

HUDSON RESOURCES INC.

Management Discussion and Analysis (Form 51-102F1)

**For the Three months ended June 30, 2006
Information as of August 25, 2006 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 Company's annual audited financial statements for the year ended March 31, 2006 and for the three months ended June 30, 2006, together with the notes thereto, as well as, the Companies previous financial and MD&A reports. The material herein, as of August 25, updates the information as of July 26, 2006 contained in the MD&A of that report. These financial statements have been prepared by management 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 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 five contiguous exploration licences totaling 2,535 square kilometers in the Sarfartoq region, near Kangerlussuaq, Greenland.

The Company's loss from operations for the three months ended June 30, 2006 totaled \$167,135, a loss of \$0.01 per share, as compared to a loss of \$72,975 for the three months ended June 30, 2005, a loss of \$0.01 per share. Assets increased from \$2,983,150 as at June 30, 2005 to \$6,406,133 as at June 30, 2006 as a result of capitalizing resource expenditures and raising additional capital over the period. The proceeds of the capital raising were and will be used to fund the Company's exploration program and to cover operating expenses.

General and administrative expenses increased from \$79,381 in the three months ended June 30, 2005 to \$185,512 in the three months ended June 30, 2006. For the first quarter ended June 30, 2006, stock-based compensation expense accounted for approximately 54%, or \$99,365 (2005 - \$35,941) of the Company's total general and administrative expenses and reflects the Company's adoption of full fair value based accounting for all stock options granted after April 1, 2002, in accordance with the recommendations of CIC Handbook S. 3870. There were no deferred

exploration or property write-offs in the first quarter ended June 30, 2006. Interest income was \$18,377 (2005 - \$6,406) for the first quarter ended June 30, 2006.

The change in expenses over the previous period is attributed to changes in operating conditions and the timing of certain expenditures which change from period to period. The primary reason for the increased costs was the costs associated with raising the last private placement. This entailed extra travel and shareholder communication costs, as well as, fees, telephone costs and the addition to the management team of Mr. Jim Cambon and technical advisors, Dr. John McDonald and Mr. Keith Durston. Significant changes in General and Administrative costs included: Shareholder communication costs (such as investor presentations and trade/investment shows) increased by \$4,554 to \$5,465; Travel costs, primarily associated with the company's equity raising efforts, increased by \$7,873 to \$10,304 in 2006; Management fees increase by \$19,000 to \$48,400 due to the additions to Hudson's management team; and, most significantly, non-cash compensation of \$99,365 was included in the quarter, an increase of \$26,628 over the June 30, 2005 period, as a result of granting 698,167 options at \$0.60 per share in December 2004.

Exploration Update

Since the previous Exploration Update provided in the Company's MD&A report dated July 26, 2006, Hudson has announced the following results.

1. A total of 12 drill holes have been now been completed with a cumulative length of 3,018m;
2. Drill holes have continued to delineate the Garnet Lake kimberlite dike as it occurs at depth to the east and south of Garnet Lake;
3. Drilling at Itisooq has intersected kimberlite at a vertical depth of 200m underneath drill hole 06DS01, which intersected 10.7 m of kimberlite below the lake;
4. A previously unknown en-echelon dike, approx. 3.5m wide, originating 725m east of Garnet Lake, has been intersected in 3 drill holes;
5. Surface samples which contain garnets in the kimberlite matrix (which in the past has proved to be diamondiferous) have been located in 2 separate areas of the Garnet Lake region;
6. Excavation of a 100 tonne mini-bulk sample at Garnet Lake is on-going and continues to reveal competent and highly garnetiferous kimberlite; and
7. 362 kg of kimberlite from core holes and surface samples has been shipped to the GeoAnalytical Laboratories at the Saskatchewan Research Council ("SRC") for microdiamond and indicator mineral analysis.

Numerous kimberlite bodies have been intersected in all cores to date. Of particular note is the encountered continuity of kimberlite intersections with respect to the results of the spring 2006 seismic reflection survey. Hudson has now tested the area approx. 500m south of Garnet Lake where surface samples last year generated 226 diamonds from 159kg of kimberlite, including a 0.07ct stone, still the largest diamond found in Greenland to date. The kimberlite dike appears to dip more steeply in this area and splits into thinner bodies having an estimated true thickness of 2m. Core samples from these intersections have been submitted to the SRC for analysis.

As drilling continues to extend the principal Garnet Lake dike eastward and down dip, a second significant kimberlite body has now been intersected at shallower depths. This thick kimberlite body with a modelled outcrop some 725m east of Garnet Lake appears to be en-echelon to the principal Garnet Lake reflector imaged directly to the east of Garnet Lake. The presence of garnet megacrysts in this competent kimberlite provides an indication that diamond recovery from this body may also be of economic interest. Additional holes are planned to investigate the Garnet Lake dike under the tie line of the spring 2006 seismic program to the north and to investigate the source of a number of interesting magnetic anomalies to the east of Garnet Lake.

The lake upon which Hudson drilled the 10.7m intersection of kimberlite in June has been tested by two holes (06DS09 and 06DS10) drilled from the southwestern shore and one hole from the eastern shore (06DS11). The area is now referred to as Itisooq. All three drill holes intersected kimberlite of varying widths. Although encouraging, the drilling results are inconclusive in determining the nature and style of kimberlite emplacement. There is evidence of significant fluid activity at depth that has severely altered the kimberlite and host rock. Due to the difficult drilling conditions caused by the highly fractured rock (a feature which has not been evident in other locations), the Company was

not able to fully test this structure. Drill core from the first hole 06DS01 and 06DS10 have been submitted for diamond analysis. Based on the outcome of this analysis, additional drilling from the lake surface may be warranted. Concurrent with the drilling program, excavation of kimberlite to constitute a mini-bulk sample is continuing at the Garnet Lake dike. A 3.8 tonne excavator was airlifted in segments into the field on July 13th and assembled. Thick ice underlying snow at the sample location initially delayed progress however abundant kimberlite is now being recovered using a combination of blasting and digging. All kimberlite revealed by this process at Garnet Lake appears highly prospective. Red and purple pyrope garnets are large and abundant and appear similar to those recovered from kimberlite core from which 15 diamonds were recovered from a 11.0kg sample in 2005 and from which the highly diamondiferous subcrop was also recovered in 2004.

Hudson is very encouraged by reconnaissance exploration programs which have been successful in finding new locations of garnetiferous kimberlite this field season. To date, two separate locations have been found and 2 large samples of distinctly anomalous kimberlite have been submitted for analysis from one of these locations. Additional follow up prospecting is expected to take place in the other area with a view to collecting a large sample for diamond analysis.

Table 1 – Kimberlite Intersections Encountered in Recent Drill Holes

Drill Hole	Total Depth of Drill Hole	Drill Hole Angle	Kimberlite Intersection			Aggregate Kimberlite Thickness
			From	To	Total	
Garnet Lake – Drill holes located along Seismic Reflection Line 4 (500m south of Garnet Lake)						
06DS06	127.10 m	-55°	33.30 m	39.88 m	6.58 m	2.65 m ⁽²⁾
			53.16 m	55.12 m	1.96 m	1.22 m ⁽²⁾
06DS07	207.27 m	-55°	140.57 m	144.22 m	3.65 m	1.96 m ⁽²⁾
			158.80 m	161.44 m	2.64 m	2.64 m ⁽²⁾
06DS08 ⁽¹⁾	159.19 m	-55°				
Itisooq – Drill holes completed under 06DS01 from the edge of the lake						
06DS09	347.48 m	-50°	250.62 m	252.91 m	2.29 m	2.01 m
			260.28 m	266.04 m	5.76 m	4.54 m ⁽³⁾
06DS10 ⁽¹⁾	263.96 m	-50°	237.77 m	263.96 m	26.19 m	4.53 m ⁽⁴⁾
		Inc.	255.73 m	260.33 m	4.60 m	3.61 m
06DS11 ⁽¹⁾	309.58 m	-50°	240.24 m	246.00 m	5.76 m	2.35 m
			305.26 m	306.38 m	1.12 m	1.12 m
Garnet Lake – Seismic Reflection Line 1 – En-Echelon reflector 800m east of Garnet Lake						
06DS05	395.33 m	-65°	16.71 m	20.93 m	4.22 m	3.53 m ⁽²⁾
06DS12 ⁽¹⁾	221.47 m	-90°	33.58 m	36.37 m	2.79 m	2.52 m
06DS13 ⁽⁵⁾	n/a	-90°	32.84 m	38.86 m	6.02 m	4.01 m

Note 1. Drill hole terminated prior to target depth due to technical difficulties.

Note 2. Dike intersections are believed to approximate their true thickness.

Note 3. Includes 1.86m of green mud that may be of kimberlite origin.

Note 4. The entire intersection is severely broken altered material indicative of a significant event. Altered kimberlite is included throughout this intersection. The broken nature of the material resulted in the early termination of the drill hole.

Note 5. Hole is currently being drilled.

SRC GeoAnalytical Laboratories is accredited to the ISO/IEC 17025 standard by the Standards Council of Canada as a testing laboratory for specific tests. Dr. Mark Hutchison, Trigon GeoServices Ltd., is in charge of the exploration program and is responsible for the collection of the samples in Greenland and managed the chain of custody from the field to the SRC.

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 has 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 discussion and analysis of the financial condition, changes in financial condition and results of operations of the Company for the periods ended June 30, 2006 and 2005 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.

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.

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.

Risks and Uncertainties

The risks and uncertainties affecting the Company remain unchanged from those disclosed in its Annual MD&A.

RELATED PARTY TRANSACTIONS

During the periods ended June 30, 2006 and 2005, the Company incurred the following transactions with a director/officer and an officer of the Company:

	<u>2006</u>	<u>2005</u>
Management fees	\$ 33,400	\$29,400

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's exploration licenses in Greenland. For 2006, the Company expects that total work expenditures will need to be in the order of \$1,300,000 in order to maintain all of its land holdings. These commitments can be reduced by making reduction in the exploration licence areas by December 31, 2006. Based on work done to date and work to be completed by the end of 2006, Hudson believes that it will meet all of the expenditure commitments required under its licence agreements with the Bureau of Minerals and Petroleum of Greenland.

SUBSEQUENT EVENTS

There are no material subsequent events that have not been discussed in this report or the financial statements for the period ended June 30, 2006.

SUMMARY OF QUARTERLY INFORMATION

The following table sets forth a comparison of revenues and earnings for the previous eight quarters ending with June 30, 2006. Financial information is prepared according to GAAP and is reported in Canadian \$.

	<u>Jun-30</u> <u>2006</u>	<u>Mar-31</u> <u>2006</u>	<u>Dec-31</u> <u>2005</u>	<u>Sep-30</u> <u>2005</u>	<u>Jun-30</u> <u>2005</u>	<u>Mar-31</u> <u>2005</u>	<u>Dec-31</u> <u>2004</u>	<u>Sep-30</u> <u>2004</u>
Interest Income	\$18,377	\$5,054	\$4,890	\$4,030	\$6,406	\$9,029	\$6,375	\$1,702
Net loss	\$(185,512)	\$(218,797)	\$(111,255)	\$(93,852)	\$(79,381)	\$(109,108)	\$(111,121)	\$(57,012)
Net loss per share	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)

LIQUIDITY AND CAPITAL RESOURCES

The Company currently has sufficient financial resources to undertake all of its planned exploration programs for the next twelve months. The exploration and subsequent development of the Company's properties beyond that will 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 has working capital at June 30, 2006 of \$2,061,523 compared with \$975,178 as at June 30, 2005. 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 of time, based on relevant information about financial markets and specific financial instruments. At these estimates are subjective in nature, involving uncertainties and matter of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The carrying value of cash and term deposits, accrued interest and amounts receivable, and accounts payable and accrued liabilities approximates their fair market value because of the short-term nature of these instruments.

OUTSTANDING SHARE DATA AS OF AUGUST 25, 2006:

Authorized and issued share capital:

Class	Par Value	Authorized	Issued
Common	No par value	Unlimited	21,043,826

There are currently 1,925,000 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>Exercise Price</u>	<u>Expiry Date</u>
50,000	\$0.20	December 5, 2008
50,000	\$0.35	May 25, 2009
613,167	\$0.60	December 1, 2009
953,333	\$0.50	January 4, 2011
58,500	\$0.60	January 4, 2011
100,000	\$0.80	February 3, 2011
<u>100,000</u>	\$0.80	April 25, 2011
<u><u>1,925,000</u></u>		

As at August 25, 2006, there were 3,839,372 share purchase warrants outstanding, including 524,333 agent's warrants exercisable at \$0.60. Some of the warrants have acceleration provisions that allow the Company to call for the early conversion of the warrants if the shares trade above the Early Conversion Price for a set number of trading days.

<u>Number</u>	<u>Exercise Price</u>	<u>Expiry Date</u>	<u>Early Conversion Price</u>
395,873	\$0.85	November 15, 2006	\$1.40
230,000	\$0.85	November 24, 2006	\$1.40
1,346,500	\$0.80/\$1.00	April 21, 2007/April 25, 2008	\$1.50
1,342,666	\$0.80/\$1.00	April 21, 2007/April 25, 2008	\$1.50
269,319	\$0.60	April 21, 2007	
<u>255,014</u>	\$0.60	April 25, 2007	
<u><u>3,839,372</u></u>			

OTHER INFORMATION

The Company's website 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"
James Tuer
President and Director

"Robert Chase"
Robert Chase
Director