

# HUDSON RESOURCES INC.

## Management Discussion and Analysis (Form 51-102F1) For the Six Months ended September 30, 2005 Information as of November 25, 2005 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, 2005 and for the three months ended June 30, 2005 and the six months ended September 30, 2005, together with the notes thereto, as well as, the Companies previous financial and MD&A reports. The material herein, as of November 25, 2005 updates the information as of August 25, 2005 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 three contiguous exploration licences totaling 733 square kilometers in the Sarfartoq region, near Kangerlussuaq, Greenland. It has a further 80% interest in an additional 765 square kilometres contiguous to its Greenland properties 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 September 30, 2005 totaled \$93,852, and for the six months ended September 30, 2005 totaled \$16,827, a loss of \$0.01 per share respectively for both periods, as compared to a loss of \$57,012 for the three months ended September 30, 2004, a loss of \$0.01 per share and a loss of \$131,924 for the six months ended September 25, 2005, a loss of \$0.02 per share. Assets increased from \$1,135,289 as at September 30, 2004 to \$3,081,630 as at September 30, 2005 as a result of the capitalizing of resource expenditures and raising additional capital over the period. The proceeds of the capital raising are being used to fund the Company's exploration program and to cover operating expenses.

General and administrative expenses increased from \$58,714 in the three months ended September 30, 2004 to \$97,882 in the three months ended September 30, 2005. General and administrative expenses increased from \$135,777 for the six months ended September 30, 2004 to

\$177,263 in the six months ended September 30, 2005. For the second quarter ended September 30, 2005, stock-based compensation expense accounted for approximately 36%, or \$35,129 (2004 - \$5,062) 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 CICA Handbook S. 3870. There were no deferred exploration or property write-offs in the second quarter ended September 30, 2005. Interest income was \$4,030 (2004 - \$1,702) for the second quarter ended September 30, 2005.

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. Significant changes in General and Administrative costs were: shareholder communication costs (such as investor presentations and trade/investment shows), which increased by \$5,743 to \$12,068 in the three months ended September 30, 2005 and increased by \$1,951 to \$12,978 in the six months ended September 30, 2005; management fees, which increased by \$8,400 to \$29,400 as a result of the hiring of an executive assistant and increased monthly consulting fees and increased by \$22,800 to \$58,800 in the six months ended September 30, 2005 for the same reasons; and, most significantly, non-cash compensation of \$35,129 was included in the quarter, an increase of \$30,067 over the September 30, 2004 period, as a result of granting 698,167 options at \$0.60 per share in December 2004. Incorporating first quarter costs, non-cash compensation increased by \$56,695 to \$71,070 over the six months ended September 30, 2005 period.

### **Exploration Update**

In the previous quarter, Hudson completed its summer exploration program and began the planning process for future work. Results were received on microprobe analyses conducted on the Garnet Lake drill core. These results confirmed that the kimberlite intersected in the spring of 2005 at Garnet Lake contains indicator mineral chemistry consistent with the highly diamondiferous kimberlite subcrop discovered in 2004. Hudson also confirms that diamond-field peridotitic and eclogite garnets were found in abundance in the Garnet Lake core samples. As a result of this, Hudson is preparing for a winter exploration program which is expected to include a seismic survey over the Garnet Lake structure. If successful, follow-up drilling could help confirm the length and breadth of the mineralization. Hudson also plans to conduct an additional airborne geophysical survey over areas of known kimberlite occurrences which have had no previous geophysical work conducted on them. This will become a higher priority in the event that the 2 samples collected to the north east of Garnet Lake prove to be diamondiferous. Hopefully, this survey would be conducted in March or April of 2006. Subject to financing, Hudson would like to undertake a significant drill program in the spring and summer of 2006 in order to delineate the Garnet Lake structure. As well, the collection and processing of a mini bulk sample is seen as a priority in order to generate a larger commercial diamond population.

The Company is still awaiting results from a total of 556 kg of kimberlite derived from surface samples and drill core that has been shipped for diamond and indicator mineral processing to the GeoAnalytical Laboratories at the Saskatchewan Research Council ("SRC"), Saskatoon, Saskatchewan, an accredited facility which meets the ISO/IEC 17025 standard by the Standards Council of Canada as a testing laboratory for specific tests. Results are expected shortly.

Information regarding the results of the probe work in the Garnet Lake area was released in early October. The results confirmed that 99% of the pyrope garnets probed (112 of 113 garnets) were derived from the diamond-bearing region at least 150km beneath the earth's surface. In addition, all of the 36 eclogitic garnets probed fell within the classification of diamondiferous facies eclogites. Furthermore, an eclogitic garnet (G4D) bearing xenolith was recovered from Garnet Lake drill core. Thin section analysis revealed two G4D garnets with Na<sub>2</sub>O contents of 0.13-0.28 wt%. These unique concentrations of sodium and titanium oxides have been found in several other samples within the Garnet Lake region and nowhere else in Greenland. Interestingly, these values are very similar to the reported eclogitic assemblages from the highly diamondiferous Udachnaya kimberlites in Siberia, Russia. It is uncertain at this time whether this will have a bearing on the viability of the project; however, Hudson believes that the eclogitic garnets represent an important part of the significantly diamondiferous Garnet Lake kimberlite.

Kimberlite analysis for diamond and kimberlite indicator minerals is being conducted by SRC.. 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. Dr. John Ferguson has reviewed the program and this press release and is a qualified person under National Instrument 43-101.

## **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 proceeds from profitable production or 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 September 30, 2005 and 2004 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, on terms it considers acceptable, suitable producing properties or prospects for exploration in the future. 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 September 30, 2005 and 2004, the Company incurred the following transactions with a director of the Company:

	<u>2005</u>	<u>2004</u>
Management fees	\$ 29,400	\$21,000

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 2005, 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. These commitments can be reduced by making reduction in the exploration licence areas by December 31, 2005. 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 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 September 30, 2005.

### **SUMMARY OF QUARTERLY INFORMATION**

The following table sets forth a comparison of revenues and earnings for the previous eight quarters ending with September 30, 2005. Financial information is prepared according to GAAP and is reported in Canadian \$.

	<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>	<u>Jun-30</u> <u>2004</u>	<u>Mar-31</u> <u>2004</u>	<u>Dec-31</u> <u>2003</u>
Interest Income	\$4,030	\$6,406	\$9,029	\$6,375	\$1,702	\$2,152	\$927	\$1,152
Net loss	\$(97,882)	\$(79,381)	\$(109,108)	\$(111,121)	\$(57,012)	\$(74,912)	\$(65,449)	\$(61,635)
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 a portion 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 through the issuance of shares or dispositions 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 the 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 September 30, 2005 of \$861,161 compared with \$509,612 as at September 30, 2004. The Company has no material income from operations and any improvement in working capital results primarily from the issuance of additional 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 NOVEMBER 25, 2005:

Authorized and issued share capital:

<b>Class</b>	<b>Par Value</b>	<b>Authorized</b>	<b>Issued</b>
Common	No par value	Unlimited	14,154,190

There are currently 1,465,000 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>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
<u>618,167</u>	<u>\$0.60</u>	<u>December 1, 2009</u>
<u>1,465,000</u>		

There are currently 1,490,343 share purchase warrants outstanding exercisable at \$0.55 per share. 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>
1,250,343	\$0.85	November 15, 2006	\$1.40
<u>240,000</u>	<u>\$0.85</u>	<u>November 24, 2006</u>	<u>\$1.40</u>
<u>1,490,343</u>			

#### **OTHER INFORMATION**

The Company's website address is [www.hudsonresources.ca](http://www.hudsonresources.ca). Other information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

#### **BY ORDER OF THE BOARD**

"James Tuer"  
James Tuer  
President and Director

"Robert Chase"  
Robert Chase  
Director