HUDSON RESOURCES INC

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## (An Exploration Stage Company)

## Management Discussion and Analysis

## (Form 51-102F1)

## For the Six Months Ended September 30, 2015

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, 2015 ("Q2 2016") and to the date of this report. The MD&A supplements, but does not form part of, the unaudited condensed consolidated interim financial statements of the Company and the notes thereto for the six months ended September 30, 2015 (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 and on the Company's website at www.hudsonresources.ca.

This MD&A contains information up to and including November 30, 2015.

## 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 (fiberglass) industry has indicated that the anorthosite has superior characteristics compared with the kaolin feedstocks currently being used. The Company has now been granted a mining permit to advance the project to production. As of the date of this MD&A, Hudson has:

- Obtained the mine exploitation license from the Government of Greenland;
- Completed its first supply (off-take) agreement;
- Successfully completed an 80 tonne commercial furnace test with Owens Corning and extracted an additional 40 tonnes of material for further testing by other parties;
- Advanced road construction and port development on site;
- Produced metallurgical and specialty grade alumina using a hydrochloric leach process in the lab; and
- Completed and published a preliminary economic assessment on the production of specialty grade alumina from White Mountain anorthosite.

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 filler and 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 year ended March 31, 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 $2.2 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 YTD 2016 was $1,370,884 and $478,273, respectively, and the cash inflow in respect of financing activities was $4,146,546, the Company has the ability to reduce its spending going forward if necessary, without negatively affecting its property holdings in Greenland due to substantial exploration credits from previous year's activities.

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 31, 2015 in respect of the Company's interim financial statements for the period ended June 30, 2015, Hudson has continued to advance the White Mountain anorthosite project towards development in Greenland.

On September 11, 2015, Hudson announced that that the Government of Greenland had approved the 30-year exploitation (mining) license for Hudson's White Mountain anorthosite project. The exploitation license can be extended for an additional 20 years upon approval from the government. The license will be held in Hudson's 100% owned Greenland subsidiary, Hudson Greenland A/S.

Concurrent with the exploitation approval was the approval of the Impact Benefit Agreement (IBA) between Hudson, the Greenland government and the Qeqqata Municipality whose communities surround the project. The IBA will ensure that local communities and stakeholders share in the benefits of the project including employment, training, social and educational support.

On September 24, 2015, Hudson participated in a signing ceremony at the Greenland School of Minerals and Petroleum in Sisimiut, Qeqqata Kommunia, in front of the mining students and faculty. The agreements were signed by Hermann Berthelsen, Mayor of the Municipality of Qeqqata, the Minister of Finance and Resources, Anda Uldum, the Minister for Industry, Labour and Trade, Vittus Qujaukitsoq and James Tuer, the president of Hudson. The Ministers were included via a video link from Nuuk, Greenland's capital.

On September 17, 2015, Hudson announced the completion of the recent equity financing for a total of $4.4 million. A portion of those funds were employed in a fall work program of pre-construction activities at the White Mountain project. The objective was to prepare the port area by blasting and extending the road that connects the port to the pit. The equipment purchased using the bridge loan (see NR201505 dated August 19, 2015) arrived on site and was being used for the construction activities. Work continued through to the 10th of November. The plan is to and start up again in March/April with the objective of completing plant commissioning by the fourth quarter of 2016. Pictures of current construction activities have been added to the Company's website photo gallery.

**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, 2015** | **September 30, 2014** | **September 30, 2013** |
| Interest and miscellaneous income | $ 13,070 | $ 14,653 | $ 22,369 |
| Net loss | (2,071,732) | (1,241,842) | (2,483,028) |
| Basic and diluted loss per share | $ (0.03) | $ (0.02) | $ (0.03) |

| *As at:* | **September 30, 2015** | **March 31, 2015** | **March 31, 2014** |
|---|---|---|---|
| **Balance Sheet Data** | | | |
| Cash and cash equivalents | $ 3,231,860 | $ 926,853 | $ 2,367,811 |
| Resource properties | 918,937 | 855,556 | 793,193 |
| Total assets | $ 6,368,668 | $ 2,408,993 | $ 4,051,505 |

**Three months ended September 30, 2015 ("Q2 2016") compared with Three months ended September 30, 2014 ("Q2 2015")**

The Company incurred a net loss of $1,642,834 for Q2 2016 representing an increase of $1,104,869 when compared with a net loss of $537,965 for Q2 2015. This increase was primarily the result of the increase in share-based payments and evaluation and exploration costs.

Share-based payments were $539,991 for Q2 2016 compared to $32,249 for Q2 2015. 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. During Q2 2016, 2,700,000 options were granted to the Company's officers, directors and employees. No options were granted in Q2 2015.

Evaluation and exploration costs increased by $450,364 to $720,994 for Q2 2016 from $270,630 for Q2 2015. The increase is primarily the result of the increase in exploration activities on the White Mountain project in

Q2 2016 compared to Q2 2015. During Q2 2016, the evaluation and exploration costs incurred on White Mountain project increased by $389,310, to $631,238 from $241,928 for Q2 2015. The Company focused on completing the EIA and SIA reports on White Mountain during the period. The increase in evaluation and exploration costs on the White Mountain project is primarily the result of the increase of the following expenditures:

- Equipment rental increased by $72,801;
- Helicopter rental increased by $89,521;
- Shipping expenses increased by $172,755; and
- Supplies expenses increased by $98,098.

**Six months ended September 30, 2015 ("YTD 2016") compared with Six months ended September 30, 2014 ("YTD 2015")**

The Company incurred a net loss of $2,071,732 for YTD 2016 representing an increase of $829,890 when compared with a net loss of $1,241,842 for YTD 2015. This increase was primarily the result of the increase in evaluation and exploration costs and share-based payments.

Evaluation and exploration costs increased by $540,539 to $895,870 for YTD 2016 from $355,331 for YTD 2015. The increase is primarily the result of the increase in exploration activities on the White Mountain project in YTD 2016 compared to YTD 2015. During YTD 2016, the evaluation and exploration costs incurred on White Mountain project increased by $474,695, to $792,492 from $317,797 for YTD 2015. The Company focused on completing the EIA and SIA reports on White Mountain during the period. The increase in evaluation and exploration costs on the White Mountain project is primarily the result of the increase of the following expenditures:

- Equipment rental increased by $98,635;
- Helicopter rental increased by $80,176;
- Shipping expenses increased by $173,369; and
- Supplies expenses increased by $104,234.

Share-based payments were $569,954 for YTD 2016 compared to $441,723 for YTD 2015. 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. During YTD 2016 and YTD 2015, 2,700,000 and 2,100,000 options were granted to the Company's officers, directors and employees, respectively.

## SUMMARY OF QUARTERLY RESULTS

| | Three months ended | | | |
|---|---|---|---|---|
| | September 30, 2015 | June 30, 2015 | March 31, 2015 | December 31, 2014 |
| Interest income | $ 104 | $ 12,966 | $ (3,053) | $ 1,121 |
| Net loss | (1,642,834) | (428,898) | (422,117) | (373,488) |
| Basic and diluted loss per share | $ (0.02) | $ (0.01) | $ (0.01) | $ - |

| | 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) |

The Company's net losses are mainly due to evaluation and exploration costs, share-based payments and general and administrative costs that vary from quarter to quarter based on planned exploration activities and resource constraints. Net losses in the quarters ended December 31, 2013 to June 30, 2015 were relatively consistent. Net loss for the quarter ended September 30, 2015 increased mainly due to a focus on completing the EIA and SIA reports on White Mountain and an increase in the number of options vesting and a corresponding increase in recognition of expense during the period.

The Company prepared the financial statements for the periods indicated above in accordance with IFRS.

## LIQUIDITY AND CAPITAL RESOURCES

Hudson recently obtained an exploitation permit on the White Mountain project. With working capital of $1,827,124 as of September 30, 2015, the Company expected to have sufficient funds to complete pre-construction activities at White Mountain in 2015 and to finance non-exploration and development operations for the next 12 months. During the six months ended September 30, 2015, the Company raised $4.4 million by way of a private placement. As well, the Company signed a $1.2M bridge loan in order to purchase necessary pre-mining construction equipment. These funds will allow the Company to maintain operations for the next 12 months. Additional financing will be required to complete the construction of the planned White Mountain mine.

The development of the Company's properties 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, 2015 of $1,827,124 (March 31, 2015 – $743,686). 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, 2015 and the date of this MD&A, the Company had 90,288,366 common shares issued and outstanding.

*During the six months ended September 30, 2015:*

- On September 3, 2012, the Company completed a private placement of 8,047,000 units for gross proceeds of $4,023,500. Each unit consisted of one common share and one-half share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at an exercise price of $0.75 per share for a period of 36 months from the date of issuance.

- On September 17, 2012, the Company completed a private placement of 754,600 units for gross proceeds of $377,300. Each unit consisted of one common share and one-half share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at an exercise price of $0.75 per share for a period of 36 months from the date of issuance.

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

- 4,400,800 share purchase warrants outstanding, each of which is exercisable for one common share at $0.75.

- 8,300,000 stock options outstanding, each of which is exercisable for one common share at prices ranging from $0.34 to $0.65.

## RELATED PARTY TRANSACTIONS

During YTD 2016 and YTD 2015, respectively, the Company incurred the following expenses with directors and officers of the Company:

| | For the six months ended September 30, 2015 | | | |
|---|---|---|---|---|
| | **Management fees** | **Accounting and legal fees** | **Directors' fees** | **Total** |
| President | $ 115,000 | $ - | $ - | $ 115,000 |
| Chief Financial Officer (1) | - | 42,000 | - | 42,000 |
| VP Project Development | 105,000 | - | - | 105,000 |
| Directors | - | - | 50,000 | 50,000 |
| | **$ 220,000** | **$ 42,000** | **$ 50,000** | **$ 312,000** |

| | 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 (1) | - | 50,440 | - | 50,440 |
| VP Project Development | 105,000 | - | - | 105,000 |
| Directors | - | - | 50,000 | 50,000 |
| | **$ 220,000** | **$ 50,440** | **$ 50,000** | **$ 320,440** |

(1) The Company paid $42,000 (September 30, 2014 – $50,440) for accounting and corporate secretarial 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.

The balances due to related parties included in trade payables and accrued liabilities were $77,938 as at September 30, 2015 (March 31, 2015 – $34,144). These amounts are unsecured and non-interest bearing.

## COMMITMENTS

The Company currently has two exploration licences in Greenland, the Sarfartoq EL (2010/40) and the Pingasut EL (2013/01) and one exploitation licence, the Naajat EL (2002/06). 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 was renewed in 2013 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. The Naajat EL includes the White Mountain Anorthosite Project ("White Mountain"). In 2014, Hudson began the process of converting the Naajat exploration licence into an exploitation licence. This was completed in the 2015. 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***

In September 2015, the licence was converted to an exploitation licence. A fee of 100,000 DDK was paid. Previously, the Company was required to maintain certain work commitments to retain the exploration licence. The total work commitment for calendar 2014 was 4,259,720 DKK (approximately $850,000). 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 2014 have now been approved by the Greenland government. Provided the licence remained unchanged in 2015, total work commitment for calendar 2015 were 8,636,960 DKK (approximately $1,586,000). Hudson had accrued sufficient credits from previous expenditures to carry the licence beyond December 31, 2015. Hudson now has certain non-monetary commitments based on establishing a mining operation as per the exploitation agreement in order to maintain the licence.

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

The total work commitment for calendar 2014 was 16,538,600 DKK (approximately $3,308,000). 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 2014 have now been approved by the Greenland government. The Company's licence has been renewed to December 31, 2017. Total work commitment for calendar 2015 is 33,528,000 DKK (approximately $6,156,000). Hudson has accrued sufficient credits from previous expenditures to carry the licence beyond December 31, 2015.

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

This licence was granted on August 9, 2013. The total work commitment for calendar 2014 was 409,370 DKK (approximately $82,000). The Company must submit an annual report by April 1 of each year detailing its' activities and expenditures for approval. The Company's license expires December 31, 2018. Total work commitment for calendar 2015 is 390,940 DKK (approximately $72,000). Hudson has accrued sufficient credits from previous expenditures to carry the licence beyond December 31, 2015.

## FINANCIAL INSTRUMENTS

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, 2015, 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 Krones ("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, 2015 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, 2015, the Company's deficit was $47,925,758.

**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 $0.55 to a low of $0.22. 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 9: New standard that replaced IAS 39 for classification and measurement, tentatively effective for annual periods beginning on or after January 1, 2018

## 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 ended September 30, 2015 which are available on the Company's website at www.hudsonresource.ca or on SEDAR at 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.