

**HUDSON RESOURCES INC.**

**(An Exploration Stage Company)**

**Management Discussion and Analysis**

**(Form 51-102F1)**

**For the Three and Six Months Ended September 30, 2014**

This management's discussion and analysis ("MD&A") focuses on significant factors that affected Hudson Resources Inc. ("Hudson" or the "Company") during the six months ended September 30, 2014 ("Q2 2015") and to the date of this report. The MD&A supplements, but does not form part of, the unaudited condensed interim financial statements of the Company and the notes thereto for the three and six months ended September 30, 2014 (the "Financials"). Consequently, the following discussion of performance and financial condition should be read in conjunction with the Financials. The Financials have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts presented in this MD&A are in Canadian dollars unless otherwise indicated.

Additional information related to Hudson is available on SEDAR at [www.sedar.com](http://www.sedar.com) and on the Company's website at [www.hudsonresources.ca](http://www.hudsonresources.ca).

This MD&A contains information up to and including November 28, 2014.

## **FORWARD-LOOKING INFORMATION**

Statements in this MD&A that are not historical facts are forward-looking statements involving known and unknown risks and uncertainties, which could cause actual results to vary considerably from these statements. Readers are cautioned not to put undue reliance on forward-looking statements. For more information on forward-looking information, please refer to page 13 of this MD&A.

## **OUTLOOK**

The White Mountain Anorthosite Project is the primary development focus for the Company. Laboratory and bulk commercial scale testing of samples by a number of potential customers in the E-glass market has indicated the anorthosite has superior characteristics compared with kaolin feedstocks currently being used. The Company is now focused on establishing off-take agreements, completing project design and securing a mining permit to advance the project to production. As of the date of this MD&A, Hudson has:

- Submitted the EIA, SIA and engineering documents to the government initiating the mine exploitation license application;
- Successfully completed an 80 tonne commercial furnace test with Owens Corning;
- Advanced road construction and port development on site; and
- Produced metallurgical grade alumina using a hydrochloric leach process in the lab.

The Company is focusing on three major markets for the anorthosite: A feed material for E-glass production, a source of alumina and other valuable by-products, and a coatings material in the production of plastics and paints.

Further development of the Sarfartoq Carbonatite Project, a source of certain rare earth minerals, is dependent upon the improvement in world market prices for such metals. These markets are much more cyclical than the demand for E-glass which is expected to grow at an annualized rate of 7-10% for the foreseeable future.

## **GENERAL**

The Company is a junior mineral exploration company listed on the TSX Venture Exchange and is 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 second quarter 2015 do not include the adjustments that would be necessary should the Company be unable to continue as a going concern.

As of the date of this MD&A, the Company holds cash and cash equivalents of approximately \$1.48 million. Management believes that the current cash position of the Company is sufficient to support the operations for the next twelve months. Although the total cash outflow in respect of operating and investing activities for Q2 2015 was \$635,987 and \$nil, respectively, the Company has the ability to reduce its spending going forward if necessary, without negatively affecting its property holdings in Greenland.

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 activities 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.

## **PROJECT UPDATE**

Since the previous update provided in the Company's MD&A report dated August 29, 2014 in respect of the Company's financial statements for the 3 months ended June 30, 2014, Hudson has continued to advance the White Mountain anorthosite project towards development in Greenland. The Company is still completing the process to acquire a mining licence on the White Mountain anorthosite project. The recent calling of an election in Greenland has delayed public consultation until early in the new year. Hudson is hopeful that the mining licence will be granted by the end of the first quarter 2015.

The Company continues to provide samples and to negotiate with E-Glass and other types of end users in Asia, North America and Europe. Part of this process included several site visits with potential end-users. The Company recently collected an additional 35 tonnes of material for future testing. Project design work is ongoing to finalize the flowsheet and project parameters for development.

Alumina production testwork continued with metallurgical programs at SGS Canada Inc.'s Lakefield lab facility. The Company has reported positive results concerning the physical properties of the alumina product. As a result, Hudson believes that it has produced alumina that meets the chemical and physical requirements of the aluminum producers. Hudson is undertaking a study to look at the economics of producing alumina and its related by-products using this method.

As well as investigating the production of smelter grade alumina, Hudson is also looking into the production of calcined alumina for the ceramics and refractory industries. Recent testing has been very positive. If successful, this would produce a much higher value product than smelter grade alumina.

Test work has also been initiated on the alumina by-products for use in industries such as cement and ceramics.

### **Qualifications**

Dr. Michael Druecker is a qualified person as defined by NI 43-101 and reviewed the preparation of the scientific and technical information in this MD&A disclosure.

John R. Goode is the Qualified Person as defined by NI 43-101 who reviewed the preparation of the scientific and technical metallurgical information in this MD&A.

## RESULTS FROM OPERATIONS

### Selected Information

	For the six months ended		
	September 30, 2014	September 30, 2013	September 30, 2012
Interest and miscellaneous income	\$ 14,653	\$ 22,369	\$ 62,188
Net loss	(1,241,842)	(2,483,028)	(4,242,079)
Basic and diluted loss per share	(0.02)	(0.03)	(0.06)

<i>As at:</i>	September 30, 2014	March 31, 2014	March 31, 2013
<b>Balance Sheet Data</b>			
Cash and cash equivalents	\$ 1,731,824	\$ 2,367,811	\$ 6,476,099
Resource properties	793,193	793,193	743,780
Total assets	3,165,242	4,051,505	7,559,588

### Three months ended September 30, 2014 ("Q2 2015") compared with Three months ended September 30, 2013 ("Q2 2014")

The Company incurred a net loss of \$537,965 for Q2 2015 representing a decrease of \$1,203,324 when compared with a net loss of \$1,741,289 for Q2 2014. This decrease was primarily the result of a decrease in evaluation and exploration costs, shareholder/corporate communications and share-based payments.

Evaluation and exploration costs decreased by \$1,178,385 to \$270,630 for Q2 2015 from \$1,449,015 for Q2 2014. The decrease is primarily the result of the reduction in exploration activities on the White Mountain project in Q2 2015 compared to Q2 2014. During Q2 2015, the evaluation and exploration costs incurred on White Mountain project decreased by \$1,151,638, to \$241,928 from \$1,393,566 for Q2 2014. The Company focused on completing the EIA and SIA reports on White Mountain during the period. The decrease in evaluation and exploration costs on the White Mountain project is primarily the result of the decrease of the following expenditures:

- Helicopter decreased by \$502,560;
- Equipment decreased by \$134,103;
- Shipping decreased by \$130,925;
- Camp and portable shelters decreased by \$129,571;
- Assay and analysis decreased by \$88,748;
- Drilling decreased by \$61,833; and
- Travel decreased by \$51,856.

Shareholder/corporate communications decreased by \$25,928 to \$3,060 for Q2 2015, from \$28,988 for Q2 2014. This decrease is primary the result of the decrease in travel expenditures during Q2 2015.

Share-based payments were \$32,249 for Q2 2015 compared to \$53,944 for Q2 2014. This decrease in share-based payments resulted from a decrease in the number of options vesting and a corresponding decrease in recognition of expense during the period.

**Six months ended September 30, 2014 (“YTD 2015”) compared with Six months ended September 30, 2013 (“YTD 2014”)**

The Company incurred a net loss of \$1,241,842 for YTD 2015 representing a decrease of \$1,241,186 when compared with a net loss of \$2,483,028 for YTD 2014. This decrease was primarily the result of a decrease in evaluation and exploration costs which was partially offset by the increase in share-based payments.

Evaluation and exploration costs decreased by \$1,534,276 to \$355,331 for YTD 2015 from \$1,889,607 for YTD 2014. The decrease is primarily the result of the reduction in exploration activities on the White Mountain project in YTD 2015 compared to YTD 2014. During YTD 2015, the evaluation and exploration costs incurred on White Mountain project decreased by \$1,481,749, to \$317,797 from \$1,799,546 for YTD 2014. The Company focused on completing the EIA and SIA reports on White Mountain during the period. The decrease in evaluation and exploration costs on the White Mountain project is primarily the result of the decrease of the following expenditures:

- Helicopter decreased by \$551,558;
- Assay and analysis decreased by \$178,299;
- Shipping decreased by \$159,458;
- Equipment decreased by \$159,907;
- Camp and portable shelters decreased by \$153,614;
- Travel decreased by \$107,301; and
- Consulting decreased by \$90,573.

Share-based payments were \$441,723 for YTD 2015 compared to \$139,469 for YTD 2014. This increase in share-based payments resulted from an increase in the number of options vesting and a corresponding increase in recognition of expense during the period.

**SUMMARY OF QUARTERLY RESULTS**

	Three months ended			
	September 30, 2014	June 30, 2014	March 31, 2014	December 31, 2013
Interest income	\$ 5,429	\$ 9,224	\$ 32,929	\$ 2,652
Net loss	(537,965)	(703,877)	(620,592)	(615,166)
Basic and diluted loss per share	(0.01)	(0.01)	(0.01)	(0.01)

	Three months ended			
	September 30, 2013	June 30, 2013	March 31, 2013	December 31, 2012
Interest income	\$ 4,774	\$ 17,595	\$ 40,769	\$ 23,478
Net loss	(1,741,289)	(741,739)	(1,034,697)	(1,190,991)
Basic and diluted loss per share	(0.02)	(0.01)	(0.01)	(0.01)

**LIQUIDITY AND CAPITAL RESOURCES**

Hudson is completing the necessary work to be granted an exploitation permit on the White Mountain project and conducting metallurgical studies at SGS Lakefield, among other things. With working capital of \$1.51 million as of September 30, 2014, the Company expects to have sufficient funds available to complete the

currently planned 2014 work Programs (exploitation and mining permit applications and alumina testwork) and to finance non-exploration operations for the next 12 months.

The exploration and subsequent development of the Company's properties beyond the completion of the exploration program and the next 12 months will depend on the Company's ability to obtain additional required financing. While the Company has some ability to reduce its budgets and expenditures, which could extend the time before which it would need to raise additional funds, any such actions could have a negative effect on its business. 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 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 the Greenland exploration licenses overseen by the Government of Greenland, the Mineral Licence and Safety Authority (MLSA) formerly the Bureau of Minerals and Petroleum ("BMP"). The Company may, in the future, be unable to meet its obligations under such agreements to which it is a party and consequently, the Company's interest in the properties subject to such agreements could be jeopardized.

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 the required financing.

The Company's future 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 affected by 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 September 30, 2014 of \$1,511,238 (March 31, 2014: \$2,271,050). The Company has no material income from operations and any improvement in working capital results primarily from the issuance of share capital.

The Company invests its cash balances in term deposits with Canadian banks.

## **OUTSTANDING SHARE DATA**

As at September 30, 2014 and the date of this MD&A, the Company had 81,486,766 common shares issued and outstanding.

During the period ended September 30, 2014, the Company granted 2,100,000 five-year options with an exercise price of \$0.34 to the Company's officers, directors and employees. The options are exercisable for a period of five years. 25% of the options granted vested immediately at the date of grant and 12.5% will vest every three months thereafter.

In addition, as of the date of this MD&A, the Company had the following stock options outstanding:

- 7,900,000 stock options outstanding, each of which is exercisable for one common share at prices ranging from \$0.34 to \$0.95.

**RELATED PARTY TRANSACTIONS**

During Q2 2015 and Q2 2014, respectively, the Company incurred the following expenses with a company with a common director and with directors and officers of the Company:

	For the six months ended September 30, 2014			
	Management fees	Accounting and legal fees	Directors' fees	Total
President	\$ 115,000	\$ -	\$ -	\$ 115,000
Chief Financial Officer <sup>(1)</sup>	-	20,440	-	20,440
VP Project Development	105,000	-	-	105,000
Directors	-	-	50,000	50,000
	<b>\$ 220,000</b>	<b>\$ 20,440</b>	<b>\$ 50,000</b>	<b>\$ 290,440</b>

	For the six months ended September 30, 2013			
	Management fees	Accounting and legal fees	Directors' fees	Total
President	\$ 115,000	\$ -	\$ -	\$ 115,000
Chief Financial Officer <sup>(1)</sup>	-	53,352	-	53,352
VP Project Development	105,000	-	-	105,000
Directors	-	-	50,000	50,000
	<b>\$ 220,000</b>	<b>\$ 53,352</b>	<b>\$ 50,000</b>	<b>\$ 323,352</b>

(1) The Company paid \$50,440 (September 30, 2013 - \$53,352) for accounting services to Quantum Advisory Partners LLP whose incorporated partner is the Company's Chief Financial Officer. Fees have been measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

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

As at March 31, 2014, the balances due from related parties included in amounts receivable were \$115,000. These amounts were received during the six months ended September 30, 2014. The balance due from related parties as at September 30, 2014 was \$nil.

The balances due to related parties included in trade payables and accrued liabilities were \$15,493 as at September 30, 2014 (March 31, 2014 – \$39,347). These amounts are unsecured and non-interest bearing.

**COMMITMENTS**

The Company currently has three exploration licences in Greenland, the Naajat EL (2002/06), the Sarfartoq EL (2010/40) and the newly granted Pingasut EL (2013/01). In 2014, Hudson was granted licence renewals on the Naajat and Sarfartoq EL's. Prior to that, in 2012, Hudson was granted two licence renewals. The Sarfartoq EL was amended to include portions of the Nalussivik, Sarfartuup Qulaa, Sarfartoq Valley and Arnanganeq exploration licences as well as annex portions of the Sarfartoq EL and add additional ground that extends the licence area to the fjord. The total area was reduced from 1,351 sq. km. to approximately 687 sq. km. As a result of the application, five previous licences will be incorporated into one new Sarfartoq EL that is focused on the rare earth project. In 2013, the licence area was further reduced to 92 sq. km. This reduced the exploration burden on the area while still maintaining 100% interest in the Sarfartoq Carbonatite Complex. The Naajat EL, which includes the White Mountain Anorthosite Project, was renewed for its industrial mineral potential for exploration years 11 and 12 and the licence area was reduced from 190 sq. km. to approximately 96 sq. km. In addition, Hudson applied for and was granted a non-exclusive prospecting licence for the west coast of

Greenland. The licence allows the Company to prospect ground outside of its existing 3 licences. In the event that Hudson wishes to apply for a future exploration licence on additional areas, funds expended from the prospecting can be carried over to the new licence area.

#### **Resource Properties**

##### **Naajat (White Mountain) Mineral Claim (2002/06), Greenland**

The total work commitment for calendar 2013 was 3,000,000 DKK (approximately \$600,000). The Company must submit an annual report by April 1 of each year detailing its' activities and expenditures for approval. These work commitments for calendar 2013 have now been approved by the Greenland government. The Company's licence has been renewed to December 31, 2014. Total work commitments for calendar 2014 are 4,259,720 DKK (approximately \$850,000). Hudson has accrued sufficient credits from previous expenditures to carry the licence beyond December 31, 2014.

##### **Sarfartoq Mineral Claim (2010/40), Greenland**

The total work commitment for calendar 2013 was 6,000,000 DKK (approximately \$1,200,000). The Company must submit an annual report by April 1 of each year detailing its' activities and expenditures for approval. These work commitments for calendar 2013 have now been approved by the Greenland government. The Company's licence has been renewed to December 31, 2014. Total work commitments for calendar 2014 are 16,538,600 DKK (approximately \$3,307,720). Hudson has accrued sufficient credits from previous expenditures to carry the licence beyond December 31, 2014.

##### **Pingasut Mineral Claim (2013/01), Greenland**

This licence was granted on August 9, 2013. The total work commitment for calendar 2013 and calendar 2014 is 360,000 DKK (approximately \$72,000). The Company must submit an annual report by April 1 of each year detailing its' activities and expenditures for approval. Due to the timing of the licence grant, exploration commitments in calendar 2013 have been carried over to calendar 2014. The Company's license expires December 31, 2018.

## **FINANCIAL INSTRUMENTS**

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The Company has designated its cash and cash equivalents, amounts receivable and deposits as loans and receivables and accounts payable and accrued liabilities as other financial liabilities.

The carrying values of cash and cash equivalents, amounts receivable, deposits and accounts payable and accrued liabilities approximate their fair values due to the relatively short period to maturity of those financial instruments.

The Company's cash and cash equivalents and receivables are exposed to credit risk. The Company reduces its credit risk on cash and cash equivalents by placing these instruments with institutions of high credit worthiness (Canadian financial institution with funds held secured by provincial government – AAA rated).

The Company manages liquidity risk by maintaining sufficient cash balance to enable settlement of transactions on the due date. Accounts payable and accrued liabilities are current. Included in the loss for the period in the financial statements is interest income on Canadian dollar cash and cash equivalents. As at September 30, 2014, the Company's cash is subject to or exposed to interest rate risk. However, this risk is not significant.

The Company has operations in Canada and Greenland subject to foreign currency fluctuations. The Company's operating expenses are incurred in Canadian dollars, US dollars and Danish kroners ("DKK") and the fluctuation of the Canadian dollar in relation to the other currencies will have an impact upon the profitability of the



Company and may also affect the value of the Company's assets and the amount of shareholders' equity. The Company has not entered into any agreements or purchased any instruments to hedge possible currency risks.

## **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**

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 six months ended September 30, 2014 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 and for mining equipment. There is significant and increasing competition for a limited number of rare earth 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, the majority of which 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 and the subsequent analysis of the technical and financial feasibility of developing such properties. 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 rare earths or industrial minerals 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, landslides 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 commercially extract the respective ores/ commodities contained therein 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 REE and industrial minerals or interests related thereto. The price of these commodities 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. The effect of these factors on the price of these commodities, and therefore the economic viability of the Company's operations cannot accurately be predicted and, in almost all cases, are factors which the Company cannot change or influence.

### **Title**

Although the Company believes that it has taken all reasonable legal and other actions to ensure that it has good title to the properties in which it has a material interest, there is no guarantee that title to such properties 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. The Bureau of Mines and Petroleum in Greenland currently restricts the mining of radioactive elements and there is no assurance that the ban will be lifted if the production of REE contains radioactive elements as by products to the primary metals.

### **Management and Directors**

The Company is dependent on a relatively small number of directors: John Hick, Flemming Knudsen, John McConnell, John McDonald, Herbert Wilson and James Tuer; and officers: James Tuer, Jim Cambon and Alnesh Mohan. The loss of any of one of those persons could have an adverse effect 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 September 30, 2014 the Company's deficit was \$45,058,421.

### **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 \$0.42 to a low of \$0.26. There can be no assurance that continual fluctuations in price will not occur.

## **CHANGES IN ACCOUNTING POLICIES AND NEW ACCOUNTING DEVELOPMENTS**

Standards issued but not yet effective up to the date of issuance of the Company's financial statements are listed below. This listing is of standards and interpretations issued, which the Company reasonably expects to be applicable at a future date. The Company intends to adopt those standards when they become effective. The Company has not completed its evaluation of the effects of adopting these standards on its financial statements.

- IFRS 7: Amended to require additional disclosures on transition from IAS 39 and IFRS 9, effective for annual periods beginning on or after January 1, 2015
- IFRS 9: New standard that replaced IAS 39 for classification and measurement
- IFRS 14: Regulatory deferral accounts, effective for annual periods beginning on or after January 1, 2016

## **ADDITIONAL DISCLOSURE FOR VENTURE ISSUERS WITHOUT SIGNIFICANT REVENUE**

Additional disclosure concerning the Company's general and administrative expenses and resource property expenditures is provided in the Company's unaudited interim financial statements for the six months ended September 30, 2014 which are available on the Company's website at [www.hudsonresource.ca](http://www.hudsonresource.ca) or on SEDAR at [www.sedar.com](http://www.sedar.com).

## **APPROVAL**

The Board of Directors of Hudson Resources Inc. has approved the disclosure contained in this MD&A. A copy of this MD&A will be provided to anyone who requests it.

**FORWARD-LOOKING INFORMATION**

Statements contained in this MD&A that are not historical facts are forward-looking statements (within the meaning of the Canadian securities legislation and the U.S. Private Securities Litigation Reform Act of 1995) that involve risks and uncertainties. Forward-looking statements include, but are not limited to, statements with respect to the future price of metals; the estimation of mineral reserves and resources, the realization of mineral reserve estimates; the timing and amount of estimated future production, costs of production, and capital expenditures; costs and timing of the development of new deposits; success of exploration activities, permitting time lines, currency fluctuations, requirements for additional capital, government regulation of mining operations, environmental risks, unanticipated reclamation expenses, title disputes or claims, limitations on insurance coverage and the timing and possible outcome of pending litigation. In certain cases, forward-looking statements can be identified by the use of words such as “plans”, “expects” or “does not expect”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates” or “does not anticipate”, or “believes”, or variations of such words and phrases or state that certain actions, events or results “may”, “could”, “would”, “might” or “will be taken”, “occur” or “be achieved”. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Such risks and other factors include, among others, risks related to the integration of acquisitions; risks related to operations; risks related to joint venture operations; actual results of current exploration activities; actual results of current reclamation activities; conclusions of economic evaluations; changes in project parameters as plans continue to be refined; future prices of metals; possible variations in ore reserves, grade or recovery rates; failure of plant, equipment or processes to operate as anticipated; accidents, labour disputes and other risks of the mining industry; delays in obtaining governmental approvals or financing or in the completion of development or construction activities, as well as those factors discussed in the sections entitled “Risks and Uncertainties” in this MD&A. Although the Company has attempted to identify important factors that could affect the Company and may cause actual actions, events or results to differ materially from those described in forward-looking statements, there may be other factors that cause actions, events or results not to be as anticipated, estimated or intended. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those anticipated in such statements. Accordingly, readers should not place undue reliance on forward-looking statements.

The forward-looking statements in this MD&A speak only as of the date hereof. The Company does not undertake any obligation to release publicly any revisions to these forward-looking statements to reflect events or circumstances after the date hereof to reflect the occurrence of unanticipated events. Forward-looking statements and other information contained herein concerning the mining industry and general expectations concerning the mining industry are based on estimates prepared by the Company using data from publicly available industry sources as well as from market research and industry analysis and on assumptions based on data and knowledge of this industry which the Company believes to be reasonable. However, this data is inherently imprecise, although generally indicative of relative market positions, market shares and performance characteristics. While the Company is not aware of any misstatements regarding any industry data presented herein, the industry involves risks and uncertainties and is subject to change based on various factors.