive Director (Appointed 19 August 2011 – Resigned 4 January 2012)

All directors have been in office since the start of the financial year, to the date of this report, unless otherwise stated.

Directors' interests

The relevant interest of each Director in the share capital of the Company is shown in Note 32.

Information on directors and management

DIRECTORS

Peter J Meers BA (Economics) FAIB
Chairman / Chief Executive Officer
Appointed a Director on 2 August 2005.

Experience and Expertise
Mr Meers has broad business experience across a range of industries including commercial and investment banking, securities trading and origination, mining and exploration and building materials.

Mr Meers held senior executive positions and portfolio management roles in agribusiness, mining, property and trade finance during a career spanning 25 years with ANZ Bank in Australia and Asia.

Past directorships include appointment on company boards in Malaysia, Indonesia and Singapore.

Other Current Directorships
Chief Executive Officer of Tiaro Coal Limited, Executive Deputy Chairman of Australian Bauxite Limited, Non-Executive Director of Hudson Investment Group Limited, Sovereign Gold Company Limited, Precious Metal Resources Limited and Archer Exploration Limited.

DIRECTORS' REPORT continued

Former Directorships in Last 3 years
None

Special Responsibilities
Chairman of the Board and Chief Executive Officer, Member of the Audit Committee

Interests in Shares and Options
Mr Meers has a direct interest in 5 million shares, an indirect interest in 8,552 shares held by a related party and a further 30,093,945 shares held by Hudson Investment Group Limited by virtue of being a director of Hudson Investment Group Limited. He has no power to vote these shares.

Tan Sri Ibrahim Menudin, B.Com, FCA
Non-Executive Director
Appointed a Director on 6 June 2007.

Experience and Expertise
Tan Sri Ibrahim Menudin, a Malaysian citizen, is a Director and Chairman of Suria Capital Holdings Berhad a public-listed company on the Main Board of Bursa Malaysia Berhad. Tan Sri was formerly the Chief Executive Officer of Bumiputra Investment Fund of Sabah until 1985. He had also served as Chairman of Sabah Gas Industries Sdn Bhd, Deputy Chairman of Sabah Forest Industry Sdn Bhd as well as being board member of other Sabah Government corporations ranging from finance, forestry, and manufacturing, plantations, hotel and property development.

He was previously appointed a board member of Malaysian Mining Corporation Berhad and Group Chief Executive and was also a board member of Ashton Mining Limited and Plutonic Resources Limited.

Other Current Directorships
Non-Executive Chairman of Tiaro Coal Limited, Raffles Capital Limited and Chairman, Hudson MPA Sdn Bhd.

Former Directorships in Last 3 Years
None

Special Responsibilities
Member of the Remuneration Committee, Member of the Audit Committee

Interests in Shares and Options
Tan Sri Menudin has an indirect interest in 5,000,000 shares held by related parties and 11,285,837 shares held by Raffles Capital Limited by virtue of being a director of Raffles Capital Limited. He has no power to vote these shares.

Ken Boundy, MBA, M Agr Sc, Fellow of AIM, AIAST
Non-Executive Director
Appointed a Director 29 January 2010

Experience and Expertise
Mr Boundy is a company director, strategy consultant and businessman – with particular interests in international marketing. Previously Mr. Boundy was Managing Director of the Australian Tourist Commission (and then Tourism Australia) from 2001 to 2005, following 15 years in leadership roles in the private sector which covered Divisional Head and CEO roles in the food, wine and building materials industries.

Other Current Directorships
Chairman of Regnan Governance Research and Engagement; Chairman of Hydrasyst; Non-Executive Director of Tarkine Wilderness Pty Ltd and Non-Executive Director of Horticulture Australia Limited.

Former Directorships in Last 3 Years
Chairman of Acelero Pty Ltd, Non-Executive Director of Dexion Limited, Non-Executive Director Australian Wool Innovation.

Special Responsibilities
Member of the Remuneration Committee

Member of the Audit Committee.

Interests in Shares and Options
Mr Boundy has a direct interest in 1 million shares and an indirect interest in a further 1 million shares held by a related entity.

DIRECTORS' REPORT continued

Kit Foo Chye
Non-Executive Director
Appointed a Director on 10 March 2010

Experience and Expertise
Mr Chye is an accountant by profession with 15 years experience in the management and administration of publicly listed companies in Malaysia and Australia. He has managed a significant number of initial public offerings and secondary market capital raisings for public and private companies, his main strength being in the restructuring and financing of entities, including preparation of prospectuses and other requirements for listings on the Bursa Malaysia Berhadand and on the ASX.

Other Current Directorships
Director of Rocklands Richfield Limited; Voltage IP Limited and Allmine Group Limited.

Former Directorships in Last 3 Years
Director of Synergy Metals Limited;

Managing Director of Zheng He Global Capital Limited

Special Responsibilities
None

Interests in Shares and Options
Mr Chye has a direct interest in 198,505 shares and an indirect interest in 3,350,884 shares held by a related entity.

Nicholas Raffan BA; Diploma in Geoscience
Non-Executive Director
Appointed a Director on 19 August 2011
Resigned 4 January 2012

OFFICERS

Joint Company Secretary – David L Hughes
Mr Hughes was appointed to the position of Company Secretary on 20 September 2000. Before joining the Company, he had held similar positions with other listed companies for over 20 years. He is currently the Company Secretary of the following other ASX listed public companies: Latrobe Magnesium Limited and Hudson Investment Group Limited and Joint Company Secretary of Empire Energy Group Limited, Tiaro Coal Limited, Australian Bauxite Limited, Raffles Capital Limited and Sovereign Gold Company Limited.

Joint Company Secretary – Julian Rockett B. Arts, LL.B, GDLP
Mr Rockett was appointed to the position of Joint Company Secretary on 15 June 2011. He is also Joint Company Secretary of Tiaro Coal Limited. His background is in government services and his most recent role was at a Sydney commercial litigation practice. Mr. Rockett provides secretarial assistance to Australian Bauxite Limited, Raffles Capital Limited and Sovereign Gold Company Limited and provides in-house legal support to listed and non-listed corporate entities.

Chief Financial Officer – Francis Choy, MComm MBA FCPA(HK) FCPA
Francis Choy has held a number of senior positions in corporate financial management roles throughout Australia and South East Asia. He has extensive experience in project finance, compliance, acquisition and investment appraisals. He has been involved in project financial, financial management of property development and telecommunication projects in South East Asia. He held senior financial roles for numerous public listed companies both in Hong Kong and Australia.

LEADING CONSULTANTS

Jacob Rebek
Mr Rebek is a leading Australian geologist with forty years experience in exploration. From 1970 to 2003 he worked in CRA and Rio Tinto in various parts of Australia and overseas, including the roles of exploration manager for Papua New Guinea in 1970's, South Australia and Northern Territory from 1981 to 1984, Eastern Australia from 1987 to 1993 and Exploration Director for South America from 1997 to 2000. He led teams which discovered new zinc, copper, gold, coal and iron ore deposits. Since 2003 he worked for emerging companies, generating new projects. In 2006 he started working for Hudson Resources as Chief Geologist.

Mr Rebek is Executive Director of Australian Bauxite Limited, Non-Executive Director of Tiaro Coal Limited and Sovereign Gold Company Limited.

DIRECTORS' REPORT continued

Meetings of Directors
The number of directors' meetings and directors' committee meetings held, and the number of meetings attended, by each of the Directors of the Company during the financial year were:

Director	Directors Meetings		Remuneration Committee Meetings		Audit Committee Meetings	
	Attended	Held Whilst in Office	Attended	Held Whilst in Office	Attended	Held Whilst in Office
Peter J Meers	8	8	-	-	2	2
Tan Sri Ibrahim Menudin	8	8	1	1	2	2
Ken Boundy	8	8	1	1	2	2
Kit Foo Chye	6	8	-	-	-	-
Nicholas Raffan [1]	2	3	-	-	-	-

[1] *Appointed 19 August 2011; Resigned 4 January 2012*

Likely developments
Information on likely developments in the operations of the consolidated entity, known at the date of this report has been covered generally within the report. In the opinion of the Directors providing further information would prejudice the interests of the economic entity.

Significant changes in state of affairs
There were no other significant changes in the state of affairs of the Company, other than those listed below, that occurred during the financial year

At the date of this report, the Company held:

- 31,800,000 ordinary shares in the issued capital of Tiaro Coal Limited, representing 31.42% of that company's total issued capital;
- 45,617,337 ordinary shares in the issued capital of Australian Bauxite Limited, representing 45.35% of that company's total issued capital; and
- 40,000,000 ordinary shares in the issued capital of Sovereign Gold Company Limited, representing 51.95% of that company's total issued capital.

Matters subsequent to balance date
In March 2012 the Company,

- acquired 3.0 million shares in Archer Exploration Limited at $0.34; and
- disposed of 10 million shares in Australian Bauxite Limited.

At the date of this report there are no other matters or circumstances which have arisen since 31 December 2011 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 31 December 2011, of the Group;
- the results of those operations; or
- the state of affairs, in financial years subsequent to 31 December 2011, of the Group.

Environmental regulations
The Group is subject to significant environmental regulation in respect of its exploration activities as follows:

The Company's operations in the State of Queensland involve drilling operations.

These operations are governed by the *Queensland Government Environmental Protection Act (1994)* as reprinted February 2007.

The Company operates within the resources sector and conducts its business activities with respect for the environment while continuing to meet the expectations of the shareholders, employees and suppliers.

The Company aims to ensure that the highest standard of environmental care is achieved, and that it complies with all relevant environmental legislation. The Directors are mindful of the regulatory regime in relation to the impact of the Company's activities on the environment.

There have been no known breaches by the Company during the reporting period.

To the best of the directors' knowledge, the Group has adequate systems in place to ensure compliance with the requirements of all environmental legislation described above and are not aware of any breach of those requirements during the financial year and up to the date of the Directors' Report.

DIRECTORS' REPORT continued

REMUNERATION REPORT - AUDITED

This report outlines the remuneration arrangements in place for Directors and Executives of the Company. The information provided in this Remuneration Report has been audited as required by Section 308 (3c) of the *Corporations Act 2001 (Cth).*

Remuneration Committee

The Remuneration Committee reviews and approves policy for determining Executive's remuneration and any amendments to that policy.

The Committee makes recommendations to the Board on the remuneration of Executive Directors (including base salary, incentive payments, equity awards and service contracts) and remuneration issues for Non-Executive Directors.

The members of the Company's Remuneration Committee during the period were:

- Tan Sri Ibrahim Menudin
- Ken Boundy

The Committee meets as often as required but not less than once per year.

The Committee met once during the period and Committee members attendance record is disclosed in the table of Directors Meetings, disclosed on page 14.

Options granted to directors and key management personnel do not have performance conditions. As such the Group does not have a policy for directors and key management personnel removing the "at risk" aspect of options granted to them as part of their remuneration.

Directors' and other Key Management Personnel Remuneration

The following persons were Directors of the Company during the financial year unless otherwise stated:

Peter Meers	Chairman/Chief Executive Officer	appointed 2 August 2005
Tan Sri Ibrahim Menudin	Non-Executive Director	appointed 6 June 2007
Ken Boundy	Non-Executive Director	appointed 29 January 2010
Kit Foo Chye	Non-Executive Director	appointed 10 March 2010
Nicholas Raffan	Non-Executive Director	appointed 19 August 2011 resigned 4 January 2012

The following persons were key management personnel of the Group during the financial year:

Jacob Rebek	Director of Tiaro Coal Limited, Australian Bauxite Limited and Sovereign Gold Company Limited
Ian Levy	Director of Australian Bauxite Limited.
Nick Raffan	Director of Sovereign Gold Company Limited. (Resigned 4 January 2012).
Michael Leu	Director of Sovereign Gold Company Limited.
Henry Kinstlinger	Joint Company Secretary of Australian Bauxite Limited and Sovereign Gold Company Limited.
David Hughes	Joint Company Secretary of Hudson Resources Limited, Tiaro Coal Limited, Australian Bauxite Limited and Sovereign Gold Company Limited. Company Secretary of Hudson Investment Group Limited.
Francis Choy	Group Chief Financial Officer.

Cash Bonuses

No bonuses were granted during the financial year ended 31 December 2011.

Performance Conditions

The elements of remuneration as detailed within the Remuneration Report are dependent on the satisfaction of the individual's performance and the Group's financial performance.

Executive's remuneration and other terms of employment are reviewed annually having regard to relevant comparative information and independent expert advice. As well as basic salary, remuneration packages include superannuation. Directors are also able, subject to shareholder approval, to participate in an Employee Share Option Plan.

Remuneration packages are set at levels that are intended to attract and retain executives capable of managing the Group's operations.

Consideration is also given to reasonableness, acceptability to shareholders and appropriateness for the current level of operations.

DIRECTORS' REPORT continued

Remuneration Report continued

Remuneration of Non-Executive Directors is determined by the Board based on recommendations from the Remuneration Committee and the maximum amount approved by shareholders from time to time.

The Board undertakes an annual review of its performance and the performance of the Board Committees.

Details of the nature and amount of each element of the remuneration of each Director of the Company and each specified executive of the Company and the Group receiving the highest remuneration are set out in the following tables.

Directors and Other Key Management Personnel of Hudson Resources Limited

Consolidated 2011	Short Term Employee Benefits			Post Employment	Long Term Employee Benefits		
	Salary and other fees	Bonus	Travelling Allowance	Super-annuation	Long Service Leave	Share based payments (options)	Total
Directors	$	$	$	$	$	$	$
Peter J Meers	307,515	-	9,900	24,752	2,921	-	345,088
Tan Sri Ibrahim Menudin	-	-	-	-	-	-	-
Ken Boundy	-	-	10,800	-	-	-	10,800
Kit Foo Chye	-	-	-	-	-	-	-
Nicholas Raffan *	153,915	-	9,900	-	-	-	163,815
Directors - Total	461,430	-	30,600	24,752	2,921	-	519,703
Other Key Management Personnel							
Jacob Rebek	151,375	-	9,000	-	-	-	160,375
Ian Levy	200,000	-	-	-	-	-	200,000
Michael Leu	154,500	-	10,800	-	-	-	165,300
David L Hughes	24,000	-	-	-	-	-	24,000
Henry Kinstlinger	193,742	-	9,000	-	-	-	202,742
Francis Choy	-	-	-	-	-	-	-
KMP - Total	723,617	-	28,800	-	-	-	752,417

** Resigned 4 January 2012*

	Salary and other fees	Bonus	Travelling Allowance	Super-annuation	Long Service Leave	Share based payments (options)	Total
Directors	$	$	$	$	$	$	$
Peter J Meers	50,017	-	-	4,502	1,004	-	55,523
Tan Sri Ibrahim Menudin	-	-	-	-	-	-	-
Ken Boundy	-	-	10,800	-	-	-	10,800
Kit Foo Chye	-	-	-	-	-	-	-
Nicholas Raffan *	-	-	-	-	-	-	-
Directors - Total	50,017	-	10,800	4,502	1,004	-	66,323

DIRECTORS' REPORT continued

Remuneration Report continued

Parent Entity 2011 continued	Short Term Employee Benefits			Post Employment	Long Term Employee Benefits		
	Salary and other fees	Bonus	Travelling Allowance	Super-annuation	Long Service Leave	Share based payments (options)	Total
	$	$	$	$	$	$	$
Other Key Management Personnel							
Jacob Rebek	-	-	-	-	-	-	-
Ian Levy	-	-	-	-	-	-	-
Michael Leu	-	-	-	-	-	-	-
David L Hughes	24,000	-	-	-	-	-	24,000
Henry Kinstlinger	-	-	-	-	-	-	-
Vincent Tan	200,000	-	1,800	-	-	-	201,800
Francis Choy	-	-	-	-	-	-	-
KMP - Total	224,000	-	1,800	-	-	-	225,800

** Resigned 4 January 2012*

The amounts reported represent the total remuneration paid by entities in the Hudson Resources Group in relation to managing the affairs of all the entities within the Group.

There were no performance conditions related to any of the above payments.

There was no other element of Directors and Executives remuneration.

Directors and Other Key Management Personnel of Hudson Resources Limited

Consolidated 2010	Short Term Employee Benefits			Post Employment	Long Term Employee Benefits		
	Salary and other fees	Bonus	Travelling Allowance	Super-annuation	Long Service Leave	* Share based payments (options)	Total
Directors	$	$	$	$	$	$	$
Peter J Meers	275,000	2,500	9,000	22,500	2,228	23,570	334,798
Tan Sri Ibrahim Menudin	-	-	-	-	-	-	-
Ken Boundy	-	-	-	-	-	-	-
Kit Foo Chye	-	-	-	-	-	-	-
Wei Huang [1]	15,000	-	9,000	-	-	-	24,000
Directors - Total	290,000	2,500	18,000	22,500	2,228	23,570	358,798
Other Key Management Personnel							
Jacob Rebek	219,750	-	10,800	-	-	23,570	254,120
Ian Levy	200,000	-	1,800	-	-	-	201,800
Nicholas Raffan	40,750	-	-	-	-	35,355	76,105
Michael Leu	30,600	-	1,800	-	-	35,355	67,755
Henry Kinstlinger	264,225	-	9,000	-	-	23,570	296,795
Francis Choy	-	-	-	-	-	11,875	11,875
David L Hughes	24,000	-	-	-	-	11,875	35,875
KMP - Total	779,325	-	23,400	-	-	141,600	944,325

* Sovereign Gold Company Limited, a controlled entity, issued options to its directors and officers under its Employee Share Option Plan.

[1] Mr Huang resigned on 22 September, 2010.

The amounts reported represent the total remuneration paid by entities in the Hudson Resources Group in relation to managing the affairs of all the entities within the Group.

There were no performance conditions related to any of the above payments.

There was no other element of Directors and Executives remuneration.

DIRECTORS' REPORT continued

Remuneration Report continued

Service agreements

A service agreement is in place formalising the terms of remuneration of Mr Peter Meers.

The service agreement commenced on 3 June 2008 and has a term of 5 years.

Mr Meers may terminate the agreement upon 6 months' notice and the Company may terminate at any time without showing cause but must compensate Mr Meers by payment of all amounts that would have been paid to Mr Meers had the agreement run for its full term. The Company may terminate the agreement in the event of serious misconduct by Mr Meers without any compensatory payment.

The agreement stipulates that the remuneration of the directors is a fixed amount; however, that incentive payments will be considered from time to time in light of the Company's performance.

Share options granted to Directors and other Key Management Personnel

There were no options granted to Directors or other key management personnel of the Company during the financial year or during the period since the end of the financial year and up to the date of this report.

No options were issued or expired during the same period.

Please refer to Note 32 for details.

End of Remuneration Report

DIRECTORS' REPORT continued

Loans to Directors and other Key Management Personnel

Under Hudson Resources Executive Share Ownership Plan, a total of $1,125,000 was advanced to various Executives. The interest rate on the loan is 12% per annum and 11,500,000 shares of Hudson Resources Limited is held as security. Please refer to Note 32 for details.

There were no other loans made to Directors or Other Key Management Personnel of the Company and the Group during the period commencing at the beginning of the financial year and up to the date of this report.

Shares under Option

There are no unissued ordinary shares of Hudson Resources Limited under option at the date of this report.

Directors' and Officers' indemnities and insurance

During the financial year the Company (as the controlling entity) paid an insurance premium, insuring the Company's Directors, (as named in this report), Company Secretary, Executive officers and employees against liabilities not prohibited from insurance by the *Corporations Act 2001*.

A confidentiality clause in the insurance contract prohibits disclosure of the amount of the premium and the nature of insured liabilities.

Proceedings on behalf of the Company

No person has applied to the Court under Section 237 of the Corporations Act 2001 for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party for the purposes of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in or on behalf of the Company with leave of the Court under Section 237 of the Corporations Act 2001.

Non-audit services

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Group are important.

Details of the amounts paid or payable to the auditor K.S. Black & Co. for audit and non-audit services provided during the year are set out below.

The Board of Directors has considered the position and, in accordance with advice received from the audit committee, is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the Corporations Act 2001. The directors are satisfied that the provision of non-audit services by the auditor, as set out below, did not compromise the auditor independence requirements of the Corporations Act 2001 for the following reasons:

- all non-audit services have been reviewed by the audit committee to ensure they do not impact the impartiality and objectivity of the auditor.
- none of the services undermine the general principles relating to auditor independence as set out in APES 110 *Code of Ethics for Professional Accountants.*

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated		Parent Entity	
	2011	2010	**2011**	2010
Audit services	**$**	$	**$**	$
Amounts paid or payable to auditors for audit and review of the financial report for the entity or any entity in the Group	**66,235**	60,873	**18,250**	16,995
Review Services	**35,800**	33,000	**8,950**	8,250
	102,035	93,873	**27,200**	25,245
Amounts paid or payable to auditors for non audit taxation services for the parent entity or any company in the Group for review and lodgement of the income tax return				
Taxation services	**30,980**	28,800	**7,745**	7,200
Amounts paid or payable for non audit advisory services for the Company.				
Advisory services	**-**	37,155	**-**	6,300
	30,980	65,955	**7,745**	13,500

DIRECTORS' REPORT continued

Auditor

K.S. Black & Co continues in office in accordance with section 327 of the *Corporations Act 2001*.

Auditor's independence declaration

The Auditor's Independence Declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 21.

Rounding of amounts

The Company is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission, relating to the "rounding off" of amounts in the Directors' Report. Amounts in the Directors' Report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, to the nearest dollar.

This Directors' Report, incorporating the Remuneration Report, is signed in accordance with a Resolution of the Board of Directors.

Peter Meers
Chairman/Chief Executive Officer

Tan Sri Ibrahim Menudin
Director

Signed at Sydney
29 March 2012

Level 6
350 Kent Street
Sydney NSW 2000

K.S. Black & Co.
ABN 57 446 398 808

Level 1, 460 Church Street
North Parramatta NSW 2151

PO Box 2210
North Parramatta NSW 1750

AUDITOR'S INDEPENDENCE DECLARATION

Declaration of independence to the Directors of Hudson Resources Limited and Controlled Entities

As lead auditor of Hudson Resources Limited for the year ended 31 December 2011, I declare that, to the best of my knowledge and belief, there have been no contraventions of:

- the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Hudson Resources Limited and the entities it controlled during the year.

KS Black & Co
Chartered Accountants

Faizal Ajmat
Partner

Sydney, 29 March 2012

HUDS010 2011 100715

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CORPORATE GOVERNANCE STATEMENT

Overview

Hudson Resources Limited (the Company) provides the following statement disclosing the extent to which the Company has followed the best practice recommendations set by the Australian Securities Exchange (ASX) Corporate Governance Council and where the Company has not followed all the recommendations, those recommendations that have not been followed have been identified and reasons for not following them given.

The Company and the Board of Directors are committed to achieving and demonstrating the highest standards of corporate governance and aim to comply with the "Principles of Good Corporate Governance and Best Practice recommendations" set by the ASX Corporate Governance Council.

However, given the current size of both the Company's operations and the Board of Directors, it is not appropriate, cost effective or practical to comply fully with those principles and recommendations.

Where a recommendation has not been followed this fact has been disclosed together with the reasons for the departure.

Consistent with the ASX best practice recommendations, the company's corporate governance practices are regularly reviewed and are available on the Company's website.

Compliance with ASX Corporate Governance Council best practice recommendations

The ASX listing rules requires public listed companies to include in their annual report a statement regarding the extent to which they have adopted the ASX Corporate Governance Council best practice recommendations.

This statement provides details of the Company's adoption of the best practice recommendations.

Principle 1 – Lay solid foundations for management and oversight

Companies should establish and disclose the respective roles and responsibilities of board and management.

Board Responsibilities

The Board of Directors is accountable to shareholders for the performance of the group. In carrying out its responsibilities, the Board undertakes to serve the interest of shareholders honestly, fairly and diligently.

The Board's responsibilities are encompassed in a formal Charter published on the Company's website. The Charter is reviewed annually to determine whether any changes are necessary or desirable.

The responsibilities of the Board include:

- Reporting to shareholders and the market;
- Ensuring adequate risk management processes exist and are complied with;
- Reviewing internal controls and external audit reports;
- Ensuring regulatory compliance;
- Monitoring financial performance, including approval of the annual and half-yearly financial reports and liaison with the Company auditors;
- Reviewing the performance of senior management;
- Monitoring the Board composition, Director selection and Board processes and performance;
- Validating and approving corporate strategy;
- Reviewing the assumptions and rationale underlying the annual plans and approving such plans; and
- Authorising and monitoring major investment and strategic commitments.

Director's Education

The Company issues a formal letter of appointment for new directors setting out the terms and conditions relevant to that appointment and the expectations of the role of the director.

The Company also provides a formal induction process which provides key information on the nature of the business and its operations

Continuing education is provided via the regular Board updates provided by the divisional chief executives.

Role of Chairman and Chief Executive Officer

The Chairman is also the Chief Executive Officer (**CEO**) and is responsible for leading the Board, ensuring that Board activities are organised and efficiently conducted and for ensuring the Directors are properly briefed for meetings. The Chairman is also responsible for implementing the consolidated entity's strategies and Board policies.

The CEO has been delegated responsibility for managing the day to day operations of the Company. The CEO has a formal service contract in place setting out duties, responsibilities, rights, conditions of service and termination entitlements.

CORPORATE GOVERNANCE STATEMENT continued

This contract also ensures that the responsibilities and accountabilities of both the Board of Directors and CEO are clearly understood.

The assessment and monitoring of the CEO is the responsibility of the Board.

Performance is assessed against pre-determined objectives on a regular basis.

The Chairman's other responsibilities include:

- Ensuring that general meetings are conducted efficiently and that shareholders have adequate opportunity to air their views and obtain answers to their queries.
- Present the view of the Board formally.

Principle 2 – Structure the Board to add value

Companies should have a board of an efficient composition, size and commitment to adequately discharge its responsibilities and duties. .

Composition of the Board

The Board of Directors is comprised of one executive director and three non-executive directors, all of whom have a broad range of skills and experience.

The Chairman is also the CEO of the Company.

There are three independent directors.

In determining independence the Board has regard to the guidelines of directors' independence in the ASX Corporate Governance Council and Best practice Recommendations and other best practice guidelines.

The Company does not comply with recommendations 2.2 and 2.3 which recommends that the chair should be an independent director and the roles of the chair and CEO should not be exercised by the same individual.

At this stage of the Company's development, the Board considers it is neither appropriate nor cost effective for there to be an independent chairman and a separate CEO.

This matter continues to be under review and as circumstances allow, consideration will be given at the appropriate time to move to adopting the ASX Corporate Governance Guidelines.

The Board considers that its composition provides for the timely and efficient decision making required for the company in its current circumstances.

The Board's size and composition is subject to limits imposed by the Company's constitution which provides for a minimum of three directors and a maximum of seven.

Details of the members of the Board, their experience, expertise and qualifications are set out in the Directors Report on pages 11 to 13.

The position/status and term in office of each Director at the date of this report is as follows:

Name of Director	Position/Status	Term in Office
Peter J Meers	Chairman/CEO – Non Independent	5 years 8 months
Tan Sri Ibrahim Menudin	Non-Executive Director – Independent	4 years 9 months
Ken Boundy	Non-Executive Director – Independent	2 year 2 months
Kit Foo Chye	Non-Executive Director – Independent	2 year 1 month
Nicholas Raffan	Non-Executive Director – Independent	7 months Resigned 4 January 2012

The Board currently holds 6 scheduled meetings each year together with any ad hoc meetings as may be necessary. The Board met 8 times during the year and Directors attendance is disclosed on page 14 of the Director's Report.

Access to independent professional advice

All directors are required to bring an independent judgement to bear on Board decisions.

To facilitate this, each Director has the right of access to all relevant company information and to the Company's Executives. The directors also have access to external resources as required to fully discharge their obligations as Directors of the Company. The use of this resource is co-ordinated through the Chairman of the Board.

CORPORATE GOVERNANCE STATEMENT continued

Nomination Committee

The role of a Nomination Committee is undertaken by the full Board.

The Board reviews its composition on an annual basis to ensure that the Board has the appropriate mix of expertise and experience. When a vacancy exists, for whatever reasons, or where it is considered that the Board would benefit from the services of a new Director with particular skills, the Board will select appropriate candidates with relevant qualifications, skills and experience. External advisors may be used to assist in such a process. The Board will then appoint the most suitable candidate who must stand for election at the next general meeting of shareholders.

For directors retiring by rotation, the Board assesses that director before recommending re-election.

The Company has not adopted recommendation 2.4 and formed a separate Nomination Committee as the Board considers the Company and the Board are not of sufficient size to justify the establishment of a separate Nomination Committee.

Board performance evaluation

The company has processes in place to review the performance of the Board and its committees and individual directors. Each year the Board of Directors give consideration to broad corporate governance matters, including the relevance of existing committees and to review its own and individual directors' performance. The Chairman is responsible for monitoring the contribution of individual directors and consulting with them in any areas of improvement.

Individual directors use an appropriate form to assess the performance of the Board and the Chairman.

Principle 3 – Promote ethical and responsible decision making

Companies should actively promote ethical and responsible decision making.

Code of conduct

The Board acknowledges the need for continued maintenance of the highest standards of Corporate Governance Practices and ethical conduct by all Directors and employees of the consolidated entity.

The Company has established a code of conduct applicable to all Directors and employees. The requirement to comply with the code is mandatory and is communicated to all employees. The code sets out standards of conduct, behaviour and professionalism.

The shareholder communications policy, the securities trading policy, the continuous disclosure policy collectively form a solid ethical foundation for the company's ethical practices.

A copy of these documents has been posted on the Company's website.

Approach to diversity

The Board recognises the benefits of diversity at boards in senior management and within the organisation generally and recognises the organisational strengths, deeper problem solving ability and opportunity for innovation that diversity brings to an organisation.

The Company has established a diversity policy which set out the beliefs, goals and strategies of the Company and makes reference to all the characteristics that makes individuals different from each other. The policy sets out the positive steps taken to ensure that current and prospective employees are not discriminated against, either directly or indirectly on such characteristics as gender, age, disability, marital status, sexual orientation, religion, ethnicity or any other area of potential difference. The Company is committed to gender diversity at all levels of the organisation. Gender equality is a key component of the Company's' diversity strategy. The implementation of this policy aims to reflect both the circumstances of the Company and the industry in which it operates.

The Company's diversity policy includes a requirement that:

- the Board establish measurable objectives for achieving gender diversity; and
- the Board assess annually the objectives set for achieving gender diversity; and
- the Board assess annually the progress made towards achieving the objectives set.

In accordance with this policy and ASX corporate governance principles, the Board has established the following objectives in relation to gender diversity. The aim is to achieve these objectives over the coming 3 to 5 years as Director and senior executive positions become vacant and appropriately skilled candidates are available.

CORPORATE GOVERNANCE STATEMENT CONTINUED

Representation of female employees in the organisation workforce is as follows:

•

	Actual at 31 December 2011		Company Objective		Progress towards meeting objective	
	Number	Percentage	Number	Percentage	Number	Percentage
Whole organisation	-	-	1	12%	-	-
Senior Executive Positions	-	-	1	25%	-	-
Board	-	-	-	0%	-	-

A copy of the Company's diversity policy has been posted on the Company's website.

Policy on Dealing in Company Securities

The Company has adopted a policy on how Directors, Key Management personnel, contractors and all other employees can deal in the securities of the Company.

This policy aims to ensure that the reputation of the Company is not adversely impacted by perceptions of trading in the Company's securities at inappropriate times or in an inappropriate manner.

In addition to the specific prohibition on insider trading, Directors and all other employees must also not deal in the Company's securities during the following periods:

- Within 1 month immediately preceding and 48 hours immediately following the release by the Company of its annual results to the ASX;
- Within 1 month immediately preceding and 48 hours immediately following the release by the Company of its half-yearly results to the ASX;
- Within 2 weeks immediately preceding and 48 hours immediately following the Company's Annual General Meeting; and
- Other periods as advised by the Board or Chief Executive Officer.

Requests to trade during the closed periods may be considered in exceptional circumstances. At all other times Directors, Key Management Personnel and all other employees are not permitted to buy or sell securities in the Company without first obtaining written consent from the Chairman. When the Chairman trades Company securities written approval has to be obtained from an Independent Director.

The Company has introduced compliance standards and procedures to ensure that the policy is properly implemented. In addition there is also an internal review mechanism to assess compliance and effectiveness.

A copy of the Company's Share Trading Policy was lodged with the ASX Company Announcements Office and is also posted on the Company's website.

Principle 4 – Safeguard Integrity in financial reporting

Companies should have a structure to independently verify and safeguard the integrity of their financial reporting.

Audit committee

The Board has established an audit committee comprising two non-executive directors one of whom is chairman, and one executive director.

All the members of the committee have appropriate and relevant financial experience.

The members of the audit committee during the year were:

- Tan Sri Ibrahim Menudin – (Chairman)
- Peter J Meers
- Ken Boundy

The committee met twice during the year and the members' attendance records are disclosed in the table of directors' meetings included in the Directors Report on page 14.

The committee has a formal charter which has been reviewed by the committee and the Board.

A copy of the formal charter is posted on the Company's website.

The minutes of the committee meetings are reviewed in the subsequent meetings of the Board and the Chairman of the committee reports on the committee's conclusions and recommendations.

CORPORATE GOVERNANCE STATEMENT continued

The responsibilities of the Audit Committee include:

- reviewing the annual and half year financial reports to ensure compliance with Australian Accounting Standards and generally accepted accounting principles;
- monitoring corporate risk management practices;
- review and approval of the consolidated entity's accounting policies and procedures;
- reviewing the nomination, performance and independence of the external auditors; and organising, reviewing and reporting on any special reviews or investigations deemed necessary by the Board.

The structure of the audit committee does not comply with recommendations 4.2 in that it does not consist of only non-executive directors. This matter continues to be under review and as circumstances allow consideration will be given to the appropriate time to adopt the ASX Corporate Governance Guideline.

The audit committee has received confirmation in writing from the Chief Executive Officer and Chief Financial Officer that the Company's Financial Report for the financial year ended 31 December 2011 present a true and fair view in all material respects of the Company's financial position and operational results and are in accordance with relevant accounting standards.

External auditors

The full Board is responsible for the appointment, removal and remuneration of the external auditors, and reviewing the terms of their engagement, and the scope and quality of the audit. In fulfilling its responsibilities, the Board receives regular reports from management and the external auditors at least once a year, or more frequently if necessary. The external auditors have a clear line of direct communication at any time to the Chairman of the Board.

The current auditor, K.S. Black & Co, was appointed in 2009. The Australian accounting bodies' statement on professional independence requires mandatory rotation of audit partners for listed companies every five years. K.S. Black & Co confirms that they conform to the requirements of the statement.

K.S. Black & Co is required to attend the Annual General Meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the Auditor's Report.

Principle 5 – Making timely and balanced disclosure

Companies should promote timely and balanced disclosure of the matters concerning the company.

The Company has a written policy on information disclosure that focuses on continuous disclosure of any information concerning the Company and its controlled entities that a reasonable person would expect to have a material effect on the price of the Company's securities.

The Company Secretary in consultation with the Chairman, is responsible for communications with the ASX. He is also responsible for ensuring compliance with the continuous disclosure requirements of the ASX Listing Rules, and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the general public.

A copy of the Company's policy of continuous disclosure is posted on the Company's website.

Principle 6 – Respect the rights of shareholders

Companies should respect the rights of shareholders and facilitate their effective exercise of those rights.

Communication with shareholders

The Board recognises and respects the rights of our shareholders as the beneficial owners of the Company. In order to facilitate the effective exercise of those rights, the Company has adopted a Shareholder Communications policy that aims to empower shareholders by:

- communicating effectively with them;
- providing easy access to balanced and understandable information about the Company; and
- encouraging and facilitating shareholder participation in general meetings.

The Company achieves this through the following avenues:

Regular mailings

The Company provides shareholders with copies of all announcements made to the ASX by mail on request. Copies are also available via an electronic link to the ASX web site, ensuring that all shareholders are kept informed about the Company.

Shareholders also have the option of receiving a hard copy of the Annual Report each year.

CORPORATE GOVERNANCE STATEMENT continued

Email Update Service

An email update service has been established and is available to the general public as well as shareholders at the Company's website or upon request.

General meetings

All shareholders are invited to attend the Annual General Meetings which are held at the Company's Head Office in Sydney. The full Board and senior executives are present and available to answer questions from the floor, as are the External Auditor and a representative from the Company's legal advisors.

A copy of the Company's Shareholder Communications policy is posted on the Company's website. The Company also posts corporate information in the Investor Section of its Company website at www.hudsonresources.com.

Principle 7 – Recognise and manage risk

Companies should establish a sound system of risk oversight and management and internal control.

The Board oversees the establishment, implementation and review of the Company's Risk Management System. To ensure it meets its responsibilities, the Board has implemented appropriate systems for identifying, assessing, monitoring and managing material risk throughout the organisation.

Management is required to provide monthly status reports to the Board which identify potential areas of business risk arising from changes in the financial and economic circumstances of its operating environment.

The Board regularly assesses the company's performance in light of risks identified by such reports.

Management are also required to design implement and review the Company's risk management and internal control system. The Board reviews the effectiveness of the implementation of the Company's risk management and internal control system on a regular basis.

The Board does not employ an internal auditor, although as part of the Company's strategy to implement an integrated framework of control, the Board requested the external auditors review internal control procedures. Recommendations once presented are considered by the Board.

The Chairman and Chief Financial Officer has stated in writing to the Board that:

- The Company's financial reports present a true and fair view in all material respects of the Company's financial position and operating results and are in accordance with relevant accounting standards.
- The integrity of the financial statements is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board.
- The Company's risk management and internal compliance and control system is operating efficiently in all material respects.

The board requires this declaration to be made bi-annually.

Principle 8 – Remunerate fairly and responsibly

Companies should ensure that the level and composition of remuneration is sufficient and reasonable and that the relationship to performance is clear.

The Board has established a remuneration committee. The committee comprised the following members during the year.

- Tan Sri Ibrahim Menudin - Chairman
- Ken Boundy

The Company does not comply with recommendation 8.2 in that the Remuneration Committee does not have at least three members. The Board considers that the Company is not of sufficient size to warrant the appointment of additional Committee Members. The Committee meets as often as required, but not less than once per year.

The committee has adopted a formal charter, a copy of which is posted on the company website.

The main responsibilities of the Committee are: -

- review and approve the Group's policy for determining executive remuneration and any amendments to that policy;
- review the on-going appropriateness and relevance of the policy;
- consider and make recommendations to the Board on the remuneration of executive Directors (including base salary, incentive payments, equity awards and service contracts);
- review and approve the design of all equity based plans;
- review and approve the total proposed payments under each plan; and
- review and approve the remuneration levels for non-executive Directors.

CORPORATE GOVERNANCE STATEMENT continued

The committee met once during the year and the Committee Members attendance record is disclosed in the Table of Directors Meetings included in the Directors Report at page 14.

Executive Directors and executive remuneration

The remuneration committee reviews and approves the policy for determining executive’s remuneration and any amendments to that policy.

Executive remuneration and other terms of employment are reviewed annually having regard to relevant comparative information and independent expert advice.

Remuneration packages include basic salary, superannuation and the rights of participation in the Company’s Share Option Plan and Employee Share Purchase Plan.

Remuneration packages are set at levels that are intended to attract and retain executives capable of effectively managing the company’s operations.

Consideration is also given to reasonableness, acceptability to shareholders and appropriateness for the current level of operations.

Non-executive Directors

Remuneration of Non-Executive Directors is determined by the Board based on relevant comparative independent expert advice and the maximum amount approved by shareholders from time to time.

Non-Executive Directors have the right to participate in the Company’s Share Option Plan and Employee Share Purchase Plan.

Further information on directors and executive remuneration is included in the remuneration report which forms part of the Directors’ Report.

STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2011

		Consolidated		Parent Entity	
		2011	2010	**2011**	2010
	Notes	**$'000**	$'000	**$'000**	$'000
Revenue from continuing operations	4	**2,185**	1,668	**2,247**	1,085
Cost of sales		**(688)**	(922)	**(681)**	(558)
Gross profit		**1,497**	746	**1,566**	527
Other income	5	**1,521**	790	**-**	(64)
Administration and exploration expenses		**(7,730)**	(3,357)	**(1,490)**	(762)
Finance costs		**(325)**	(412)	**(49)**	(24)
(Loss)/Profit before income tax expense		**(5,037)**	(2,233)	**27**	(323)
Income tax	7 (a)	**-**	-	**-**	-
(Loss)/Profit after tax		**(5,037)**	(2,233)	**27**	(323)
Other comprehensive income					
Other comprehensive income for the year net of tax		**-**	-	**-**	-
		(5,037)	(2,233)	**27**	(323)
Minority Interest		**3,027**	1,417	**-**	-
Total Comprehensive (loss)/income attributable to members of the Company		**(2,010)**	(816)	**27**	(323)
		Cents	Cents		
Basic earnings per share	30	**(1.70)**	(0.74)		
Diluted earnings per share	30	**(1.70)**	(0.74)		

The above statement should be read in conjunction with the accompanying notes

STATEMENT OF FINANCIAL POSITION
As at 31 December 2011

		Consolidated		Parent Entity	
	Notes	**2011**	2010	**2011**	2010
ASSETS		**$'000**	$'000	**$'000**	$'000
Current assets					
Cash and cash equivalents	8	**7,355**	15,512	**376**	373
Trade and other receivables	9	**2,271**	908	**220**	98
Financial assets	12	**42**	-	**42**	-
Inventories	10	**475**	566	**475**	566
Other current assets	11	**238**	148	**20**	16
Total current assets		**10,381**	17,134	**1,133**	1,053
Non-current assets					
Trade and other receivables	9	**2,080**	2,774	**1,419**	1,598
Financial Assets	12	**1,569**	1,569	**3,705**	3,705
Mining tenements	13	**20,032**	11,330	**-**	-
Plant and equipment	14	**245**	106	**78**	12
Investment property	15	**3,004**	3,058	**1,269**	1,286
Total non-current assets		**26,930**	18,837	**6,471**	6,601
Total assets		**37,311**	35,971	**7,604**	7,654
LIABILITIES					
Current liabilities					
Trade and other payables	17	**578**	729	**109**	241
Financial liabilities	19	**14**	-	**14**	-
Employee benefits provision	18	**89**	26	**7**	2
Total current liabilities		**681**	755	**130**	243
Non-current liabilities					
Trade and other payables	17	**-**	-	**875**	911
Financial liabilities	19	**1,930**	1,860	**70**	-
Provisions	20	**223**	197	**195**	193
Total non-current liabilities		**2,153**	2,057	**1,140**	1,104
Total liabilities		**2,834**	2,812	**1,270**	1,347
Net assets		**34,477**	33,159	**6,334**	6,307
Equity					
Issued capital	21	**26,925**	26,925	**26,925**	26,925
Reserves	22	**19,310**	17,917	**4,152**	4,152
Accumulated losses		**(28,013)**	(26,003)	**(24,743)**	(24,770)
Total equity attributable to equity holders of parent entity		**18,222**	18,839	**6,334**	6,307
Minority interest		**16,255**	14,320	**-**	-
Total Equity		**34,477**	33,159	**6,334**	6,307

The above statement should be read in conjunction with the accompanying notes.

STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2011

Consolidated	Issued Capital $'000	Reserves $'000	Accumulated Losses $'000	Minority Interests $'000	Total Equity $'000
At 1 January 2011	**26,925**	**17,917**	**(26,003)**	**14,320**	**33,159**
Profit/(Loss) for the year	**-**	**-**	**(2,010)**	**-**	**(2,010)**
Shares issued during the year	**-**	**-**	**-**	**-**	**-**
Movement during the year	**-**	**1,393**	**-**	**-**	**1,393**
Minority interest movement	**-**	**-**	**-**	**1,935**	**1,935**
At 31 December 2011	**26,925**	**19,310**	**(28,013)**	**16,255**	**34,477**
At 1 January 2010	24,700	11,130	(25,187)	4,949	15,592
Profit/(Loss) for the year	-	-	(816)	-	(816)
Shares issued during the year	2,225	-	-	-	2,225
Movement during the year	-	6,787	-	-	6,787
Minority interest movement	-	-	-	9,371	9,371
At 31 December 2010	26,925	17,917	(26,003)	14,320	33,159
Parent Entity					
At 1 January 2011	**26,925**	**4,152**	**(24,770)**	**-**	**6,307**
Profit for the period	**-**	**-**	**27**	**-**	**27**
Movement during the year	**-**	**-**	**-**	**-**	**-**
Shares issued during the year	**-**	**-**	**-**	**-**	**-**
At 31 December 2011	**26,925**	**4,152**	**(24,743)**	**-**	**6,334**
At 1 January 2010	24,700	4,237	(24,447)	-	4,490
Profit for the period	-	-	(323)	-	(323)
Movement during the year	-	(85)	-	-	(85)
Shares issued during the year	2,225	-	-	-	2,225
At 31 December 2010	26,925	4,152	(24,770)	-	6,307

The above Statement should be read in conjunction with the accompanying notes.

STATEMENT OF CASH FLOWS
For the year ended 31 December 2011

	Note	Consolidated 2011 $'000	Consolidated 2010 $'000	Parent Entity 2011 $'000	Parent Entity 2010 $'000
Cash flows from operating activities					
Receipts from customers		**1,022**	1,008	**1,946**	911
Payments to suppliers and employees		**(13,689)**	(2,930)	**(2,365)**	(1,500)
Interest paid		**(134)**	(120)	**-**	-
Interest received		**858**	659	**163**	174
Net cash (outflow)/inflow from operating activities	29 (a)	**(11,943)**	(1,383)	**(256)**	(415)
Cash flows from investing activities					
Contributions to mining tenements		**(70)**	(3,084)	**30**	-
Acquisition of mining tenements and prospects		**(4,500)**	(920)	**-**	-
Proceeds from sale of mining tenements		**1,745**	-	**-**	-
Recovered expenses		**525**	-	**-**	-
Receivable		**(53)**	(1,195)	**277**	(1,619)
Acquisition of investment equity		**(42)**	(3,303)	**(42)**	(150)
Employee share plan		**-**	(520)	**-**	-
Payments for property, plant and equipment		**(178)**	(101)	**(70)**	(1)
Net cash (outflow)/inflow from investing activities		**(2,573)**	(9,123)	**195**	(1,770)
Cash flows from financing activities					
Proceeds from issue of shares - controlled entities		**7,450**	20,901	**-**	-
Share issuing cost - controlled entities		**(1,155)**	(1,318)	**-**	-
Proceeds from issue of shares		**-**	1,550	**-**	1,550
Proceeds from repayment		**-**	-	**-**	831
Proceeds from borrowing		**64**	210	**64**	-
Share issuing costs		**-**	(84)	**-**	(84)
Net cash inflow/(outflow) from financing activities		**6,359**	21,259	**64**	2,297
Net (decrease)/increase in cash and cash equivalents		**(8,157)**	10,753	**3**	112
Cash and cash equivalents at the beginning of the financial year		**15,512**	4,759	**373**	261
Cash and cash equivalents at the end of the financial year	8	**7,355**	15,512	**376**	373

The above statement should be read in conjunction with the accompanying notes

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2011

1 CORPORATE INFORMATION

The financial statements of Hudson Resources Limited ('the Company') and its controlled entities ('the Group') for the year ended 31 December 2011 was authorised for issue in accordance with a resolution of Directors and covers Hudson Resources Limited as an individual entity as well as the consolidated entity consisting of Hudson Resources Limited and its subsidiaries as required by the *Corporations Act 2001*.

Hudson Resources Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange (ASX).

The financial statements are presented in Australian currency.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Company is domiciled in Australia. The consolidated financial report of the Company for the financial year ended 31 December 2011 comprises the Company and its subsidiaries (together referred to as the 'consolidated entity').

a. Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, Australian Accounting interpretations, other authoritative pronouncement of the Australian Accounting Standards Board and the *Corporations Act 2001*.

Statement of Compliance

Australian Accounting Standards ('AASBs') include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report of Hudson Resources Limited complies with International Financial Reporting Standards, (IFRS).

Critical accounting estimates and assumptions

Details of critical accounting estimates and assumptions about the future made by management at reporting date are set out below:

i. Impairment of assets

The Company assess impairment at each reporting date by evaluating conditions specific to the entity that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Calculations performed in assessing recoverable amounts incorporate a number of key estimates.

ii. Options valuation

Refer to Note 34 for estimates and assumptions used to calculate the valuation of options.

Critical judgements

Management have made the following judgements when applying the Group's accounting policies:

Capitalisation of exploration costs

During the year the Group and the parent entity made a judgement about the capitalisation of exploration costs.

The Group follows the guidance of AASB 6 Exploration for and Evaluation of Mineral Resources when determining if exploration costs incurred can be capitalised. This determination requires significant judgement. In making this judgement, the Group evaluates, if any one of the following conditions is met:

- the exploration and evaluation expenditures are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and
- exploration and evaluation activities in the area of interest have not at the reporting date reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to, the area of interest are continuing.

If one of the above conditions is met then the Group has made the judgement to capitalise the associated exploration expenses.

NOTES TO THE FINANCIAL STATEMENTS continued

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Measurement of financial assets

If there is an active market for financial assets then the fair value should be in line with market prices and if not they have been carried at cost.

Recognition of deferred tax assets

In line with the Group's accounting policy (Note 2e) and as disclosed in Note 7, deferred tax assets have not been recognised.

Historical cost convention

These financial statements have been prepared under the historical cost convention except where noted in these accounting policies.

ASIC CO 98/100

The Company is of a kind referred to in ASIC Class Order 98/100 issued by the Australian Securities & Investments Commission, relating to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that class order to the nearest thousand dollars, or in certain cases, the nearest dollar.

b. Principles of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Hudson Resources Limited (the "parent entity") as at 31 December 2011 and the results of all subsidiaries for the year then ended. Hudson Resources Limited and its subsidiaries together are referred to in this financial report as the consolidated entity.

Subsidiaries are all those entities over which the consolidated entity has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the consolidated entity controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the consolidated entity. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the consolidated entity.

Intercompany transactions, balances and unrealised gains on transactions between consolidated entity companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the consolidated entity.

(ii) Joint Ventures

Interests in joint venture entities are accounted for in the consolidated financial statements using the proportionate consolidation method and are carried at cost by the parent entity. Under the proportionate consolidation method, the share of income and expenses of the jointly controlled entity is combined line by line with similar items in the consolidated Statement of Comprehensive Income and the share of assets and liabilities are recognised in the consolidated balance sheet.

Details of joint venture entities are set out in Note 26.

c. Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment and is subject to risks and returns that are different from those segments operating in other economic environments. Reporting to management by segments is on this basis.

d. Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and duties and taxes paid. Revenue is recognised for the major business activities as follows:

NOTES TO THE FINANCIAL STATEMENTS continued

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

Sale of goods

Revenue from the sale of goods is recognised (net of returns, discounts and allowances) when control of goods passes to the customer.

Interest revenue

Interest revenue is recognised as it accrues taking into account the effective yield on the financial asset.

Rental income

Rental income on investment properties is accounted for on a straight-line basis over the term of the lease. Contingent rentals are recognised as income in the periods when they are earned.

Other income

Income from other sources is recognised when the fee in respect of other products or service provided is receivable.

e. Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the income tax rate adjusted by changes in deferred tax assets and liabilities attributable to temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial statements, and to unused tax losses.

Deferred tax assets and liabilities are recognised for temporary differences at the tax rates expected to apply when the assets are recovered or liabilities are settled, based on those tax rates which are enacted or substantively enacted for each jurisdiction. The relevant tax rates are applied to the cumulative amounts of deductible and taxable temporary differences to measure the deferred tax asset or liability. An exception is made for certain temporary differences arising from the initial recognition of an asset or a liability. No deferred tax asset or liability is recognised in relation to these temporary differences if they arose in a transaction, other than a business combination, that at the time of the transaction did not affect either accounting profit or taxable profit or loss.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in controlled entities where the parent entity is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Current and deferred tax balances attributable to amounts recognised directly in equity are also recognised directly in equity.

The Company and its wholly owned entities are part of a tax-consolidated group under Australian taxation law. Hudson Resources Limited is the head entity in the tax-consolidated group. Tax expense/income, deferred tax liabilities and deferred tax assets arising from temporary differences of the members of the tax-consolidated group are recognized in the separate financial statements of the members of the tax-consolidated group using the 'separate taxpayer within group' approach. Current tax liabilities and assets and deferred tax assets arising from unused tax losses and tax credits of the members of the tax-consolidated group are recognized by the Company (as head entity in the tax-consolidated group).

The amounts receivable/payable under tax funding arrangements are due upon notification by the head entity, which is issued soon after the end of each financial year. Interim funding notices may also be issued by the head entity to its wholly owned subsidiaries in order for the head entity to be able to pay tax instalments. These amounts are recognised as current inter-company receivables or payables.

f. Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

NOTES TO THE FINANCIAL STATEMENTS continued

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

f. Goods and services tax (GST) continued

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of Financial Position.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are calculated net on operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

g. Cash and cash equivalents

For the purposes of the cash flow statement, cash includes cash on hand and in at call deposits with banks or financial institutions, investment in money market instruments maturing within less than 3 months, net of bank overdrafts.

h. Trade and other receivables

Trade receivables are recognised initially at original invoice amounts and subsequently measured at amortised cost, less provision for doubtful debts. Trade receivables are due for settlement no more than 60 days from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful receivables is established when there is objective evidence that entities in the consolidated entity will not be able to collect all amounts due according to the original terms of receivables.

i. Inventories

Raw materials and stores represent ore that has been extracted and is available for further processing. Where the future processing of the ore can be predicted with confidence because it exceeds the mines cut-off grade, it is valued at the lower of cost and net realisable value. Quantities are assessed through survey.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

j. Financial Instruments

Recognition and initial measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either the purchase or sale of the asset (i.e. trade date accounting is adopted).

Financial instruments are initially measured at fair value plus transaction costs, except where the instrument is classified ‘at fair value through profit or loss’, in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Finance instruments are subsequently measured at either of fair value, amortised cost using the effective interest rate method, or cost. Fair value represents the amount for which an asset could be exchanged or a liability settled, between knowledgeable, willing parties. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as:

(a) the amount at which the financial asset or financial liability is measured at initial recognition;

(b) less principal repayments;

(c) plus or minus the cumulative amortisation of the difference, if any, between the amount initially recognised and the maturity amount calculated using the effective interest method; and

(d) less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability.

NOTES TO THE FINANCIAL STATEMENTS continued

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

j. Financial Instruments continued

Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in profit or loss.

The Group does not designate any interests in subsidiaries, associates or joint venture entities as being subject to the requirements of accounting standards specifically applicable to financial instruments.

i. *Financial assets at fair value through profit or loss*

Financial assets are classified at 'fair value through profit or loss' when they are either held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

ii. *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after reporting date. (All other loans and receivables are classified as non-current assets.)

iii. *Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Group's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Held-to-maturity investments are included in non-current assets, except for those which are expected to mature within 12 months after reporting date. (All other investments are classified as current assets.)

If during the period the Group sold or reclassified more than an insignificant amount of the held-to-maturity investments before maturity, the entire held-to-maturity investments category would be tainted and reclassified as available-for-sale.

iv. *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are either not suitable to be classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Available-for-sale financial assets are included in non-current assets, except for those which are expected to be disposed of within 12 months after reporting date. (All other financial assets are classified as current assets.)

v. *Financial liabilities*

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At the end of each reporting period, the Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS continued

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

j. Financial Instruments continued

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

k. Impairment of assets

Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised 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 to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash generating units).

l. Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The fair value of financial instruments traded in active markets is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by entities in the consolidated entity is the current bid price; the appropriate quoted market price for financial liabilities is the current ask price.

The fair value of financial instruments that are not traded in an active market is determined using valuation techniques. Entities in the consolidated entity use a variety of methods and make assumptions that are based on market conditions existing at each balance date. Quoted market prices or dealer quotes for similar instruments are used for long-term debt instruments held. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to entities in the consolidated entity for similar financial instruments.

m. Leases

Company as lessee

Leases where the lessor retains substantially all the risks and rewards of ownership of the net asset are classified as operating leases. Payments made under operating leases (net of incentives received from the lessor) are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease.

Company as lessor

Lease income from operating leases is recognised in the Statement of Comprehensive Income on a straight-line basis over the lease term. Initial direct costs incurred in negotiating operating leases are added to the carrying value of the leased asset and recognised as an expense over the lease term on the same bases as the lease income.

n. Tenement exploration, valuation and development costs.

Costs incurred in the exploration for, and evaluation of, tenements for suitable resources are carried forward as assets provided that one of the following conditions is met:

- the carrying values are expected to be justified through successful development and exploitation of the area of interest; or
- exploration activities in the area of interest have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of recoverable mineral resources, and active and significant operations in relation to the area are continuing.

NOTES TO THE FINANCIAL STATEMENTS continued

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

n. Tenement exploration, valuation and development costs continued

Expenses failing to meet at least one of the aforementioned conditions are expensed as incurred.

Costs associated with the commercial development of resources are deferred to future periods, provided they are, beyond any reasonable doubt, expected to be recoverable. These costs are be amortised from the commencement of commercial production of the product to which they relate on a straight-line basis over the period of the expected benefit.

o. Property, plant and equipment

Property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Depreciation is calculated using the straight line method to allocate cost over their useful lives as follows:

- Building 30 years
- Plant and equipment 5 years

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Statement of Comprehensive Income during the financial period in which they are incurred.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the Statement of Comprehensive Income.

p. Investment properties

Investment property, principally comprising of buildings and land at Geraldton, is held for long-term rental yields and is not occupied by the Group. Investment property is carried at fair value which is based on active market prices, adjusted if necessary, for any differences in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods such as recent prices in less active markets or discounted cash flow projections. These valuations are reviewed annually by a member of the Australian Property Institute or the Directors of the Group. Changes in fair values are recorded in the Statement of Comprehensive Income as part of other income.

q. Trade and other payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

r. Borrowings

All loans and borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in the Statement of Comprehensive Income over the period of the loans and borrowings using the effective interest method.

s. Employee benefits

(i) Wages, salaries, and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

t. Provisions

Provisions relate to amounts due to the Mines Department in relation to restoration. These amounts are held in trust and utilised when restoration of a site is required.

NOTES TO THE FINANCIAL STATEMENTS continued

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES continued

u. Contributed equity

Ordinary shares are classified as equity. 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.

v. Capital profits reserve

The capital profits reserve represents the realised component of the asset revaluation reserve which remains undistributed to shareholders.

w. Options reserve

The options reserve is used to recognise the fair value of options issued to employees but not exercised.

x. Share-based payments

Ownership-based remuneration is provided to employees via the executive option plan. Information relating to the scheme is set out in Note 34.

Share-based compensation to Directors and employees is recognised as an expense in respect of the services received, measured on a fair value basis.

The fair value of the options at grant date is independently determined using a Black Sholes option pricing model that takes into account the exercise price, the term of the option, the vesting and performance criteria, the impact of dilution, the non-tradeable nature of the option, the share price at grant date and expected price volatility of the underlying share, the expected dividend yield and the risk-free interest rate for the term of the option.

The fair value of the options granted excludes the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the entity revises its estimate of the number of options that are expected to become exercisable. The employee benefit expense recognised each period takes into account the most recent estimate.

Upon the exercise of options, the balance of the share-based payments reserve relating to those options is transferred to share capital.

y. Earnings per share (EPS)

Basic EPS is calculated as net profit attributable to members, adjusted to exclude costs of servicing equity (other than dividends), divided by the weighted average number of ordinary shares, adjusted for any bonus element.

Diluted EPS is calculated as net profit attributable to members, adjusted for costs of servicing equity (other than dividends), the after tax effect of dividends and interest associated with dilutive potential ordinary shares that have been recognised as expenses; and other non-discretionary changes in revenues or expenses during the period that would result from the dilution of potential ordinary shares; divided by the weighted average number of ordinary shares and dilutive potential ordinary shares, adjusted for any bonus element.

z. New Accounting Standards for Application

The AASB has issued new and amended accounting standards and interpretations that have mandatory application dates for future reporting periods. The Group has decided against early adoption of these standards. We have reviewed these standards and interpretations and there are none having any material effect.

3 FINANCIAL RISK MANAGEMENT

a. General objectives, policies and processes

In common with all other businesses, the Group is exposed to risks that arise from its use of financial instruments. This note describes the Group's objectives, policies and processes for managing those risks and the methods used to measure them. Further quantitative information in respect of these risks is presented throughout these financial statements.

There have been no substantive changes in the Group's exposure to financial instrument risks, its objectives, policies and processes for managing those risks or the methods used to measure them from previous periods unless otherwise stated in this note.

NOTES TO THE FINANCIAL STATEMENTS continued

3 FINANCIAL RISK MANAGEMENT continued

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a. General objectives, policies and processes continued

The Board has overall responsibility for the determination of the Group's risk management objectives and policies and, whilst retaining ultimate responsibility for them, it has delegated the authority for designing and operating processes that ensure the effective implementation of the objectives and policies to the Group's finance function. The Groups' risk management policies and objectives are therefore designed to minimise the potential impacts of these risks on the results of the Group where such impacts may be material. The Board receives reports from the Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets. The Group's finance function is to also review the risk management policies and processes and report their findings to the Audit Committee.

	Consolidated		Parent Entity	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Financial assets				
Current				
Cash and cash equivalents	**7,355**	15,512	**376**	373
Trade and other receivables	**2,271**	908	**220**	98
Financial assets	**42**	-	**42**	-
Non-current				
Trade and other receivables	**2,080**	2,774	**1,419**	1,598
Financial assets	**1,569**	1,569	**3,705**	3,705
	13,317	20,763	**5,762**	5,774
Financial liabilities				
Current				
Trade and other payables	**578**	729	**109**	241
Financial liabilities	**14**	-	**14**	-
Non-current				
Trade and other payables	**-**	-	**875**	911
Financial liabilities	**1,930**	1,860	**70**	-
	2,522	2,589	**1,068**	1,152

b. Credit risk

Credit risk is the risk that the other party to a financial instrument will fail to discharge their obligation resulting in the Group incurring a financial loss. This usually occurs when debtors or counterparties to derivative contracts fail to settle their obligations owing to the Group.

The maximum exposure to credit risk at the reporting date is the carrying amount of the financial assets excluding the available for sale financial assets, as summarised under note (a) above.

For banks and financial institutions, only independently rated parties are accepted and each deposit account is kept to under $1 million to ensure that it is covered by the Governments bank deposit guarantee scheme.

c. Liquidity risk

Liquidity risk is the risk that the Group may encounter difficulties raising funds to meet commitments associated with financial instruments, i.e. borrowing repayments. Bank loans are detailed below. The funds were provided by bankers for the Group and the Parent Company. It is the policy of the Board of Directors that treasury reviews and maintains adequate committed credit facilities and the ability to close-out market positions.

NOTES TO THE FINANCIAL STATEMENTS continued

3 FINANCIAL RISK MANAGEMENT continued

Maturities of financial liabilities

Consolidated - 2011	**Carrying Amount $'000**	**Contractual Cash flows $'000**	**< 6 mths $'000**	**6- 12 mths $'000**	**1-3 years $'000**	**> 3 years $'000**
Current						
Trade and other payables	**578**	**578**	**578**	**-**	**-**	**-**
Financial liabilities	**14**	**14**	**7**	**7**	**-**	**-**
Non-current						
Financial liabilities	**1,930**	**1,930**	**-**	**-**	**1,888**	**42**
Trade and other payables	**-**	**-**	**-**	**-**	**-**	**-**
Total financial liabilities at amortised cost	**2,522**	**2,522**	**585**	**7**	**1,888**	**42**

Consolidated - 2010	Carrying Amount $'000	Contractual Cash flows $'000	< 6 mths $'000	6- 12 mths $'000	1-3 years $'000	> 3 years $'000
Current						
Trade and other payables	729	729	729	-	-	-
Non-current						
Financial liabilities	1,860	1,860	-	-	1,860	-
Trade and other payables	-	-	-	-	-	-
Total financial liabilities at amortised cost	2,589	2,589	729	-	1,860	-

Parent Entity - 2011	**Carrying Amount $'000**	**Contractual Cash flows $'000**	**< 6 mths $'000**	**6- 12 mths $'000**	**1-3 years $'000**	**> 3 years $'000**
Current						
Trade and other payables	**109**	**109**	**109**	**-**	**-**	**-**
Financial liabilities	**14**	**14**	**7**	**7**	**-**	**-**
Non-current						
Financial liabilities	**70**	**70**	**-**	**-**	**28**	**42**
Trade and other payables	**875**	**-**	**-**	**-**	**-**	**-**
Total financial liabilities at amortised cost	**1,068**	**193**	**116**	**7**	**28**	**42**

Parent Entity - 2010	Carrying Amount $'000	Contractual Cash flows $'000	< 6 mths $'000	6- 12 mths $'000	1-3 years $'000	> 3 years $'000
Current						
Trade and other payables	241	241	241	-	-	-
Non-current						
Financial liabilities	-	-	-	-	-	-
Trade and other payables	911	-	-	-	-	-
Total financial liabilities at amortised cost	1,152	241	241	-	-	-

d. Market Risk

Market risk arises from the use of interest bearing, tradeable and foreign currency financial instruments. It is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in interest rates (interest rate risk), foreign exchange rates (currency risk) or other market factors (other price risk).

(i) Interest rate risk

The Group does not apply hedge accounting. The Group is constantly monitoring its exposure to trends and fluctuations in interest rates in order to manage interest rate risk. For further details of exposure to interest rate risk refer Note 19 Financial Liabilities.

NOTES TO THE FINANCIAL STATEMENTS continued

3 FINANCIAL RISK MANAGEMENT continued

Sensitivity Analysis

The following tables demonstrate the sensitivity to reasonably possible changes in interest rates, with all other variables held constant, of the Group's profit after tax (through the impact on floating rate borrowings). There is no impact on the Group's equity.

	Carrying Amount	+1% Interest Rate	-1% Interest Rate
Consolidated - 2011	**$'000**	**$'000**	**$'000**
Borrowings	**1,944**	**(20)**	**20**
Tax charge of 30%	**-**	**6**	**(6)**
After tax increase/(decrease)	**1,944**	**(14)**	**14**

	Carrying Amount	+1% Interest Rate	-1% Interest Rate
Consolidated - 2010	$'000	$'000	$'000
Borrowings	1,860	(19)	19
Tax charge of 30%	-	6	(6)
After tax increase/(decrease)	1,860	(13)	13

	Carrying Amount	+1% Interest Rate	-1% Interest Rate
Parent Entity - 2011	**$'000**	**$'000**	**$'000**
Borrowings	**84**	**(1)**	**1**
Tax charge of 30%	**-**	**-**	**-**
After tax increase/(decrease)	**84**	**(1)**	**1**

	Carrying Amount	+1% Interest Rate	-1% Interest Rate
Parent Entity - 2010	$'000	$'000	$'000
Borrowings	-	-	-
Tax charge of 30%	-	-	-
After tax increase/(decrease)	-	-	-

The above analysis assumes all other variables remain constant.

(ii) Currency risk

The group has no exposure to currency risk as no transactions are conducted in foreign currency.

e. Capital risk management

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

Consistently with others in the industry, the Group and the parent entity monitor capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total equity. Net debt is calculated as total borrowings less cash and cash equivalents. Total equity is calculated as 'equity' as shown in the balance sheet (including minority interest).

It is the Group's policy to maintain its gearing ratio within a healthy and manageable level. The Group's gearing ratio at the balance date is shown below:

Gearing ratios	**Consolidated**		**Parent Entity**	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Total bank borrowings	**(1,944)**	(1,860)	**(84)**	-
Cash and cash equivalents	**7,355**	15,512	**376**	373
Net cash/(debt)	**5,411**	13,652	**292**	373
Total equity	**34,477**	33,159	**6,334**	6,307
Gearing Ratio	**n/a**	n/a	**n/a**	n/a

NOTES TO THE FINANCIAL STATEMENTS continued

3 FINANCIAL RISK MANAGEMENT continued

e. Capital risk management continued

The Group's main activities include the mining and sale of attapulgite and investment in coal, bauxite and gold exploration activities. Due to the nature of these activities, during the year the Group has primarily used the raising of capital to fund its activities. The borrowings within the Group relate to the investment property used by a related party to process attapulgite into finished goods.

4 REVENUE FROM CONTINUING OPERATIONS

	Consolidated		Parent Entity	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Revenue				
Sale revenues	**847**	727	**847**	727
Rental income	**300**	282	**200**	184
Management fee	**-**	-	**1,037**	-
	1,147	1,009	**2,084**	911
Other Revenue				
Interest income	**1,038**	659	**163**	174
	2,185	1,668	**2,247**	1,085

5 OTHER INCOME

	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Change in fair value of investment property	**982**	691	**-**	(164)
Net gain on disposal of mining tenements	**14**	-	**-**	-
Contributrion received on funded expenditure	**525**	-	**-**	-
Other	**-**	99	**-**	100
	1,521	790	**-**	(64)

6 EXPENSES

a. Expenses

(Loss)/Profit before income tax is arrived after (charging)/crediting the following specific items:

	Consolidated		Parent Entity	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Employee benefit expense	**(922)**	(529)	**(229)**	(86)
Superannuation contribution expense	**(57)**	(63)	**(14)**	(7)
Consulting and professional fee	**(1,110)**	(1,101)	**(218)**	(214)
Borrowing costs:				
Interest and finance charges	**(134)**	(137)	**-**	-
Depreciation:				
Buildings	**(59)**	(52)	**(20)**	(19)
Plant and equipment	**(35)**	(11)	**-**	(4)
Total Depreciation	**(94)**	(63)	**(20)**	(23)

b. Dividends

The Directors do not recommend a dividend relating to the year ended 31 December 2011 (2010: $nil) to be paid.

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NOTES TO THE FINANCIAL STATEMENTS continued

7. INCOME TAX

		Consolidated		Parent Entity	
		2011	2010	**2011**	2010
		$'000	$'000	**$'000**	$'000
(a)	**Income tax expense**				
	Current tax expense	**-**	-	**-**	-
	Deferred tax expense	**-**	-	**-**	-
	Total income tax expense	**-**	-	**-**	-
	Deferred tax expense				
	Increase in deferred tax expense/(benefit)	**-**	-	**-**	-
(b)	**Numerical reconciliation of income tax expense to prima facie tax payable**				
	Profit/(loss) before income tax expense	**(5,037)**	(2,233)	**27**	(323)
	Income tax expense (benefit) calculated at 30% (2010:30%)	**(1,511)**	(670)	**8**	(97)
	Deferred tax expenses relating to partly owned subsidiaries outside of the tax consolidated group	**1,495**	806	**-**	-
	Tax losses not brought to account	**66**	643	**13**	105
	Temporary differences not brought to account	**(50)**	-	**(21)**	-
	Other	**-**	(779)	**-**	(8)
	Recoupment of prior year tax losses not previously brought to account	**-**	-	**-**	-
	Income tax expense/(benefit) at effective tax rate of 30% (2010: 30%)	**-**	-	**-**	-

(c) Amounts recognised directly in equity

Aggregate current and deferred tax arising during the reporting period and not recognised in profit and loss but directly debited or credited to equity:

	Consolidated 2011	Consolidated 2010	Parent Entity 2011	Parent Entity 2010
Current income tax				
Current income tax on transaction costs of issuing equity instrucments	**-**	-	**-**	-

(d) Unrecognised deferred tax assets and liabilities

The unrecognised deferred tax assets of the Group includes $10,689,446 (2010: $10,689,446) in relation to carried forward tax losses and $8,850,190 (2010: $8,850,190) in relation to carried forward capital losses.

Deferred tax assets and liabilities have not been recognised in the statement of financial position for the following items:

	Consolidated 2011	Consolidated 2010	Parent Entity 2011	Parent Entity 2010
Prior year unrecognised tax losses now ineligible due to change in tax consolidation group	**-**	-	**-**	-
Other deductible temporary differences	**(167)**	(738)	**(70)**	(26)
Deferred tax asset in respect of exploration activities not brought to account	**(54)**	453	**27**	(324)
Deferred tax liability in respect of exploration activities not recognised to the extent of unrecognised deferred tax asset	**-**	-	**-**	-
	(221)	(285)	**(43)**	(350)
Potential benefit/(expense) at 30% (2010: 30%)	**66**	-	**(13)**	(105)

(e) Deferred tax assets

Deferred tax assets comprise temporary differences attributable to:

	Consolidated 2011	Consolidated 2010	Parent Entity 2011	Parent Entity 2010
Share issue expenses	**-**	-	**-**	-

(f) Deferred tax liabilities

Deferred tax liabilities comprise temporary differences attributable to:

	Consolidated 2011	Consolidated 2010	Parent Entity 2011	Parent Entity 2010
Amounts recognised in profit and loss				
Capitalised exploration costs	**-**	-	**-**	-

NOTES TO THE FINANCIAL STATEMENTS continued

8 CASH AND CASH EQUIVALENTS

	Consolidated		Parent Entity	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Cash and cash equivalent	**6,946**	15,133	**157**	184
Cash held in trust	**409**	379	**219**	189
	7,355	15,512	**376**	373
Weighted average interest rates	**5.39%**	5.52%	**4.29%**	2.67%

9 TRADE AND OTHER RECEIVABLES

	Consolidated		Parent Entity	
	2011	2010	**2011**	2010
Current				
Trade receivables	**188**	65	**188**	50
Receivables - advance to other party	**1,215**	-	**-**	-
Tenement deposits	**259**	133	**-**	-
Other receivables	**432**	438	**-**	-
Receivables - GST	**177**	272	**32**	48
	2,271	908	**220**	98
Non-current				
Advance to controlled entities	**-**	-	**1**	28
Advance to other entity	**91**	922	**-**	286
Employee Share Plan	**1,940**	1,759	**1,369**	1,235
Other receivables	**49**	93	**49**	49
Total	**2,080**	2,774	**1,419**	1,598

(a) Impaired receivables and receivables past due

None of the current or non-current receivables are impaired or past due but not impaired.

(b) Receivables - GST

These amounts relating to receivables for GST paid.

(c) Receivables – advance to other party

Controlled entities advanced three interest bearing loans to consultants of $1.17 million during the year. The loans are secured by shares and with a fixed term on repayment.

(d) Interest rate risk

Information about the Group's and the parent entity's exposure to interest rate risk in relation to trade and other receivables is provided in Note 3.

(e) Fair value and credit risk

Current trade and other receivables

Due to the short term nature of these receivables their carrying amount is assumed to approximate their fair value.

The maximum exposure to credit risk at the reporting date is the carrying amount of each class of receivables mentioned above.

Non-current trade and other receivables

The fair values and carrying values of non-current receivables are as follows:

NOTES TO THE FINANCIAL STATEMENTS continued

	2011		2010	
	Carrying Amount $'000	**Fair Value Amount $'000**	Carrying Amount $'000	Fair Value Amount $'000
Consolidated				
Advance to other entities	**2,080**	**2,080**	2,774	2,774
Parent Entity				
Advance to controlled entities	**1**	**1**	28	28
Advance to related entities	**-**	**-**	286	286
Employee Share Plan	**1,369**	**1,369**	1,235	1,235
Other receivables	**49**	**49**	49	49
	1,419	**1,419**	1,598	1,598

NOTES TO THE FINANCIAL STATEMENTS continued

9 TRADE AND OTHER RECEIVABLES continued

Receivables under Employee Share Plan are interest bearing.

All other non-current receivables are interest free, and are repayable on demand. The fair value is approximately equivalent to the carrying value.

	Consolidated		Parent Entity	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
10 INVENTORIES				
Raw materials – ore at cost	**475**	566	**475**	566
	475	566	**475**	566
11 OTHER CURRENT ASSETS				
Prepayments	**190**	40	**20**	16
Accrued deposit interest receivables	**48**	108	**-**	-
	238	148	**20**	16
12 FINANCIAL ASSETS				
Current				
Investment in held entities	**42**	-	**42**	-
Non Current				
Investment in listed entity (Note 25)	**1,168**	1,168	**1,168**	1,168
Investment in Hudson - MPA (note (a))	**567**	567	**567**	567
Less: Write-down to recoverable amount	**(166)**	(166)	**(166)**	(166)
Shares in controlled entities - at cost (note (b))	**-**	-	**2,725**	2,725
Less: Write-down to recoverable amount	**-**	-	**(589)**	(589)
	1,569	1,569	**3,705**	3,705

(a) Amount represents investment at cost in unlisted overseas entity.
(b) These financial assets are carried at cost.

13 MINING TENEMENTS				
Mining tenements	**20,032**	11,330	**-**	-

The recoverability of the carrying amount of evaluation and exploration assets is dependent upon successful development and commercial exploitation, or alternatively the sale of the respective areas of interest.

	Consolidated		Parent	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
14 PLANT AND EQUIPMENT				
Plant and equipment				
Plant and equipment – at cost	**238**	118	**30**	17
Less: Accumulated depreciation	**(50)**	(12)	**(9)**	(5)
Carrying value	**188**	106	**21**	12
Leased assets				
Leased assets - at cost	**57**	-	**57**	-
Less: Accumulated depreciation	**-**	-	**-**	-
Carrying value	**57**	-	**57**	-
Total Carrying value	**245**	106	**78**	12

NOTES TO THE FINANCIAL STATEMENTS continued

14 PLANT AND EQUIPMENT continued

	Consolidated		Parent	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Reconciliations				
Reconciliations of the carrying amount of each class of leased asset, plant and equipment at the beginning and end of the current financial year are set out below.				
Plant and equipment				
Carrying amount at beginning of year	**106**	16	**12**	16
Additions	**120**	101	**13**	-
Depreciation	**(38)**	(11)	**(4)**	(4)
Carrying amount at end of year	**188**	106	**21**	12
Leased assets				
Carrying amount at beginning of year	**-**	-	**-**	-
Additions	**57**	-	**57**	-
Depreciation	**-**	-	**-**	-
Carrying amount at end of year	**57**	-	**57**	-

15 INVESTMENT PROPERTY

At fair value (note b)	**3,004**	3,058	**1,269**	1,286

Reconciliation of the carrying amount of investment property at the beginning and end of the current financial year is set out below.

At fair value				
Balance at beginning of year	**3,058**	2,193	**1,286**	1,240
Depreciation	**(54)**	(52)	**(17)**	(19)
Addition and property improvements	**-**	63	**-**	229
Fair value adjustments	**-**	854	**-**	(164)
Balance at end of year	**3,004**	3,058	**1,269**	1,286

(a) Amounts recognised in profit and loss for investment properties

The following amounts have been recognised in the Statement of Comprehensive Income

Rental Income	**300**	282	**200**	184

(b) Valuation Basis

The basis of the valuation of investment properties is fair value being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases. The 2011 revaluations were based on independent assessments made by a member of the Australian Property Institute.

(c) Non-current assets pledged as security

Refer to Note 19 for information on non-current assets pledged as security by the parent entity.

16 OTHER NON CURRENT ASSETS

	Consolidated		Parent Entity	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Convertible Note Receivable	**-**	**-**	**-**	-
	-	-	**-**	-

Hudson Resources Limited transferred bauxite tenements to Australian Bauxite Limited, a controlled entity, for a three year 6% convertible rate with a face value of $2,400,000 (2009: $2,400,000). The convertible note was fully repaid in 2010.

NOTES TO THE FINANCIAL STATEMENTS continued

	Consolidated		Parent Entity	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
17 TRADE AND OTHER PAYABLES				
Current				
Unsecured				
Trade payables	**198**	531	**22**	150
Other payables	**380**	198	**87**	91
	578	729	**109**	241
Non-Current				
Unsecured				
Payable-controlled entities	**-**	-	**875**	911
Payable-related entity	**-**	-	**-**	-
	-	-	**875**	911

All non-current payables are interest free and have no determined terms of repayment.

	Consolidated		Parent Entity	
18 EMPLOYEE BENEFITS PROVISION	**2011**	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Current				
Employee annual leave entitlements	**89**	26	**7**	2
19 FINANCIAL LIABILITIES				
Current				
Secured				
Lease liabilities	**14**	-	**14**	-
Non-Current				
Secured				
Leased liabilities	**70**	-	**70**	-
Bank borrowing	**1,860**	1,860	**-**	-
	1,930	1,860	**70**	-

Security for borrowings

Bank loan is secured by first mortgages over the Group's investment property at Geraldton and fixed and floating charges over assets of the Group as specified below. The loans are repayable in year 2013 and the rate of interest paid is a variable rate of 7.21% at 31 December 2011 (2010: 7.18%).

Assets pledged as security

The carrying amounts of non-current assets pledged as security are:

Investment property	**3,004**	3,058	**1,269**	1,286
Plant and equipment	**245**	106	**78**	12
	3,249	3,164	**1,347**	1,298

Fair value

The fair value of borrowings is equal to the carrying amounts of the loans.

Risk exposure

Information about the Group's and parent entity's exposure to interest rate changes is provided in Note 3.

20 PROVISIONS

Non-Current	**$'000**	$'000	**$'000**	$'000
Employee benefits - long service leave	**34**	8	**6**	4
Restoration provision	**189**	189	**189**	189
	223	197	**195**	193

NOTES TO THE FINANCIAL STATEMENTS continued

	Parent and Consolidated Entity		Parent and Consolidated Entity	
21 ISSUED CAPITAL	**2011 Shares**	2010 Shares	**2011 $'000**	2010 $'000
Share capital				
Ordinary shares	**118,385,822**	118,385,822	**26,925**	26,925

(a) Movements in ordinary share capital: Consolidated

Date	Details	No. of shares	Exercise Price $	$
1 January 2011	Balance	118,385,822		26,925,016
	Movement during the year	-		-
31 December 2011	Balance	118,385,822		26,925,016

(b) Terms and Conditions

Each ordinary share participates equally in the voting rights of the Parent Entity. Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the Parent Entity in proportion to the number of and amounts paid on the shares held.

(c) Options

There are no unissued ordinary shares of Hudson Resouces Limited under option at the date of this report.

	Consolidated		Parent Entity	
	2011 $'000	2010 $'000	**2011 $'000**	2010 $'000
22 RESERVES				
Reserves				
Capital profits reserve	**18,312**	17,022	**3,757**	3,757
Options reserve	**998**	895	**395**	395
	19,310	17,917	**4,152**	4,152
Movements in reserves				
Capital profits reserve				
Balance at start of the year	**17,022**	10,235	**3,757**	3,842
Business combination movement	**1,290**	6,787	**-**	(85)
Balance at the end of the year	**18,312**	17,022	**3,757**	3,757

The capital profits reserve represents the increase in ownership of partly owned listed subsidiaries.

Options reserve				
Balance at start of the year	**895**	895	**395**	395
Options issued	**103**	-	**-**	-
Balance at the end of the year	**998**	895	**395**	395

The options reserve is used to recognise the fair value of options issued to employees but not exercised.

23 CONTINGENT LIABILITIES

Guarantees

Cross guarantees by Hudson Resources Limited and its wholly owned controlled entities. No deficiency of assets exist in the consolidated entity as a whole. Refer to Note 27.

There are no other material contingent liabilities as at the date of this report.

No material losses are anticipated in respect of any of the above contingent liabilities.

NOTES TO THE FINANCIAL STATEMENTS continued

24 COMMITMENTS

	Consolidated		Parent Entity	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Exploration expenditure commitments				
Tenement exploration expenditure	**4,593**	3,612	**308**	739
Tenement lease payment	**488**	197	**48**	50
	5,081	3,809	**356**	789

The minimum exploration expenditure commitments and lease payments on the Group's exploration tenements totalling approximately $5,081,000 over the term of the tenements.

Remuneration expenditure commitments

Salary and other remuneration commitments under long-term employment contracts existing at reporting date are not recognised as liabilities

Within one year	**400**	400	**50**	50
Later than one year but not later than 5 years	**-**	300	**25**	75
Later than 5 years	**-**	-	**-**	-
	400	700	**75**	125

In 2011, there was a service agreement in place formalising the terms of remuneration of Peter Meers.

The service agreement commenced on 3 June 2008 and has a term of 5 years.

Mr Meers may terminate the agreement upon 6 months' notice and the Company may terminate at any time without showing cause but must compensate Mr Meers by payment of all amounts that would have been paid to Mr Meers had the agreement run for its full term. The Company may terminate the agreement in the event of serious misconduct by Mr Meers without any compensatory payment.

Service Agreement

The Company has entered into a service agreement with Hudson Corporate Limited pursuant to which Hudson Corporate Limited has agreed to provide its management, registered office, administrative, accounting, compliance and secretarial services.

The term of the Services Agreement is two years and the fee payable is that amount agreed between the parties from time to time. The terms of the Services Agreement provide that Hudson Corporate Limited shall act in accordance with the Directions of the Board.

NOTES TO THE FINANCIAL STATEMENTS continued

25 INVESTMENTS IN CONTROLLED ENTITIES

The consolidated financial statements incorporating the assets, liabilities and results of the following subsidiaries in accordance with the accounting policy described in Note 1(b).

Name of entity	Country of incorporation	Class of shares	Equity Holding 2011 %	Equity Holding 2010 %
North Eastern Bauxite Pty Limited	Australia	Ordinary	100	100
Hudson Diatomaceous Earth Pty Limited	Australia	Ordinary	100	100
Hudson Minerals Limited	Australia	Ordinary	100	100
Eastern Bauxite Pty Limited	Australia	Ordinary	100	100
Tiaro Coal Limited (ASX Code: TCM)	Australia	Ordinary	31.43	39.2
Tiaro Energy Corporation Pty Limited	Australia	Ordinary	31.43	39.2
Maryborough Coal Limited	Australia	Ordinary	31.43	39.2
EPC 956 Pty Limited	Australia	Ordinary	31.43	39.2
Galilee Co Pty Ltd	Australia	Ordinary	31.43	-
Australian Bauxite Limited (ASX Code: ABZ)	Australia	Ordinary	55.29	55.3
ABx1 Pty Limited	Australia	Ordinary	55.29	55.3
ABx2 Pty Limited	Australia	Ordinary	55.29	55.3
ABx3 Pty Limited	Australia	Ordinary	55.29	55.3
ABx4 Pty Limited	Australia	Ordinary	55.29	55.3
ABx5 Pty Limited	Australia	Ordinary	55.29	55.3
Sovereign Gold Company Limited (ASX Code: SOC)	Australia	Ordinary	51.95	57.2
Biacil Holdings Pty Ltd	Australia	Ordinary	51.95	57.2
Mickstrure Pty Ltd	Australia	Ordinary	51.95	57.2
Uralla Gold Pty Ltd	Australia	Ordinary	51.95	57.2
IRGS Northern Gold Pty Ltd	Australia	Ordinary	51.95	-
IRGS Southern Gold Pty Ltd	Australia	Ordinary	51.95	-
MAS Gold Pty Ltd	Australia	Ordinary	51.95	-
Pahang Minerals Pty Ltd	Australia	Ordinary	51.95	-

The equity holding in controlled entities was decreased during the year due to shares issued by Tiaro Coal Limited and Sovereign Gold Company Limited.

26 INTEREST IN JOINT VENTURE

Tiaro Energy Corporation Pty Limited holds 81.58% (2010: 69.36%) in Tiaro Joint Venture Coal Project (unincorporated joint venture).

The subsidiary has entered into the joint venture to develop a substantial new metallurgical coal resource in the Tiaro coal measures located in south east Queensland.

The Group's interest in the assets employed in the joint venture are included in the consolidated Balance Sheet in accordance with accounting policy Note 2 (b), under the following classifications:

DETAILS OF ASSOCIATES AND JOINT VENTURE ENTITIES

	% Ownership Interest 2011	% Ownership Interest 2010
Tiaro Coal Joint Venture	**81.58%**	69.36%

Aggregate Share of Assets, Liabilities and Profits/(Losses) of Joint Venture Entities

Group's Share of proportionately consolidated Joint Venture Entities:	**2010 A$ '000**	2010 A$ '000
Current assets	**164**	19
Long term assets	**-**	-
Current liabilities	**416**	50
Long term liabilities	**-**	-
Revenue	**-**	-
Other Income	**9**	1
Expenses	**(1,963)**	(903)
Share of net profit/(loss) of joint venture entities	**(1,954)**	(902)

NOTES TO THE FINANCIAL STATEMENTS continued

27 DEED OF CROSS GUARANTEE

As at 31 December 2011 Hudson Resources Limited, Hudson Minerals Limited, Hudson Diatomaceous Earth Pty Limited, North Eastern Bauxite Pty Ltd and Eastern Bauxite Pty Ltd entered a Deed of Cross Guarantee under which each company guarantees the debts of the others.

By entering into the deed, the wholly-owned entities have been relieved from the requirement to prepare a financial report and Directors' report under Class Order 98/1418 (as amended by Class Order 98/2017) issued by the Australian Securities & Investments Commission.

The above companies represent a 'Closed Group' for the purposes of the Class Order. Set out below are the consolidated statements of financial performance for the year ended 31 December 2011 of the Closed Group.

	2011 $'000	2010 $'000
Revenue from continuing operations	**2,184**	1,182
Cost of sales	**(969)**	(574)
Gross profit	**1,215**	608
Other income	**163**	790
Administration expenses	**(1,184)**	(768)
Finance Costs	**(222)**	(177)
(Loss)/Profit before income tax	**(28)**	453
Income Tax	**-**	-
(Loss)/Profit after tax	**(28)**	453
Summary of movements in consolidated accumulated losses		
Accumulated losses at the beginning of the financial year	**(23,810)**	(24,263)
(Loss)/Profit for the year	**(28)**	453
Accumulated losses at the end of the financial year	**(23,838)**	(23,810)

Set out below is the consolidated statement of financial position as at 31 December 2011 of the Closed Group.

	2011	2010
Current assets		
Cash and cash equivalents	**419**	414
Trade and other receivables	**220**	109
Inventories	**474**	566
Other current assets	**63**	15
Total current assets	**1,176**	1,104
Non-current assets		
Trade and other receivables	**2,294**	2,509
Financial assets	**3,705**	3,705
Investment property	**3,004**	3,059
Property, plant and equipment	**78**	12
Other non-current assets	**-**	-
Total non-current assets	**9,081**	9,285
Total assets	**10,257**	10,389
Current liabilities		
Trade and other payables	**109**	240
Financial liabilities	**14**	-
Employee benefits	**7**	2
Total current liabilities	**130**	242

NOTES TO THE FINANCIAL STATEMENTS continued

27 DEED OF CROSS GUARANTEE

	2011	2010
Non-current liabilities	**$'000**	$'000
Other payables	**875**	939
Financial liabilities	**1,930**	1,860
Provisions	**195**	193
Total non-current liabilities	**3,000**	2,992
Total liabilities	**3,130**	3,234
Net assets	**7,127**	7,155
Equity		
Issued capital	**26,925**	26,925
Reserves	**4,040**	4,040
Accumulated losses	**(23,838)**	(23,810)
Total equity	**7,127**	7,155

28 SEGMENT INFORMATION

The consolidated entity operates one business being exploration, mining and selling minerals in Australia.

29 CASH FLOW INFORMATION

	Consolidated		Parent Entity	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
(a) Reconciliation of (loss)/profit to net cash (outflow)/inflow from operating activities				
(Loss)/Profit for the year	**(2,010)**	(816)	**27**	(323)
Depreciation and amortisation	**94**	63	**21**	22
Fee recovery from controlled entity	**-**	-	**-**	-
Share based payments	**61**	-	**-**	-
Interest on employee share pla and convertible note	**-**	(163)	**-**	(163)
Change in fair value of investment property	**-**	(690)	**-**	164
Net gain on disposal of investment	**(958)**	-	**27**	-
Change in operating assets and liabilities:				
(Increase)/decrease in receivables and other operating assets	**(9,085)**	(129)	**(328)**	(33)
(Increase)/decrease in inventories	**92**	(244)	**92**	(244)
Increase/(decrease) in trade and other creditors, other provisions and deferred taxes	**(137)**	596	**(95)**	162
Net cash (outflow)/inflow from operating activities	**(11,943)**	(1,383)	**(256)**	(415)

(b) Significant non-cash transactions

There were no significant non-cash transactions during the reporting period.

NOTES TO THE FINANCIAL STATEMENTS continued

30 EARNINGS PER SHARE

	Consolidated	
	2011	2010
	Cents	Cents
Basic earnings/(loss) per share	**(1.70)**	(0.74)
Diluted earnings/(loss) per share	**(1.70)**	(0.74)

	2011	2010
	$'000	$'000
Profit/(loss) used in calculating basic and diluted earnings per share	**(2,010)**	(816)

	2011	2010
	Number	Number
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	**118,385,822**	110,052,489
Adjustments for calculation of diluted earnings per share:		
Options	**-**	-
Weighted average number of ordinary shares used as the denominator in calculating diluted earnings per share	**118,385,822**	110,052,489

31 EVENTS OCCURRING AFTER REPORTING DATE

In March 2012 the Company,

- acquired 3.0 million shares in Archer Exploration Limited at $0.34; and
- disposed of 10 million shares in Australian Bauxite Limited.

At the date of this report there are no other matters or circumstances which have arisen since 31 December 2011 that have significantly affected or may significantly affect:

- the operations, in financial years subsequent to 31 December 2011, of the consolidated entity;
- the results of those operations; or
- the state of affairs, in financial years subsequent to 31 December 2011, of the consolidated entity.

32 KEY MANAGEMENT PERSONNEL DISCLOSURES

a. Directors

The following persons were Directors of Hudson Resources Limited during the financial year unless otherwise stated:

Peter J Meers (Chairman / Chief Executive Officer)	appointed 2 August 2005
Tan Sri Ibrahim Menudin (Non-Executive Director)	appointed 6 June 2007
Ken Boundy (Non-Executive Director)	appointed 29 January 2010
Kit Foo Chye (Non-Executive Director)	appointed 10 March 2010.
Nicholas Raffan (Non-Executive Director)	appointed 19 August 2011 (Resigned 4 January 2012)

b. Other Key Management Personnel

The following persons were other key management personnel of Hudson Resources Group during the financial year:
Jacob Rebek (Director of Tiaro Coal Limited and Australian Bauxite Limited)
Ian Levy (Managing Director of Australian Bauxite Limited)
Nick Raffan (Executive Director of Sovereign Gold Company Limited)
Michael Leu (Executive Director of Sovereign Gold Company Limited)
Henry Kinstlinger (Joint Company Secretary of Australian Bauxite Limited)
David Hughes (Company Secretary)
Francis Choy (Group Chief Financial Officer)

NOTES TO THE FINANCIAL STATEMENTS continued

c. Compensation of Directors and Key Management Personnel

Directors	Consolidated 2011	Consolidated 2010	Parent Entity 2011	Parent Entity 2010
	$	$	**$**	$
Short term employee benefits	**492,030**	310,500	**60,817**	55,200
Post employment benefits	**24,752**	22,500	**4,502**	4,500
Long term benefits	**2,921**	2,228	**1,004**	1,144
Termination benefits	**-**	-	**-**	-
Share based payments	**-**	23,570	**-**	-
	519,703	358,798	**66,323**	60,844

Other Key Management Personnel	Consolidated 2011	Consolidated 2010	Parent Entity 2011	Parent Entity 2010
	$	$	**$**	$
Short term employee benefits	**752,417**	802,725	**225,800**	54,400
Post employment benefits	**-**	-	**-**	-
Long term benefits	**-**	-	**-**	-
Termination benefits	**-**	-	**-**	-
Share based payments	**-**	141,600	**-**	-
	752,417	944,325	**225,800**	54,400

Consolidated 2011	**Short Term Employee Benefits**			**Post Employment**	**Long Term Employee Benefits**		
	Salary and other fees	**Bonus**	**Travelling Allowance**	**Super-annuation**	**Long Service Leave**	**Share based payments (options)**	**Total**
Directors	$	$	$	$	$	$	$
Peter J Meers	307,515	-	9,900	24,752	2,921	-	345,088
Tan Sri Ibrahim Menudin	-	-	-	-	-	-	-
Ken Boundy	-	-	10,800	-	-	-	10,800
Kit Foo Chye	-	-	-	-	-	-	-
Nicholas Raffan *	153,915	-	9,900	-	-	-	163,815
Directors - Total	461,430	-	30,600	24,752	2,921	-	519,703
Other Key Management Personnel							
Jacob Rebek	151,375	-	9,000	-	-	-	160,375
Ian Levy	200,000	-	-	-	-	-	200,000
Michael Leu	154,500	-	10,800	-	-	-	165,300
David L Hughes	24,000	-	-	-	-	-	24,000
Henry Kinstlinger	193,742	-	9,000	-	-	-	202,742
Francis Choy	-	-	-	-	-	-	-
KMP - Total	723,617	-	28,800	-	-	-	752,417

** Resigned 4 January 2012*

The amounts reported represent the total remuneration paid by entities in the Group companies in relation to managing the affairs of all the entities within the Group.

There are no performance conditions related to any of the above payments.

There is no other element of Directors and Executives remuneration.

NOTES TO THE FINANCIAL STATEMENTS continued

32 KEY MANAGEMENT PERSONNEL DISCLOSURES continued

c. Compensation of Directors and other Key Management Personnel cont.

Parent Entity 2011	Short Term Employee Benefits			Post Employment	Long Term Employee Benefits		
	Salary and other fees	Bonus	Travelling Allowance	Super-annuation	Long Service Leave	Share based payments (options)	Total
Directors	$	$	$	$	$	$	$
Peter J Meers	50,017	-	-	4,502	1,004	-	55,523
Tan Sri Ibrahim Menudin	-	-	-	-	-	-	-
Ken Boundy	-	-	10,800	-	-	-	10,800
Kit Foo Chye	-	-	-	-	-	-	-
Nicholas Raffan *	-	-	-	-	-	-	-
Directors - Total	50,017	-	10,800	4,502	1,004	-	66,323
Other Key Management Personnel							
Jacob Rebek	-	-	-	-	-	-	-
Ian Levy	-	-	-	-	-	-	-
Michael Leu	-	-	-	-	-	-	-
David L Hughes	24,000	-	-	-	-	-	24,000
Henry Kinstlinger	-	-	-	-	-	-	-
Vincent Tan	200,000	-	1,800	-	-	-	201,800
Francis Choy	-	-	-	-	-	-	-
KMP - Total	224,000	-	1,800	-	-	-	225,800

** Resigned 4 January 2012*

The amounts reported represent the total remuneration paid by entities in the Group companies in relation to managing the affairs of all the entities within the Group.

Consolidated 2010	Short Term Employee Benefits			Post Employment	Long Term Employee Benefits		
	Salary and other fees	Bonus	Travelling Allowance	Super-annuation	Long Service Leave	* Share based payments (options)	Total
Directors	$	$	$	$	$	$	$
Peter J Meers	275,000	2,500	9,000	22,500	2,228	23,570	334,798
Tan Sri Ibrahim Menudin	-	-	-	-	-	-	-
Ken Boundy	-	-	-	-	-	-	-
Kit Foo Chye	-	-	-	-	-	-	-
Wei Huang [1]	15,000	-	9,000	-	-	-	24,000
Directors - Total	290,000	2,500	18,000	22,500	2,228	23,570	358,798
Other Key Management Personnel							
Jacob Rebek	219,750	-	10,800	-	-	23,570	254,120
Ian Levy	200,000	-	1,800	-	-	-	201,800
Nicholas Raffan	40,750	-	-	-	-	35,355	76,105
Michael Leu	30,600	-	1,800	-	-	35,355	67,755
Henry Kinstlinger	264,225	-	9,000	-	-	23,570	296,795
Francis Choy	-	-	-	-	-	11,875	11,875
David L Hughes	24,000	-	-	-	-	11,875	35,875
KMP - Total	779,325	-	23,400	-	-	141,600	944,325

* Sovereign Gold Company Limited, a controlled entity, issued options to its directors and officers under its Employee Share Option Plan.

1 Mr Huang resigned on 22 September, 2010.

The amounts reported represent the total remuneration paid by entities in the Hudson Resources Group in relation to managing the affairs of all the entities within the Group.

There were no performance conditions related to any of the above payments.

There was no other element of Directors and Executives remuneration.

NOTES TO THE FINANCIAL STATEMENTS continued

32 KEY MANAGEMENT PERSONNEL DISCLOSURES continued

d. Employee Share Option Plan

(e) Refer to Note 34 for details.

e. Shareholdings and Option Holdings of Key Management Personnel

Particulars of Interest in the Issued Capital of the Company's Ordinary Shares

Director	Direct Interest	Indirect Interest	Total
Peter J Meers	5,000,000	30,102,497	35,102,497
Tan Sri Ibrahim Menudin	-	16,285,837	16,285,837
Kenneth Boundy	1,000,000	1,000,000	2,000,000
Kit Foo Chye	198,505	3,350,884	3,549,389

Shares held in Hudson Resources Limited - 2011

	Balance at the start of year	Changes during the year	Balance at the end of the year
Directors			
Peter Meers [1]	35,102,497	-	35,102,497
Tan Sri Ibrahim Menudin [2]	8,250,000	8,035,837	16,285,837
Kit Foo Chye [4]	3,549,389	-	3,549,389
Ken Boundy [3]	2,000,000	-	2,000,000
Nicholas Raffan	-	-	-

1 Mr Meers has an indirect interest in 30,093,945 ordinary shares by virtue of his position as a director of Hudson Investment Group Limited, and an indirect interest in a further 8,552 ordinary shares registered to a related party. Mr Meers has exercised his 5,000,000 options during the year.

2 Tan Sri Ibrahim Menudin has an indirect interest of 5,000,000 ordinary shares registered to related parties and an indirect interest in 11,285,837 ordinary shares by virtue of his position as a director of Raffles Capital Limited.

3 Mr Boundy has exercised 1,000,000 options and has an indirect interest in 1,000,000 ordinary shares registered to a related party.

4 Mr Chye has an indirect interest in 3,350,884 as a beneficiary of the Mayfair Capital Superannuation Trust.

Shares held in Hudson Resources Limited - 2010

	Balance at the start of year	Changes during the year	Balance at the end of the year
Directors			
Peter Meers [1]	32,716,633	2,385,864	35,102,497
Tan Sri Ibrahim Menudin [2]	5,000,000	3,250,000	8,250,000
Kit Foo Chye [4]	-	3,549,389	3,549,389
Ken Boundy [3]	-	2,000,000	2,000,000
Nicholas Raffan	-	-	-

1 Mr Meers has an indirect interest in 30,093,945 ordinary shares by virtue of his position as a director of Hudson Investment Group Limited, and an indirect interest in a further 8,552 ordinary shares registered to a related party. Mr Meers has exercised his 5,000,000 options during the year.

2 Tan Sri Ibrahim Menudin has an indirect interest of 5,000,000 ordinary shares registered to related parties and an indirect interest in 3,250,000 ordinary shares by virtue of his position as a director of Raffles Capital Limited.

3 Mr Boundy has exercised 1,000,000 options and has an indirect interest in 1,000,000 ordinary shares registered to a related party.

4 Mr Chye has an indirect interest in 3,350,884 as a beneficiary of the Mayfair Capital Superannuation Trust.

NOTES TO THE FINANCIAL STATEMENTS continued

32 KEY MANAGEMENT PERSONNEL DISCLOSURES continued

e. Shareholdings and Option Holdings of Key Management Personnel

Options held in Hudson Resources Limited - 2010

	Balance at the start of year	Changes during the year	Balance at the end of the year
Directors			
Peter Meers [1]	5,000,000	(5,000,000)	-

[1] Mr Meers exercised 5,000,000 executive options at $0.09 each during the year.

f. Loans to key management personnel continued

Details of loans made to Key Management Personnel of Hudson Resources Limited are set out below:

(i) Aggregates for key management personnel.

Consolidated	Balance at the start of the year	Advance/ (Repayments)	Interest paid for the year	Balance at the end of the year	Number in Group at end of year	Additional interest otherwise payable
	$	$	$	$		$
2011	**1,234,700**	**-**	**135,001**	**1,369,701**	**5**	**67,500**
2010	466,717	675,000	92,983	1,234,700	5	46,492

(ii) Details of individuals with loans above $100,000 during the year are set out below:

2011	Balance at the start of the year	Advance/ (Repayments)	Interest paid for the year	Balance as at the end of the year	Highest indebtedness during the year	Additional interest otherwise payable**
Directors	$	$	$	$	$	$
Peter Meers (ESP)	**481,364**	**-**	**54,000**	**535,364**	**535,364**	**27,000**
Key management personnel						
Jacob Rebek (ESP)	**520,717**	**-**	**54,001**	**574,718**	**574,718**	**27,000**
David Hughes (ESP)	**31,016**	**-**	**3,600**	**34,616**	**34,616**	**1,800**
Henry Kinstlinger (ESP)	**31,016**	**-**	**3,600**	**34,616**	**34,616**	**1,800**
Francis Choy (ESP)	**170,587**	**-**	**19,800**	**190,387**	**190,387**	**9,900**
Total	**1,234,700**	**-**	**135,001**	**1,369,701**	**1,369,701**	**67,500**

2010	Balance at the start of the year	Advance/ (Repayments)	Interest paid for the year	Balance as at the end of the year	Highest indebtedness during the year	Additional interest otherwise payable**
Directors	$	$	$	$	$	$
Peter Meers (ESP)	-	450,000	31,364	481,364	481,364	15,682
Key management personnel						
Henry Kinstlinger (ESP)	-	30,000	1,016	31,016	31,016	508
Jacob Rebek (ESP)	466,717	-	54,000	520,717	520,717	27,000
Francis Choy (ESP)	-	165,000	5,587	170,587	170,587	2,794
David Hughes (ESP)	-	30,000	1,016	31,016	31,016	508
Total	466,717	675,000	92,983	1,234,700	1,234,700	46,492

** Market interest rate 6.0% (2010: 6.0%). This represents the difference between interest charged at the market interest rate and interest paid.

NOTES TO THE FINANCIAL STATEMENTS continued

32 KEY MANAGEMENT PERSONNEL DISCLOSURES continued

f. Loans to key management personnel continued

Terms and conditions of loans

All loans relate to the individuals participation in the Company's Executive Share Ownership Plan (ESP). Interest is payable upon termination. Loans are secured against the shares only. Loans are repayable should employees leave the Company. None were written down during the year.

(iii) Details of individuals with loans above $100,000 during the year are set out below:

2011	Balance at the start of the year	Advance/ (Repayments)	Interest paid for the year	Balance as at the end of the year	Highest indebtedness during the year	Additional interest otherwise payable**
Key management personnel	**$**	**$**	**$**	**$**	**$**	**$**
Consolidated	**-**	**1,170,000**	**45,198**	**1,215,198**	**1,215,198**	**10,044**

33 REMUNERATION OF AUDITORS

During the year the following services were paid or payable to the auditor of the parent entity:

	Consolidated		Parent Entity	
	2011	2010	**2011**	2010
Audit services	**$**	$	**$**	$
Amounts paid or payable to auditors for audit and review of the financial report for the entity or any entity in the Group	**66,235**	60,873	**18,250**	16,995
Review Services	**35,800**	33,000	**8,950**	8,250
	102,035	93,873	**27,200**	25,245
Amounts paid or payable to auditors for non audit taxation services for the parent entity or any company in the Group for review and lodgement of the income tax return				
Taxation services	**30,980**	28,800	**7,745**	7,200
Amounts paid or payable for non audit advisory services for the Company.				
Advisory services	**-**	37,155	**-**	6,300
	30,980	65,955	**7,745**	13,500

34 SHARE OWNERSHIP PLANS

(a) Hudson Resources Limited Executive Share Ownership Plan.

Senior Executives and Directors of Hudson Resources Limited and its controlled entities may participate in the Plan. Under the Plan, monies are advanced to the participants to enable them to purchase ordinary shares of Hudson Resources Limited on the market. The loans to participants bear interest at 12% per annum and are repayable upon termination. The loans advanced are secured by the shares held within the plan. Monies advanced under the plan during the year amounted to $Nil (2010: $675,000). The aggregate number of shares held under the plan by participants is 11,500,000 shares (2010: 11,500,000 shares). There are no limits to the amounts that might be advanced under the plan. At year end, the total loans outstanding (before interest) are $1,125,000 (2010: $1,125,000). Interest totalling $135,001 has accrued on these loans, which will be added to the loan on ultimate repayment.

(b) Options Granted under Executive Share Option Plan

There were no options granted under Hudson Resources Limited Executive Share Ownership Plan during the year.

NOTES TO THE FINANCIAL STATEMENTS continued

34 SHARE OWNERSHIP PLANS continued

The number and weighted average exercise price of share options is as follows:

	Consolidated		Parent Entity	
	2011 Number	2010 Number	**2011 Number**	2010 Number
Vested and exercisable at beginning of year	**-**	5,000,000	**-**	5,000,000
Exercised during the year	**-**	(5,000,000)	**-**	(5,000,000)
Vested and exercisable at end of year	**-**	-	**-**	-
Share options granted	**-**	-	**-**	-
Expense recognised as costs	**-**	-	**-**	-
Fair value per option at grant date	**-**	-	**-**	-

Set out below are summaries of options granted by Hudson Resources Limited:

2010

Grant date	Exercise date	Exercise price $	Balance at beginning of year	Granted during the year	Forfeited during the year	Exercised during the year	Expired during the year	Balance at end of year	Vested & Exercisable at end of year
4/6/2007	4/6/2010	0.09	5,000,000	-	-	(5,000,000)	-	-	-
Total			5,000,000	-	-	(5,000,000)	-	-	-

Weighted average exercise price 9.0 cents

35 RELATED PARTIES

a. Parent Entities

The parent entity within the Group is Hudson Resources Limited (HRL).

b. Subsidiaries

Interests in subsidiaries are disclosed in note 25.

c. Key Management Personnel Compensation

Key management personnel compensation information is disclosed in note 32.

d. Transactions with Related Parties

The following transactions occurred with related parties during the year ended 31 December 2011:

Investment in tenements

Consolidated entity

The Controlled entity paid $4,500,000 to Hudson Investment Group (HIGL) for the purpose of receiving interest in mining tenements (2010: $3,000,000).

Sale of goods

Consolidated and parent entity

HRL sold goods to Hudson Marketing Pty Limited (HMPL) earning income of $846,726 (2010: $726,690)

Administration Fee

Parent entity

HRL paid an administration fee to Hudson Corporate Limited (HCL) of $339,000 (2010: $215,000) as payment of recoveries for office administration and running expenses incurred in HCL on behalf of subsidiaries within the group.

Consolidated entity

The Company paid an administration fee to Hudson Corporate Limited (HCL) of $1,404,000 (2010: $645,000) as payment of office running and accounting support costs incurred by HCL on behalf of subsidiaries within the group.

NOTES TO THE FINANCIAL STATEMENTS continued

35 RELATED PARTIES continued

Rental Income

Consolidated group only

HRL and Hudson Mineral Limited received rental income from HMPL of $300,000 (2010: $282,025)

Rental Expense

Consolidated and parent entity

HRL incurred a rental expense of $100,000 (2010: $100,000) payable to Hudson Pacific Group (HPG).

e Outstanding balances

	Consolidated		Parent Entity	
	2011	2010	**2011**	2010
	$ '000	$ '000	**$ '000**	$ '000
Non-current receivable				
Controlled Entities	**-**	-	**1**	28
Related entities (Hudson Corporate Limited)	**91**	922	**-**	286
	91	922	**1**	314
Non-current payable				
Controlled Entities	**-**	-	**-**	911

f Guarantees

No guarantees were given or received from related parties during the year.

g Terms and conditions

All transaction were made on normal commercial terms and conditions and at market rates, except that there are no fixed terms or repayment of loans between the parties and that no interest is charged on outstanding balances.

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, accompanying notes, are in accordance with the *Corporations Act 2001* and:

   (a) comply with Accounting Standards and the Corporations Regulations 2001; and

   (b) give a true and fair view of the financial position as at 31 December 2011 and of the performance for the year ended on that date of the company and the consolidated entity.

2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

3. The remuneration disclosures included on pages 15 to 18 of the Directors' Report (as part of the Audited Remuneration Report), for the year ended 31 December 2011, comply with section 300A of the *Corporations Act 2001*.

4. The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A.

The entities identified in Note 27 are parties to the deed of cross guarantee under which each company guarantees the debts of the others. At the date of this declaration there are reasonable grounds to believe that the companies which are parties to this deed of cross guarantee will as a consolidated entity be able to meet any obligations or liabilities to which they are, or may become, subject to, by virtue of the deed of cross guarantee described in Note 27.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:

Peter J Meers
Chairman and Chief Executive Officer

Tan Sri Ibrahim Menudin
Director

Sydney
29 March 2012

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HUDSON RESOURCES LIMITED

Report on the Financial Report

We have audited the accompanying financial report of Hudson Resources Limited (the company) and Hudson Resources Limited and Controlled Entities (the consolidated entity) which comprises the statement of financial position as at 31 December 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flow for the year ended on that date, a summary of significant accompanying policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

We have also audited the remuneration disclosures contained in the Directors' report. As permitted by the Corporations Regulations 2001, the company has disclosed information about the remuneration of Directors and executives ("remuneration disclosures"), required by Australian Accounting Standard AASB 124: Related Party Disclosures, under the heading "Remuneration Report" in the Directors' report and not in the financial report.

Director's Responsibility for the Financial Report and the Remuneration Report contained in the Directors' Report

The Directors of Hudson Resources Limited are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101: Presentation of Financial Statements, that compliance with the Australian equivalents to International Financial Reporting Standards (IFRS) ensures that the financial report comprising the financial statement and notes, complies with IFRS.

The Directors of the company are also responsible for the remuneration report contained in the Directors' Report in accordance with s300A of the Corporations Act 2001.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement and that the remuneration report in the Directors' Report is in accordance with Australian Auditing Standards.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstance, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors as well as evaluating the overall presentation of the financial report and the remuneration disclosures contained in the Directors' report.

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INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF HUDSON RESOURCES LIMITED (Cont'd)

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

Independence
In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Hudson Resources Limited would be in the same terms if it had been given to the directors at the time that this auditor's report was made.

Auditor's Opinion
In our opinion:

(a) the financial report of Hudson Resources Limited and Hudson Resources Limited and Controlled Entities is in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the company's and consolidated entity's financial position as at 31 December 2011 and of their performance for the year ended on that date; and
(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

(b) the financial report of the company and consolidated entity also comply with IFRS as disclosed in note 1.

Auditor's opinion on the Remuneration Report contained in the Directors' Report.

In our opinion, the remuneration disclosures that are contained on pages 15 to 18 of the Directors' Report comply with S300A of the Corporations Act 2001.

KS Black & Co
Chartered Accountants

Ajmat

Faizal Ajmat
Partner

Sydney, 29 March 2012

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SHAREHOLDER INFORMATION

As at 29 February 2012

A. SUBSTANTIAL SHAREHOLDERS

	No. of Shares	% of Shareholding
Hudson Investment Group Limited	30,093,945	25.42
Raffles Capital Limited	11,285,837	9.53
HDM Capital Sdn Bhd	10,000,000	8.45
Ms Yoke Tow Hong	8,856,834	7.48

B. DISTRIBUTION OF FULLY PAID ORDINARY SHARES

(i) Distribution schedule of holdings

Range	Total Holders	Units	% of Issued Capital
1 - 1,000	1,375	322,515	0.27
1,001 - 5,000	280	679,316	0.57
5,001 - 10,000	57	492,686	0.42
10,001 - 50,000	101	2,579,722	2.18
50,001 - 100,000	21	1,739,159	1.47
100,001 - 9,999,999,999	66	112,572,424	95.09
Total	**1,900**	**118,385,822**	**100.00**

(i) Distribution schedule of holdings

	Minimum Parcel Size	Holders	Units
Minimum $ 500.00 parcel at $ 0.29 per unit	1,725	1,483	476,842

C. TWENTY LARGEST SHAREHOLDERS

Rank	Name	Units	% of Units
1.	Hudson Investment Group Limited	30,093,945	25.42%
2.	Raffles Capital Limited	11,285,837	9.53%
3.	Hdm Capital Sdn Bhd	10,000,000	8.45%
4.	Ms Yoke Tow Hong	8,856,834	7.48%
5.	Sing Capital Pty Ltd	5,556,766	4.69%
6.	Mr Peter John Meers	5,000,000	4.22%
7.	Rado Jacob Rebek	3,750,000	3.17%
8.	Mayfair Capital Pty Ltd	3,350,884	2.83%
9.	Mr Lip Koon Hwang	2,500,000	2.11%
10.	Mr Azhar Hewittsen Ariffin Bin Ibrahim	2,500,000	2.11%
11.	Mr Khairul Ibrahim	2,500,000	2.11%
12.	Mr Cheok Huat Aw	2,000,000	1.69%
13.	Ms Xiao Hua Shen	1,793,000	1.51%
14.	Ms See Wee Tan	1,700,000	1.44%
15.	Code Nominees Pty Ltd <Mata>	1,700,000	1.44%
16.	Mao Ying Zhang	1,500,000	1.27%
17.	Sakura Capital Ltd	1,450,611	1.23%
18.	Francis Choy	1,100,000	0.93%
19.	HSBC Custody Nominees (Australia) Limited	1,002,520	0.85%
20.	Mr Mick Cheok Huat Aw	1,000,000	0.84%
Top 20 Holders Of Ordinary Fully Paid Shares (Total)		**98,640,397**	**83.32%**

Shareholder Information continued

D.	SCHEDULE OF TENEMENTS					
Tenement No.	**Project**	**Tenement Type**	**Status**	**Grant Date**	**Expiry Date**	**Square km**
G70/181	Diatomite	General	Granted	15-June-1999	14-June-2020	0.036
G70/182	Diatomite	General	Granted	25-January-2001	24-January-2022	0.099
M70/129	Diatomite	Mining	Granted	18-July-1985	17-July-2027	0.458
M70/361	Diatomite	Mining	Granted	19-November-1990	18-November-2032	0.540
M70/38	Diatomite	Mining	Granted	24-April-1984	23-February-2026	0.420
M70/842	Diatomite	Mining	Granted	17-November-1994	16-November-2015	0.844
M70/744	Diatomite	Mining	Application	Pending	Pending	0.720
M70/128	Attapulgite	Mining	Granted	21-June-1985	20-June-2027	1.200
M70/389	Attapulgite	Mining	Granted	28-July-1989	27-July-2031	7.200
M70/483	Attapulgite	Mining	Granted	31-July-1990	30-July-2032	9.514
M70/606	Attapulgite	Mining	Granted	30-July-1990	20-July-2032	8.913

JORC Code Compliant Public Reports

The Company advises that this Annual Report contains summaries of Exploration Results and Mineral Resources as defined in the 2004 Edition of the ‘Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves’ (“JORC Code”).

The following table references the location of the Code-compliant Public Reports or Public Reporting on which the summaries are based. These references can be viewed on the ASX website and the Company will provide these reports, free of charge, to any person who requests it.

Issue Date	Title of Notice as lodged with ASX
31 January 2011	HRS Quarterly Report December 2010
31 March 2011	Annual Report to shareholders
13 April 2011	HRS Quarterly Report March 2011
29 July 2011	HRS Quarterly Report June 2011
31 October 2011	HRS Quarterly Report September 2011

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