

HUDSON RESOURCES INC.

Management Discussion and Analysis (Form 51-102F1)

**For the three months ended June 30, 2007
Information as of August 27, 2007 unless otherwise stated**

Note to Reader

The following management discussion and analysis of the financial performance and results of operations for Hudson Resources Inc. (the "Company") should be read in conjunction with the Company's annual audited financial statements for the year ended March 31, 2007 and the notes thereto for the years ended March 31, 2007 and 2006, as well as the Company's previous financial and MD&A reports. The material herein, as of August 27, 2007, updates the information as of July 24, 2007 contained in the MD&A of that report.

The accompanying financial statements and related notes have been prepared in accordance with Canadian generally accepted accounting principles. These statements, together with the following management discussion and analysis dated August 27, 2007 are intended to provide investors with a reasonable basis for assessing the financial performance of the Company as well as forward-looking statements relating to the potential future performance.

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.

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, 2007 and 2006 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.

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 actively exploring for diamonds in Greenland.

The Company is currently actively exploring in six contiguous exploration licenses totaling 2,482 square kilometers in the Sarfartoq region, near Kangerlussuaq, Greenland. All of its exploration licenses are 100% held by the Company

Since the Company is in the exploration phase of its development, its results are primarily determined by its net administrative expenses. The Company's loss from operations for the three months ended June 30, 2007 totaled \$268,445, a loss of \$0.01 per share, compared to a loss of \$185,512 for the three months ended June 30, 2006, a loss of \$0.01 per share. An increase in management fees due to new management personnel, the introduction of directors' fees in January 2007 and the rental of new office premises in December 2006 were the primary factors contributing to an increase in loss from operations in the three months ended June 2007, compared with the same period in 2006.

Assets increased by \$7,035,639 in the first quarter, from \$8,227,437 at March 31, 2007 to \$15,268,076 at June 30, 2007. The most significant changes in assets were a \$5,057,037 increase in cash and a \$1,949,253 increase in resource properties. These increases are a result of significant capital raised and resource property expenditures during the period. The proceeds of capital raised during the period totaled \$6,400,111. Proceeds from a private placement in June, 2007 were \$6,000,000 net of \$326,029 in share issue costs for net proceeds of \$5,673,971. An additional \$726,140 was raised through the exercise of share warrants from previous financings. Funds from these financing were used to fund the Company's ongoing exploration program and to cover operating expenses.

General and administrative expenses increased 59%, from \$185,512 in the three months ended June 30, 2006 to \$294,271 in the three months ended June 30, 2007. This increase of \$108,759 is attributable to stock-based compensation related to the vesting of previously issued stock options, additions to managements, the introduction of directors' fees and increased rent for a new office premises. Interest income was \$25,826 for the first quarter ended June 30, 2007 (2006 – \$18,377).

Stock-based compensation expense of \$165,494 for the three months ended June 30, 2007 (2006 - \$99,365) accounted for approximately 56% of the Company's total general and administrative expenses as compared to 54% in the period ending June, 30, 2006. This is a non-cash expense provision that may not reflect reality. The Company uses the Black-Scholes option valuation model to calculate the fair value of share purchase options at the date of grant. Option pricing models require the input of highly subjective assumptions, including the expected price volatility. Changes in these assumptions can materially affect the fair value estimate and, therefore, the existing models do not necessarily provide a reliable single measure of the fair value or expense calculation of the Company's share purchase options.

Exploration Update

Since the previous Exploration Update provided in the Company's MD&A report dated July 24, 2007, Hudson's primary objective has been the completion of the 2007 exploration program, which includes the establishment of a 5 tonne per hour dense media separation diamond recovery plant (the "DMS Plant"), and the excavation of a planned 600 tonne kimberlite sample.

During the previous month, Hudson has mobilized all of the DMS plant equipment to site. The plant has been constructed and is in the final phases of being ready to commence processing kimberlite. It is expected that the DMS plant will operate in September and the better part of October.

Assisting in the recovery of kimberlite are two large excavators and a Tamrock drill. To date, an estimated 400 tonnes of kimberlite have been blasted in the Garnet Lake pit location. This material is now being stockpiled at the plant by the excavators. Additional material is available at that location to increase the tonnage available for processing. A 10 tonne dump truck has been inoperable since the beginning of the project. This has limited the company's ability to expedite the transportation of kimberlite and survey other bulk sample locations. It is not expected that this will

reduce the size of the planned sample but may necessitate collecting the entire sample at one location.

Hudson's 2007 drill program concluded in August. The company completed 4,553m of drilling on its' exploration licenses in Greenland. Samples are currently being processed for shipment to Canada for analysis. Additional information is expected to be provided by press release in the coming weeks.

CORPORATE APPOINTMENTS

In July 2007, Hudson announced the appointment of Jim Cambon, as VP Corporate Development and Megan McGinley, MBA, CA, to Chief Financial Officer of the Company. Mr. Cambon is a geologist with 20 years experience in the mineral consulting and project development industry with particular expertise in the evaluation and development of arctic diamond projects in Canada and Russia. He has been working with Hudson for the past 18 months. Ms. McGinley is a Chartered Accountant with 20 years of finance and accounting experience. She brings a background in corporate financial development as well as public and private company accounting experience. She will be responsible for accounting and financial oversight for the Company.

RISKS AND UNCERTAINTIES

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:

General

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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 diamond 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 limited environmental impact.

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 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: James Tuer, John Ferguson, Robert Chase and John Hick; and officers. 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, directors and advisors 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

As the Company is still in the exploration phase of its development, it 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 June 30, 2007 the Company's deficit was \$2,184,372.

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 past 12 months, the Company's share price fluctuated from a high of \$2.25 to a low of \$0.55. There can be no assurance that continual fluctuations in price will not occur.

Shares Reserved for Future Issuance: Dilution

As at August 27, 2007, there were 2,575,000 stock options outstanding and 4,194,736 warrants outstanding pursuant to which shares may be issued in the future, all of which could result in further dilution to the Company's shareholders and pose a dilutive risk to potential investors.

RELATED PARTY TRANSACTIONS

During the three months ended June 30, 2007 and 2006, the Company incurred the following transaction with a company with a common director and with an officer of the Company:

	<u>2007</u>	<u>2006</u>
Management fees	\$ 68,751	\$40,000

This transaction was measured by the exchange amount, which is the amount agreed upon by the transacting parties.

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, 2007.

COMMITMENTS

The Company has made certain commitments in the course of running its business. In addition to office lease commitments disclosed in the Company's financial statements, the most notable commitment is the annual exploration commitment on the Company's exploration licenses in Greenland. For calendar year 2007, work expenditures to maintain all of its land holdings will amount to approximately \$1.5 million. Commitments can be reduced and/or eliminated by dropping and/or reducing licenses by the end of each calendar year. Based on work done to date and work to be completed by the end of 2007, 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.

SUMMARY OF QUARTERLY INFORMATION

The following table sets forth a comparison of revenues and earnings for the previous eight quarters ending with June 30, 2007. Financial information is prepared in accordance with GAAP and is reported in Canadian \$.

	<u>Jun-30</u> <u>2007</u>	<u>Mar-31</u> <u>2007</u>	<u>Dec-31</u> <u>2006</u>	<u>Sep-30</u> <u>2006</u>	<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>
Interest Income	\$25,826	\$14,197	\$16,556	\$19,750	\$18,377	\$5,054	\$4,890	\$4,030
Net loss	\$(268,445)	\$(261,965)	\$(142,707)	\$(122,101)	\$(185,512)	\$(218,797)	\$(111,255)	\$(93,852)
Net loss per share	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)	(\$0.01)

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 primarily composed of administration costs. Revenues from 2004 to 2007 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.

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

LIQUIDITY AND CAPITAL RESOURCES

The Company currently has sufficient financial resources to undertake all of its planned exploration and possible development 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 had working capital at June 30, 2007 of \$5,956,539 compared with \$1,608,311 at March 31, 2007. 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.

DISCLOSURE CONTROLS

The Company's Chief Financial Officer and Chief Executive Officer (the "Certifying Officers") are responsible for establishing and maintaining disclosure controls and procedures ("the Procedures") which provide reasonable assurance that information required to be disclosed by the Company under provincial or territorial securities legislation (the "Required Filings") is reported within the time periods specified. Without limitation, the Procedures are designed to ensure that material

information relating to the Company is accumulated and communicated to management, including its Certifying Officers, as appropriate to allow for timely decisions regarding the Required Filings.

The Certifying Officers evaluate the effectiveness of the Procedures throughout the year and have concluded that the Procedures in place as of the end of the period covered by the Required Filings are effective in providing reasonable assurance that material information relating to the Company is accumulated and communicated to management and reported within the time periods specified.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company has reviewed its internal controls over financial reporting and believes that as at June 30, 2007 and as of the Report Date, its system of internal controls over financial reporting as defined under MI 52-109 is sufficiently designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the Company's GAAP. Certain weaknesses exist in the Company's systems of internal control over financial reporting. These weaknesses arise primarily from the limited number of personnel employed in the accounting and financial reporting area, a situation that is common in many smaller companies. As a consequence of this situation: a) it is not feasible to achieve the complete segregation of duties; and b) the Company does not have full "in house" expertise in complex areas of financial accounting, such as taxation.

The Company's management, including the Certifying Officers, does not expect that its internal controls and procedures will prevent all error and all fraud. The Company believes that the weaknesses identified in its systems of internal control are mitigated by the thorough review of the Company's financial statements by senior management, the audit committee of the board of directors, and by consulting with external experts. In addition, senior management is active in the Company's day-to-day operations and in monitoring the Company's financial reporting. Regardless, these mitigating factors cannot completely eliminate the possibility that a material misstatement will occur as a result of the weaknesses identified in the Company's internal controls over financial reporting. A cost effective system of internal controls over financial reporting, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the internal controls over financial reporting are achieved.

OUTSTANDING SHARE DATA AS OF AUGUST 27, 2007:

Authorized and issued share capital:

Class	Par Value	Authorized	Issued
Common	No par value	Unlimited	30,571,266

There are currently 2,575,000 share purchase options outstanding entitling the holders thereof the right to purchase one common share for each option held as follows:

Number	Exercise Price	Expiry Date
50,000	\$0.20	December 5, 2008
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
100,000	\$0.80	April 26, 2011
<u>700,000</u>	\$1.00	June 15, 2012
<u>2,575,000</u>		

There are currently 4,194,736 share purchase warrants outstanding, including 359,590 Agent's Warrants exercisable at \$1.00 per share. 795,001 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>Price</u>	<u>Expiry</u>	<u>Early Conversion Price</u>
3,040,145	\$1.30	June 14, 2008	N/A
359,590	\$1.00	June 14, 2008	N/A
461,668	\$1.00	April 20, 2008	\$1.50
<u>333,333</u>	\$1.00	April 25, 2008	\$1.50
<u>4,194,736</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, Directors