

HUDSON RESOURCES INC

Management Discussion and Analysis

(Form 51-102F1)

For the Three Months ended June 30, 2004

Information as of August 25, 2004 unless otherwise stated

Note to Reader

The following management discussion and analysis of the Company's financial condition and results of operations should be read in conjunction with the annual audited financial statements for the year ended March 31, 2004 and for the three months ended June 30, 2004 together, with the notes thereto. This is the Company's initial Management Discussion and Analysis as filed under Form 51-102F1. Therefore, it incorporates both audited annual information and unaudited quarterly information. The Company's next report will just update the reader on a quarterly basis. These financial statements have been prepared in accordance with Canadian generally accepted accounting principles.

Forward-Looking Information

This discussion includes certain statements that may be deemed "forward-looking statements." All statements in this discussion, other than statements of historical facts, that address future production, reserve potential, exploration drilling, exploration activities and events or developments that the Company expects, are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration successes, continued availability of capital and financing, and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and that actual results or developments may differ materially from those projected in the forward-looking statements.

Overall Performance

Hudson is a mineral exploration company that has focused its exploration activities on the search for diamonds in the Sarfartoq region of West Greenland.

The Company was started in March 2000 and began trading on the TSX Venture Exchange in February 2001 classified as a Capital Pool Company. Since December 2002, Hudson has been active exploring for diamonds in Greenland.

The company has a direct 100% interest in two contiguous exploration licences totalling 587 square kilometres in the Sarfartoq region, near Kangerlussuaq, Greenland. It has a further 80% interest in an additional 765 square kilometres as a result of its joint venture with New Millennium Resources NL of Perth Australia.

The Company's loss from operations for the three months ended June 30, 2004 totaled \$74,912, a loss of \$0.01 per share, as compared to a loss of \$24,883 for the three months ended June 30, 2003, a loss of \$0.00 per share. Assets increased from \$823,251 as at June 30, 2003 to \$964,267 as at June 30, 2004 primarily as a result of capitalizing resource expenditures over the period. On an annual basis, the Company's loss from operations for year ended March 31, 2004 totaled \$186,708, a loss of \$0.03 per share, as compared to a loss of \$129,006 for the year ended March 31, 2003, a loss of \$0.03 per share. Over that period, assets increased from \$484,113 to \$823,251 as a result of the Company completing a private placement for \$303,750 and receiving \$231,267 from the exercise of outstanding warrants. The proceeds of this was used to fund the Company's exploration program (expenditures which have been capitalized) and cover operating expenses.

General and administrative expenses increased from \$27,003 in the three months ended June 30, 2003 to \$77,064 in the three months ended June 30, 2004. For the year ended March 31, 2004, general and administrative expenses were \$161,897, and increase of \$23,342 over the previous year. For the first quarter ended June 30, 2004, stock-based compensation expense accounted for approximately 12%, or \$9,313 (2003 - \$0) of the Company's total general and administrative expenses and reflects the Company's prospective adoption

of full fair value based accounting for all stock options granted after April 1, 2002, in accordance with the recommendations of CICA Handbook S. 3870. When compared on an annual basis, stock-based compensation expense accounted for approximately 10%, or \$15,437 (2003 - \$0) of the Company's total general and administrative expenses. The Company had resource property write-offs totaling \$30,502 (2003 - \$0) in fiscal 2004. There were no write-offs in the first quarter ended June 30, 2004. Interest income was \$2,152 (2003 - \$2,120) for the first quarter ended June 30, 2004. Interest income was \$5,691 (2003 - \$9,549) for the year ended March 31, 2004.

The increases in expenses over the last 2 years are attributed to the company finding a mining venture to pursue and changing from Capital Pool Company. The prior expenses were generally attributed to legal, regulatory, accounting and sponsorship requirements as the Company pursued a mining venture. Recently, the expenses related to running a promoting a public company have become much more significant. These expenses are expected to fluctuate in the future based on the success of the Company's mining ventures and its access to future financings.

Greenland Diamond Properties

Hudson Resources initially staked the "Naajat" (EL 2002/6) exploration license, comprising 851 square kilometres (85,000 hectares), in 2002. The property is located approximately 80 km southwest of Kangerlussuaq on the west coast of Greenland. In 2003, the Company expanded its land holding by applying for and being granted the 208 sq. km. "Nalussivik" exploration license (EL 2003/04). As well, the Company entered into a joint venture agreement with New Millennium Resources NL, of Perth Australia, to earn an 80% interest in the diamond rights to their 765 sq. km. "Sarfartoq" exploration license.

The background on diamond exploration in Greenland is well summarized by a report by the Geological Survey of Denmark and Greenland (GEUS) titled "Diamond Exploration data from West Greenland" (2003 Sven Monrad Jensen, et al). "Greenland has seen several campaigns of diamond exploration since the early 1970s. Inspired by reports of kimberlite dykes at several locations in southern West Greenland, Renzy Mines Ltd. investigated occurrences in the Pyramidefjeld area north of Ivittuut in South-West Greenland and recovered 2 microdiamonds and 1 macrodiamond from kimberlitic samples. Further north, between Paamiut and Nuuk, Platinomino A/S reported 10 microdiamonds from a large stream sediment sample. Charter Consolidated Mines Ltd. conducted regional kimberlite prospecting in large parts of West Greenland and recorded many new occurrences in the Sisimiut-Kangerlussuaq area. Two microdiamonds were reported from bulk stream sediment samples in the large Arnangernup Kuua ('Sarfartoq') valley. There have been several attempts at reproducing or explaining the reported alluvial Fiskensæset diamonds, but without success; their authenticity is regarded as dubious. During the 1970s and 1980s, GEUS and various academic workers conducted investigations in West Greenland, especially in the Sarfartoq and Sisimiut areas, producing the first detailed studies of the kimberlitic rocks (e.g., Goff 1975; Scott 1977; Larsen 1980, 1991; Thy et al. 1987). The next commercial exploration campaigns began around 1994-1995, following the discoveries of diamondiferous kimberlites in Canada's Northwest Territories and the Voisey's Bay nickel-copper-cobalt deposit in Labrador. Many companies turned their eyes to Greenland, and large areas in the Archaean and adjacent Proterozoic mobile belts of western and southwestern Greenland were covered by exploration licences in rapid succession. By 1997, all of western Greenland between Disko Bugt and Qaqortoq in South Greenland was claimed, covering a total of approximately 60,000 km². The first field seasons were dedicated to regional till and stream sediment sampling programmes with a view to detecting kimberlite indicator minerals. More than 10,000 sites were sampled and approximately 30,000 suspected indicator minerals were analysed. Next followed airborne geophysical magnetic and electromagnetic surveys and drilling for possible diatremes on frozen lakes. The first report of diamonds from in situ kimberlite was reported from the area east of Maniitsoq in 1997 by Platinova A/S. A 792 kg sample of a large dyke yielded 25 microdiamonds (<0.5 mm) and 16 macrodiamonds. Many new kimberlitic occurrences, a high density of favourable indicator minerals in till samples and microdiamonds from several dykes and sills gradually shifted the focus back to the Sarfartoq region, and since 1999 most of the exploration activities have been concentrated here. To date, approximately 100,000 indicator mineral analyses have been made in this region. The highest number of microdiamonds recovered was from a field of large boulders of a suspected dyke or sill that returned 474 microdiamonds and 5 macrodiamonds."

Despite the large number of samples collected in the late 1990's by companies such as BHP Billiton (then Dia Met Minerals) and Aber Diamond Corp. (in joint venture with Platinova), very limited sampling of the known kimberlite was ever tested for diamond content. As well, practically no drilling took place over areas which had the superior kimberlite mineral chemistry indicative of a local diamondiferous kimberlite source. As a result, Hudson believed that exploring in that region offered a number of advantages over other prospects available in Canada.

The principal reasons for exploring on the property can be summarized by the following: 1) the excellent Kimberlitic Indicator Mineral (KIM) data set which demonstrates that a large proportion of the KIM grains originated from within the diamond stability field (ie. the source kimberlites are diamondiferous); 2) its regional

proximity to other successful arctic diamond exploration programs in Canada; 3) the high profitability afforded to economic diamond mines; 4) Denmark and Greenland's stable political environment, excellent mineral tenure regulations and lack of native land claim issues; 5) its good infrastructure and access in comparison to other arctic regions; and 6) the fact that diamonds have been found regionally in kimberlite float and boulders and that in situ kimberlite dikes, sills and sheets are numerous.

During the summer of 2003, the Company conducted its initial exploration program. As a result of that program the Company confirmed the presence of diamonds in several kimberlite samples. As well, kimberlite indicator minerals in two of the samples that suggested they were derived from kimberlite at or near the source of the type of kimberlite that is shedding the best KIM's in the tills. This suggests that a significantly diamondiferous kimberlite could be nearby.

The significant results from that program are included below:

| Sample | Sample Weight (kg) | +0.106 mm sieve | +0.150 mm sieve | +0.212 mm sieve | +0.300 mm sieve | Total Microdiamonds |
|--------------|--------------------|-----------------|-----------------|-----------------|-----------------|---------------------|
| 03MDP019 | 16.00 | 2 | 5 | 2 | 0 | 9 |
| 03MDP022 (A) | 16.00 | 2 | 3 | 1 | 1 | 7 |
| MDP022 (B) | 24.65 | 4 | 0 | 0 | 0 | 4 |

| Naajat Property (North-side of Fjord) | | | | | | | | |
|----------------------------------------------|---------------|----|----------|-----|----------|-----------------|--------|---------------------------------------------------------|
| Sample | Pyrope Garnet | | Chromite | CPX | Ilmenite | Diamond Results | | Notes |
| | G10 | G9 | | | | kilos | micros | |
| 03MDP10 | 0 | 0 | 0 | 0 | 0 | 32.00 | 0 | 1. Best 2 pyrope garnet's average 10.7% Cr2O3; 5.8% CaO |
| 03MDP24 | 3 | 31 | 0 | 0 | 16 | 8.00 | 0 | |
| 03MDP25 | 2 | 12 | 7 | 10 | 16 | 16.00 | 0 | |
| 03MDP26 | 1 | 31 | 1 | 46 | 14 | 8.00 | 0 | |
| KIM-B1 | 0 | 0 | 0 | 0 | 0 | 8.00 | 0 | |
| D4S | 0 | 0 | 0 | 0 | 0 | 24.00 | 0 | |

| Nalussavik Property (South-side of Fjord) | | | | | | | | |
|--------------------------------------------------|---------------|----|----------|-----|----------|-----------------|--------|---------------------------------------------------------------|
| Sample | Pyrope Garnet | | Chromite | CPX | Ilmenite | Diamond Results | | Notes |
| | G10 | G9 | | | | kilos | micros | |
| 03MDP13 | 0 | 2 | 2 | 1 | 16 | 8.00 | 0 | 2. Best 3 pyrope garnet's average 11.9% Cr2O3; 2.3% CaO |
| 03MDP14 | 34 | 12 | 0 | 44 | 14 | 8.00 | 0 | |
| 03MDP15 | 0 | 0 | 0 | 0 | 0 | 6.85 | 0 | |
| 03MDP16 | 55 | 0 | 43 | 50 | 3 | 8.00 | 0 | 3. All 43 chromites average 65.2% Cr2O3; 10.1% MgO; 0.1% TiO2 |
| 03MDP17A | 0 | 0 | 0 | 1 | 0 | 15.45 | 0 | |
| 03MDP17B | 0 | 0 | 0 | 1 | 0 | 16.00 | 0 | |

| Sarfartoq Property (80% JV w/New Millennium) | | | | | | | | |
|-----------------------------------------------------|---------------|----|----------|-----|----------|-----------------|--------|------------------------------------------------------|
| Sample | Pyrope Garnet | | Chromite | CPX | Ilmenite | Diamond Results | | Notes |
| | G10 | G9 | | | | kilos | micros | |
| 03MDP17C | 0 | 50 | 0 | 1 | 0 | 7.10 | 0 | 4. Best pyrope garnet measures 11.7% Cr2O3; 6.5% CaO |
| 03MDP19 | 0 | 32 | 14 | 5 | 0 | 16.00 | 9 | |
| 03MDP20 | 0 | 50 | 45 | 51 | 10 | 8.00 | 0 | |
| 03MDP21 | 2 | 10 | 26 | 1 | 1 | 16.00 | 0 | |
| 03MDP22 | 0 | 35 | 0 | 0 | 0 | 16.00 | 7 | |
| 03MDP22 | | | | | | 24.65 | 4 | |

The samples were processed by the Geoanalytical Laboratories at the Saskatchewan Research Council ("SRC"), Saskatoon, Saskatchewan, an independent laboratory. The microprobe work was completed by Mr. Bob Barnett, of R.L Barnett Geological Consulting Ltd. of London, Ontario.

Based on the results of the 2003 exploration program, in June 2004, Hudson entered into an agreement with Fugro Airborne Surveys Corp. to fly a Dighem Mag-EM geophysical survey for the Company. The survey was conducted on 100m intervals for a total of approximately 2,000 line kilometres. The areas to be covered by the survey had never been flown in the past.

The Company is now in receipt of preliminary field generated data. The final data set is expected to be delivered in September at which point the Company will review potential kimberlite anomalies. Mr. Christopher Campbell, Intrepid Geophysics Ltd., is the consulting Geophysist in charge of analysing drill targets. While only a small fraction of the data has been analyzed to date, one significant low frequency EM anomaly has already been identified. The anomaly exists within the lake on strike with the diamondiferous kimberlite dykes identified by the Company during the 2003 field season. Because of its position within the lake, drilling the anomaly will need to take place when the lake is frozen.

During July 2004, the Company conducted a field program which included the collection of approximately 675 kilograms of kimberlite material and till samples. A number of previously unknown kimberlite sites were found during the program. As a result, approximately 436 kilograms of kimberlite (averaging 30 kilograms per sample) are presently being tested for diamonds by caustic fusion at the Saskatchewan Research Council's Geoanalytical Laboratories. As well, a portion of each sample has been preserved to test for Kimberlite Indicator Minerals ("KIM's"). Apart from regional prospecting and the collection of samples, the program also tested a number of prospective sites by ground magnetics. These surveys were designed to test areas which have demonstrated good KIM's and/or kimberlite in conjunction with topographical lows. The results of these surveys will be compared with the recently acquired Dighem survey in order to identify the most prospective drill sites.

In addition to the Company's diamond exploration program, during the summer the Bureau of Minerals and Petroleum of Greenland awarded the Company a 208 square kilometre property in the Disko Bay area which, the Company believes to be prospective for gold. An initial prospecting program was initiated in August and a small number of samples were shipped to SGS Canada Inc. for multi-element analysis.

GENERAL

The Company is a junior mineral exploration company listed on the TSX Venture Exchange and engaged in the acquisition, exploration and development of mineral properties. It not yet determined whether its properties contain mineral reserves that are economically recoverable. The recoverability of the amounts shown for resource assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposition of the properties. The Company's ability to continue its operations is dependent on its ability to secure additional financing, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. In order to continue developing its mineral properties, management is actively pursuing such additional sources of financing; however, in the event this does not occur, there is doubt about the ability of the Company to continue as a going concern. The Financial Statements and the discussion and analysis of the financial condition, changes in financial condition and results of operations of the Company for the periods ended June 30, 2004 and 2003 do not include the adjustments that would be necessary should the Company be unable to continue as a going concern.

The amount of the Company's administrative expenditures is related to the level of financing and exploration activities that are being conducted, which in turn may depend on the Company's recent exploration experience and prospects, as well as the general market conditions relating to the availability of funding for exploration-stage resource companies. Consequently, the Company does not acquire properties or conduct exploration work on them on a pre-determined basis and as a result there may not be predictable or observable trends in the Company's business activities and comparisons of financial operating results with prior years may not be meaningful.

The economics of developing mineral properties are affected by many factors, including the cost of operations, variations of grade of ore discovered, fluctuations in mineral markets, goods and services, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting goods and services and environmental regulations. Depending on the price of minerals discovered and potentially mined, the Company may determine it is neither profitable nor competitive to acquire or develop properties, or commence or continue commercial production. Diamond exploration and development is unique in the mining industry in that diamonds are substantially more difficult and expensive to find and develop than other commodities. The valuation of rough diamonds requires specialized experience and knowledge and the distribution and sale is limited to established diamond houses and brand names for either the diamonds or jewellery retail outlets.

Trends

The Company's financial success is dependent upon the discovery of properties which could be economically viable to develop. Such development could take years to complete and the resulting income, if any, is difficult to determine. The sales value of any mineralization discovered by the Company is largely dependent upon factors beyond the Company's control, such as the market value of the products produced.

Other than as disclosed herein, the Company is not aware of any trends, uncertainties, demands, commitments or events which are reasonably likely to have a material effect on the Company's sales or revenues, income from continuing operations, profitability, liquidity or capital resources, or that would cause reported financial information not necessarily to be indicative of future operating results or financial condition.

Competitive Conditions

The resource industry is intensively competitive in all of its phases. The Company competes with other mining companies for the acquisition of mineral claims and other mining interests as well as for the recruitment and retention of qualified employees and contractors. There is significant and increasing competition for a limited number of gold and other resource acquisition opportunities and as a result, the Company may be unable to acquire suitable producing properties or prospects for exploration in the future on terms it considers acceptable. The Company competes with many other companies that have substantially greater financial resources than the Company.

The Company may, in the future, be unable to meet its obligations under agreements to which it is a party and the Company may have its interest in the properties subject to such agreements reduced as a result.

Environmental Factors and Protection Requirements

The Company currently conducts exploration and development activities in Greenland. All phases of the Company's operations are subject to environmental regulation in the jurisdictions in which it operates. Environmental legislation is evolving in a manner which requires stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. There is no assurance that regulatory and environmental approvals will be obtained on a timely basis or at all. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations or to preclude entirely the economic development of a property. Environmental hazards may exist on the properties which are unknown to the Company at present which have been caused by previous or existing owners or operators of the properties. The Company is currently engaged in exploration with nil to minimal environmental impact.

Risk Factors

The Company is subject to a number of risk factors due to the nature of its business and the present stage of development. The following risk factors should be considered:

Mineral Exploration and Development

The Company's properties are in the exploration stage. Development of the Company's properties will only proceed upon obtaining satisfactory exploration results. Mineral exploration and development involve a high degree of risk and few properties which are explored are ultimately developed into producing mines. There is no assurance that mineral exploration and development activities will result in the discovery of a body of commercial diamonds on any of the Company's properties. Several years may pass between the discovery of a deposit and its exploitation. Most exploration projects do not result in the discovery of commercially mineralized deposits.

Operating Hazards and Risks

Mineral exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. The operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of resources, any of which could result in work stoppages and damage to persons or property or the environment and possible legal liability for any and all damage. Fires, power outages, labour disruptions, flooding, explosions, cave-ins, land slides and the inability to obtain suitable or adequate machinery, equipment or labour are some of the risks involved in the operation of mines and the conduct of exploration programs. Although the Company will, when appropriate, secure liability insurance in an amount which it considers adequate, the nature of these risks is such that liabilities might exceed policy limits, the liability and hazards might not be insurable, or the Company might elect not to insure itself against such liabilities due to high premium costs or other reasons, in which event the Company could incur significant costs that could have a material adverse effect upon its financial condition.

Economics of Developing Mineral Properties

Substantial expenditures are required to establish reserves through drilling, to develop processes to extract diamonds and gold and to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no

assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that the funds required for development can be obtained on a timely basis.

The marketability of any minerals acquired or discovered may be affected by numerous factors which are beyond the Company's control and which cannot be predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection. Depending on the price of minerals produced, the Company may determine that it is impractical to commence or continue commercial production.

Commodity Prices

The Company's revenues, if any, are expected to be in large part derived from the mining and sale of diamonds or interests related thereto. The price of diamonds has fluctuated widely, particularly in recent years, and is affected by numerous factors beyond the Company's control including international economic and political conditions, expectations of inflation, international currency exchange rates, interest rates, global or regional consumptive patterns, speculative activities, levels of supply and demand, increased production due to new mine developments and improved mining and production methods, availability and costs of diamond substitutes, diamond stock levels maintained by producers and others and inventory carrying costs. The effect of these factors on the price of diamonds, and therefore the economic viability of the Company's operations cannot accurately be predicted.

Title

There is no guarantee that title to properties in which the Company has a material interest will not be challenged or impugned. The Company's mineral property interests may be subject to prior unregistered agreements or transfers, and title may be affected by undetected defects.

Governmental Regulation

Operations, development and exploration on the Company's properties are affected to varying degrees by: (i) government regulations relating to such matters as environmental protection, health, safety and labour; (ii) mining law reform; (iii) restrictions on production, price controls, and tax increases; (iv) maintenance of claims; (v) tenure; and (vi) expropriation of property. There is no assurance that future changes in such regulations, if any, will not adversely affect the Company's operations. Changes in such regulations could result in additional expenses and capital expenditures, availability of capital, competition, reserve uncertainty, potential conflicts of interest, title risks, dilution, and restrictions and delays in operations, the extent of which cannot be predicted.

If any of the Company's projects are advanced to the development stage, those operations will also be subject to various laws and regulations concerning development, production, taxes, labour standards, environmental protection, mine safety and other matters. In addition, new laws or regulations governing operations and activities of mining companies could have a material adverse impact on any project in the mine development stage that the Company may possess.

Management and Directors

The Company is dependent on a relatively small number of directors and officers: James Tuer, John Ferguson, Robert Chase and John Hick. The loss of any of one of those persons, or of employees could have an adverse affect on the Company. The Company does not maintain key person insurance on any of its management.

Conflicts of Interest

Certain officers and directors of the Company are officers and/or directors of, or are associated with, other natural resource companies that acquire interests in mineral properties. Such associations may give rise to conflicts of interest from time to time. The directors are required by law, however, to act honestly and in good faith with a view to the best interests of the Company and its shareholders and to disclose any personal interest which they may have in any material transaction which is proposed to be entered into with the Company and to abstain from voting as a director for the approval of any such transaction.

Limited Operating History: Losses

The Company has experienced losses in all years of its operations. There can be no assurance that the Company will operate profitably in the future, if at all. As at March 31, 2004 and June 30, 2004, the Company's deficit was \$331,736 and \$406,648, respectively.

Price Fluctuations: Share Price Volatility

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market price of securities of many mineral exploration companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. In particular, during the financial year ended March 31, 2004, the per share price of the Company's shares fluctuated from a high of \$0.43 to a low of \$0.08. There can be no assurance that continual fluctuations in price will not occur.

Shares Reserved for Future Issuance: Dilution

As at March 31, 2004 and June 30, 2004, there were 696,833 and 846,833 stock options outstanding, respectively, and 1,350,000 warrants outstanding pursuant to which shares may be issued in the future, all of which will result in further dilution to the Company's shareholders and pose a dilutive risk to potential investors.

RELATED PARTY TRANSACTIONS

During the periods ended March 31, 2004 and 2003, the Company had the following transactions with directors of the Company or companies with common directors:

| | <u>2004</u> | <u>2003</u> |
|-----------------|-----------------|-----------------|
| Management fees | \$ 60,000 | \$ 30,000 |
| Rent expense | - | 5,311 |
| | <u> </u> | <u> </u> |
| | \$ 60,000 | \$ 35,311 |
| | <u> </u> | <u> </u> |

During the periods ended June 30, 2004 and 2003, the Company incurred the following transactions with a director of the Company:

| | <u>2004</u> | <u>2003</u> |
|-----------------|-----------------|-----------------|
| Management fees | \$ 15,000 | \$ 15,000 |
| | <u> </u> | <u> </u> |

These charges were measured by the exchange amount which is the amount agreed upon by the transacting parties.

COMMITMENTS

The Company has made certain commitments in the course of running its business. The Company rents office space on a month to month basis with a 60 day notice provision. The other notable commitment is the annual exploration commitment on the Company exploration licences in Greenland. For 2004, the Company expects that total work expenditures will need to be in the order of \$750,000 in order to maintain all of its land holdings. The Company recognizes that it is desirable and required to reduce a portion of its Naajat exploration licence prior to December 31, 2004. The Company does not believe that this planned reduction will have a material effect on the mineral potential of the Naajat licence area. Based on work done to date and work to be completed by the end of 2004, Hudson believes that it will meet all of the expenditures commitments required under its licence agreements with the Bureau of Minerals and Petroleum of Greenland.

ACCOUNTING POLICIES

Accounting policies are listed in Note 2 to the Financial Statements for March 31, 2004 and June 30, 2004.

SUBSEQUENT EVENTS

Subsequent to June 30, 2004, the Company completed a non-brokered private placement of 1,455,000 units at a price of \$0.30 per unit to raise gross proceeds of \$436,500. Each unit consists of one common share and one-half non-transferrable share purchase warrant, each full warrant entitling the holder to purchase one additional common share for a period of one year from the closing day at an exercise price of \$0.40 per share. The warrants contain provisions for earlier conversion in the event that the company's share trade for any 10 consecutive days at a weighted average trading price exceeding \$0.80 per share. A finder's fee was be paid to arm's length parties on this private placement. Net proceeds of \$199,800 were received prior to closing and have been recorded a shares subscribed on the Balance Sheet.

SELECTED FINANCIAL INFORMATION

The following table sets forth selected financial information of the Company for, and as at the end of, each of the last three financial years of the Company up to and including March 31, 2004. This financial information is derived from the financial statements of the Company which were audited by Amisano Hanson. The Company prepares financial information according to Generally Accepted Accounting Principles ("GAAP") and all information is reported in Canadian \$.

| March 31 (Audited) | <u>2004</u> | <u>2003</u> | <u>2002</u> |
|---------------------------------------|--------------------|--------------------|--------------------|
| Total Revenues | 5,691 | 9,549 | 16,798 |
| Income from continuing operations | - | - | - |
| Net loss for the year | (186,708) | (129,006) | (13,361) |
| Net loss per share | (0.03) | (0.03) | (0.01) |
| Fully diluted net loss per share | (0.02) | (0.02) | (0.01) |
| Total Assets | 823,251 | 484,113 | 396,744 |
| Total Long-term financial liabilities | - | - | - |

No Cash dividends have been declared or paid since the date of incorporation and the Company has no present intention of paying dividends on its common shares. The Company anticipates that all available funds will be invested to finance the growth of its business.

The Net Loss number is affected mainly by the administration costs and write off of exploration and mineral property costs incurred for each year. Revenues from 2002 to 2004 are interest income.

Interest income is dependent upon interest rates and the amount of financing raised each year by the Company. Interest rates will vary due to market conditions and the Company has no control over the fluctuation of rates.

Expenses are mainly composed of administration costs, general exploration costs and write off of exploration and mineral costs. The amount of a write off in each year is dependent upon the costs spent to date on the project(s) that is (are) being abandoned. Write offs of exploration and mineral property costs will vary from year to year and affect the Net Loss.

All of the above factors must be taken into consideration when comparing Total Revenues and Net Loss for each year.

SUMMARY OF QUARTERLY INFORMATION

The following table sets forth a comparison of revenues and earnings for the previous nine quarters ending with June 30, 2004. Financial information is prepared according to GAAP and is reported in Canadian \$.

| | <u>Jun-30</u> <u>2002</u> | <u>Sep-30</u> <u>2002</u> | <u>Dec-31</u> <u>2002</u> | <u>Mar-31</u> <u>2003</u> | <u>Jun-30</u> <u>2003</u> | <u>Sep-30</u> <u>2003</u> | <u>Dec-31</u> <u>2003</u> | <u>Mar-31</u> <u>2004</u> | <u>Jun-30</u> <u>2004</u> |
|--------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Interest income | \$2,928 | \$2,282 | \$1,905 | \$2,434 | \$2,120 | \$1,492 | \$1,152 | \$927 | \$2,152 |
| Net loss | \$(8,749) | \$(56,248) | \$(41,059) | \$(22,950) | \$(24,883) | \$(34,741) | \$(61,635) | \$(65,449) | \$74,912 |
| Net loss per share | \$0.00 | \$0.01 | \$0.01 | \$0.01 | \$0.00 | \$0.01 | \$0.01 | \$0.01 | \$0.01 |

LIQUIDITY AND CAPITAL RESOURCES

The Company currently has sufficient financial resources to undertake by itself all of its planned exploration and possible development programs for the next twelve months other than initiating a drill program. The exploration and subsequent development of the Company's properties may therefore depend on the Company's ability to obtain additional required financing. The Company has limited financial resources and there is no assurance that additional funding will be available to allow the Company to fulfill its obligations on existing exploration (or joint venture) properties. Failure to obtain additional financing could result in delay or indefinite postponement of further exploration and the possible, partial or total loss of the Company's interest in certain properties. The Company may, in the future, be unable to meet its obligations under agreements to which it is a party and the Company may consequently have its interest in the properties subject to such agreements jeopardised. Furthermore, if other parties to such agreements do not meet their share of such costs, the Company may be unable to finance the cost required to complete recommended programs.

The Company is dependent on raising funds by the issuance of shares or disposing of interests in its mineral properties (by options, joint ventures or outright sales) in order to finance further acquisitions, undertake exploration and development of mineral properties and meet general and administrative expenses in the immediate and long term. There can be no assurance that the Company will be successful in raising their required financing.

The Company's financial performance is dependent on many external factors. The Company expects that any revenues it may earn from its operations in the future will be from the sale of minerals. Both prices and markets for metals and minerals are cyclical, difficult to predict, volatile, subject to government price fixing and controls and respond to changes in domestic and international, political, social and economic environments. In addition, the availability and cost of funds for exploration, development and production costs are difficult to predict. These changes in events could materially affect the financial performance of the Company.

The Company had working capital at June 30, 2004 of \$596,344 compared with \$310,300 as at June 30, 2003. The Company has no material income from operations and any improvement in working capital results primarily from the issuance of share capital.

FINANCIAL INSTRUMENTS

Fair value estimates of financial instruments are made at a specific point in time, based on relevant information about financial markets and specific financial instruments. As these estimates are subjective in nature, involving uncertainties and matter of significant judgement, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The carrying value of cash and cash equivalents, marketable securities, sundry receivable, and accounts payable and accrued liabilities and mortgage loans approximate their fair value because of the short-term nature of these instruments.

OUTSTANDING SHARE DATA AS OF AUGUST 26, 2004:

Authorized and issued share capital:

| Class | Par Value | Authorized | Issued | |
|--------|--------------|-------------|-----------|-----------|
| | | | Number | Value |
| Common | No par value | 100,000,000 | 9,184,337 | 1,509,981 |

There are currently 846,833 share purchase options outstanding entitling the holders thereof the right to purchase one common share for each option held as follows:

| <u>Number</u> | <u>Price</u> | <u>Expiry</u> |
|---------------------|--------------|------------------|
| 271,833 | \$0.15 | February 7, 2006 |
| 375,000 | \$0.15 | January 8, 2008 |
| 50,000 | \$0.20 | December 5, 2008 |
| 100,000 | \$0.35 | May 12, 2009 |
| 50,000 | \$0.35 | May 25, 2009 |
| <hr/> 846,833 <hr/> | | |

OTHER INFORMATION

The Company's web site address is www.hudsonresources.ca. Other information relating to the Company may be found on SEDAR at www.sedar.com.

BY ORDER OF THE BOARD

James Tuer
President and Director

Robert Chase
Director