

HUDSON RESOURCES INC.

Management Discussion and Analysis

(Form 51-102F1)

For the Nine months ended December 31, 2004

Information as of February 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, 2004 and for the three months ended June 30, 2004, the six months ended September 31, 2004 and the nine months ended December 31, 2004 together, with the notes thereto. The material herein, as of February 24, 2005 updates the information as of November 25, 2004 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 that 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 as a result of its joint venture with New Millennium Resources NL of Perth Australia.

The Company's loss from operations for the nine months ended December 31, 2004 totaled \$243,445, a loss of \$0.03 per share, as compared to a loss of \$121,259 for the nine months ended December 31, 2003, a loss of \$0.01 per share. Assets increased from \$823,251 as at December 31, 2003 to \$2,659,006 as at December 31, 2004 as a result of capitalizing resource expenditures and raising additional capital over the period. The proceeds of the capital raising were and will be used to fund the Company's exploration program (expenditures which have been capitalized) and to cover operating expenses.

General and administrative expenses increased from \$32,285 in the three months ended December 31, 2003 to \$117,496 in the three months ended December 31, 2004. For the third

quarter ended December 31, 2004, stock-based compensation expense accounted for approximately 40%, or \$46,813 (2003 - \$0) of the Company's total general and administrative expenses and reflects the Company's adoption of full fair value based accounting for all stock options granted after April 1, 2002, in accordance with the recommendations of CIC Handbook S. 3870. There were no deferred exploration or property write-offs in the third quarter ended December 31, 2004. Interest income was \$6,375 (2003 - \$1,152) for the third quarter ended December 31, 2004.

The increase in expenses over the previous period is attributed to higher costs related to running and promoting the Company as a result of successes in exploration and fund raising. Significant changes in General and Administrative costs were: Shareholder communication costs (such as investor presentations and trade/investment shows) increased by \$17,456 to \$28,529; Travel costs, primarily associated with the investor activities, increased by \$6,264 from nil the previous period; Management fees increase by \$11,600 to \$26,600 as a result of the hiring of an executive assistant and increased monthly consulting fees; and ,most significantly, non-cash compensation of \$46,813 was included in the quarter as a result of granting 698,167 options at \$0.60 per share during the quarter.

Exploration Update

Recent exploration activity was primarily focused on preparing for the upcoming 2005 drill program and analysing results from the 2004 field season. In December, the Company announced that it had completed the electron microprobe analysis of 10 till samples and 6 kimberlite samples collected during the Company's recent summer sampling program in Greenland.

The chemistry of the indicator minerals recovered from the kimberlite samples is representative of how diamondiferous the kimberlite is. Specifically, the Garnet Lake sample, that yielded 151 diamonds from 108 kilograms of kimberlite, generated a large number of indicator minerals that fell well within the diamond window. This includes both pyrope and eclogitic garnets.

None of the non-diamondiferous kimberlite samples generated any indicator minerals that demonstrated an affinity with the diamond stable window. As a result, Hudson continues to believe that there are a number of other highly diamondiferous kimberlite bodies across the region due to the widespread recovery of high potential indicator minerals on the exploration licences.

The Garnet Lake kimberlite represents the most diamondiferous kimberlite found to date in Greenland. Analytical results have determined that there are two distinct populations of diamonds present, probably reflecting the presence of both pyrope and eclogitic garnets found in the samples. Mineral analyses have confirmed that the Garnet Lake samples appear to have a very deep origin from 180 – 200 km below the surface that is consistent with derivation from within the diamond stability field.

The Garnet Lake samples generated large numbers of garnets, microilmenites and olivines from the samples. Exact proportions are unknown since the pickers stopped after collecting 50 mineral grains of each type. Of the 50 pyrope garnets picked and analysed, 10 are classified as G10 and all but one of these are classified as G10-D. Of the 23 eclogitic garnets analysed, 14 contain sodium and titanium contents that are characteristic of eclogitic diamond inclusions.

Mineral Services Canada Inc. was retained to conduct a regional analysis of all of the kimberlite indicator samples on the Company's exploration licences. By looking at the minerals from a depth of origin approach (ie. they determined which grains were derived from the diamond stability field), they concluded that the source of the best kimberlite indicator mineral chemistry is very local in origin. As a result, the proposed drill program will focus on geophysical anomalies which are coincident with deep mantle indicator minerals in order to enhance the probability that kimberlite drill intercepts will be significantly diamondiferous."

In January, Hudson entered into an contract with Cartwright Drilling Inc., of Goose Bay, Labrador, to conduct the drill program on the exploration properties. The drill was be shipped on February 7,

2005 from Canada and is expected to be delivered at Maniitsoq, on the west coast of Greenland, by March 10, 2005. The 2,000m drill program will commence after the drill has been mobilized by air into the field by Twin Otter..

Starting February 28, 2005, a ground-based geophysical crew will be on site preparing to generate approximately 120 km of magnetic data and 30 km of HLEM electromagnetic data over eight grids. It is expected to take 2 to 3 weeks to complete this program.

The purpose of the ground geophysical program is to give integrity to the 2004 Dighem survey and spot drill locations on surface. The program focuses heavily on areas where mineral chemistry in the tills has been determined to be derived from the diamond stable field. Highlighting the program so far are the Garnet lake and the Spider Lake areas where a number of magnetic and HLEM targets will be ground-truthed.

The Garnet lake generated the significantly diamondiferous kimberlite discovered last summer and the Spider Lake area has diamondiferous kimberlite dikes radiating from a deep seated circular anomaly within the lake. Hudson will also investigate a very strong linear conductor that it believes may host a massive sulphide body. EM inversion analysis shows it to have a linear extent of approximately 2 km and a potential width of 50m.

Grant Lockhart, Petra Geophysics, has been responsible for reviewing the Dighem survey and preparing the exploration grids. He will provide quality control as the program develops in the field and assist Hudson in targeting the drill once it arrives on site.

All samples were processed by the Geoanalytical Laboratories at the Saskatchewan Research Council ("SRC"), Saskatoon, Saskatchewan, an independent laboratory. SRC GeoAnalytical Laboratories is accredited to the ISO/IEC 17025 standard by the Standards Council of Canada as a testing laboratory for specific tests. Fourier transform Infra-Red spectrometry analysis was carried out by Dr. Mark Hutchison, Trigon GeoServices Ltd., at the University of British Columbia. He also conducted the electron microprobe analyses using the Department of Geology, University of Copenhagen's JEOL 733/Superprobe.

Finally, The application that Hudson made to acquire the remaining 89 sq km of open ground to the north of the Garnet Lake area was accepted in January. Hudson now has an interest in 1,500 sq km (370,000 acres) of exploration ground in the Sarfartoq region of West Greenland (49% of which is a 100% interest in the licensed and application areas and the balance representing an 80% interest in the mineral rights as described above).

GENERAL

The Company is a junior mineral exploration company listed on the TSX Venture Exchange and engaged in the acquisition, exploration and development of mineral properties. It has not yet determined whether its properties contain mineral reserves that are economically recoverable. The recoverability of the amounts shown for resource assets is dependent upon the existence of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the exploration and development of its properties, and upon future profitable production or proceeds from the disposition of the properties. The Company's ability to continue its operations is dependent on its ability to secure additional financing, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. In order to continue developing its mineral properties, management is actively pursuing such additional sources of financing; however, in the event this does not occur, there is doubt about the ability of the Company to continue as a going concern. The Financial Statements and discussion and analysis of the financial condition, changes in financial condition and results of operations of the Company for the periods ended December 31, 2004 and 2003 do not include the adjustments that would be necessary should the Company be unable to continue as a going concern.

The amount of the Company's administrative expenditures is related to the level of financing and exploration activities that are being conducted, which in turn may depend on the Company's recent exploration experience and prospects, as well as the general market conditions relating to

the availability of funding for exploration-stage resource companies. Consequently, the Company does not acquire properties or conduct exploration work on them on a pre-determined basis and as a result there may not be predictable or observable trends in the Company's business activities and comparisons of financial operating results with prior years may not be meaningful.

Trends

The Company's financial success is dependent upon the discovery of properties which could be economically viable to develop. Such development could take years to complete and the resulting income, if any, is difficult to determine. The sales value of any mineralization discovered by the Company is largely dependent upon factors beyond the Company's control, such as the market value of the products produced. Other than as disclosed herein, the Company is not aware of any trends, uncertainties, demands, commitments or events which are reasonably likely to have a material effect on the Company's sales or revenues, income from continuing operations, profitability, liquidity or capital resources, or that would cause reported financial information not necessarily to be indicative of future operating results or financial condition.

Competitive Conditions

The resource industry is intensively competitive in all of its phases. The Company competes with other mining companies for the acquisition of mineral claims and other mining interests as well as for the recruitment and retention of qualified employees and contractors. There is significant and increasing competition for a limited number of gold and other resource acquisition opportunities and as a result, the Company may be unable to acquire suitable producing properties or prospects for exploration in the future on terms it considers acceptable. The Company competes with many other companies that have substantially greater financial resources than the Company.

Environmental Factors and Protection Requirements

The Company currently conducts exploration and development activities in Greenland. All phases of the Company's operations are subject to environmental regulation in the jurisdictions in which it operates. Environmental legislation is evolving in a manner which requires stricter standards and enforcement, increased fines and penalties for non-compliance, more stringent environmental assessments of proposed projects and a heightened degree of responsibility for companies and their officers, directors and employees. There is no assurance that future changes in environmental regulation, if any, will not adversely affect the Company's operations. There is no assurance that regulatory and environmental approvals will be obtained on a timely basis or at all. The cost of compliance with changes in governmental regulations has the potential to reduce the profitability of operations or to preclude entirely the economic development of a property. Environmental hazards may exist on the properties which are unknown to the Company at present which have been caused by previous or existing owners or operators of the properties. The Company is currently engaged in exploration with nil to minimal environmental impact.

Risks and Uncertainties

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

RELATED PARTY TRANSACTIONS

During the periods ended December 31, 2004 and 2003, the Company incurred the following transactions with a director of the Company:

	<u>2004</u>	<u>2003</u>
Management fees	\$ 26,600	\$15,000

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 December 31, 2004.

SUMMARY OF QUARTERLY INFORMATION

The following table sets forth a comparison of revenues and earnings for the previous eight quarters ending with December 31, 2004. Financial information is prepared according to GAAP and is reported in Canadian \$.

	Dec-31 <u>2004</u>	Sep-30 <u>2004</u>	Jun-30 <u>2004</u>	Mar-31 <u>2004</u>	Dec-31 <u>2003</u>	Sep-30 <u>2003</u>	Jun-30 <u>2003</u>	Mar-31 <u>2003</u>
Interest Income	\$6,375	\$1,702	\$2,152	\$927	\$1,152	\$1,492	\$2,120	\$2,434
Net loss	\$(111,121)	\$(57,012)	\$(74,912)	\$(65,449)	\$(61,635)	\$(34,714)	\$(24,883)	\$(22,950)
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 by itself all of its planned exploration and possible development programs for the next twelve months including its proposed drill program. The exploration and subsequent development of the Company's properties beyond that will depend on the Company's ability to obtain additional required financing. The Company has limited financial resources and there is no assurance that additional funding will be available to allow the Company to fulfill its obligations on existing exploration (or joint venture) properties. Failure to obtain additional financing could result in delay or indefinite postponement of further exploration and the possible, partial or total loss of the Company's interest in certain properties. The Company may, in the future, be unable to meet its obligations under agreements to which it is a party and the Company may consequently have its interest in the properties subject to such agreements jeopardised. Furthermore, if other parties to such agreements do not meet their share of such costs, the Company may be unable to finance the cost required to complete recommended programs.

The Company is dependent on raising funds by the issuance of shares or disposing of interests in its mineral properties (by options, joint ventures or outright sales) in order to finance further acquisitions, undertake exploration and development of mineral properties and meet general and administrative expenses in the immediate and long term. There can be no assurance that the Company will be successful in raising their required financing.

The Company's financial performance is dependent on many external factors. The Company expects that any revenues it may earn from its operations in the future will be from the sale of minerals. Both prices and markets for metals and minerals are cyclical, difficult to predict, volatile, subject to government price fixing and controls and respond to changes in domestic and international, political, social and economic environments. In addition, the availability and cost of funds for exploration, development and production costs are difficult to predict. These changes in events could materially affect the financial performance of the Company.

The Company has working capital at December 31, 2004 of \$1,685,294 compared with \$360,978 as at December 31, 2003. The Company has no material income from operations and any improvement in working capital results primarily from the issuance of share capital.

FINANCIAL INSTRUMENTS

Fair value estimates of financial instruments are made at a specific point of time, based on relevant information about financial markets and specific financial instruments. At these estimates are subjective in nature, involving uncertainties and matter of significant judgment, they cannot be determined with precision. Changes in assumptions can significantly affect estimated fair values.

The carrying value of cash and cash equivalents, marketable securities, sundry receivable, and accounts payable and accrued liabilities and mortgage loans approximate their fair market value because of the short-term nature of these instruments.

OUTSTANDING SHARE DATA AS OF FEBRUARY 25, 2004:

Authorized and issued share capital:

Class	Par Value	Authorized	Issued	
			Number	Value
Common	No par value	Unlimited	12,220,023	2,988,857

There are currently 1,495,000 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>698,167</u>	\$0.60	December 1, 2009
<u>846,833</u>		

OTHER INFORMATION

The Company's website address is www.hudsonresources.ca. Other information relating to the Company may be found on SEDAR at www.sedar.com.

BY ORDER OF THE BOARD

James Tuer
President and Director

Robert Chase
Director