HUDSON RESOURCES INC

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(An Exploration Stage Company)

Management Discussion and Analysis

(Form 51-102F1)

For the Nine Months Ended December 31, 2010

This management's discussion and analysis ("MD&A") focuses on significant factors that affected Hudson Resources Inc. ("Hudson" or the "Company") during the nine months ended December 31, 2010 and to the date of this report. The MD&A supplements, but does not form part of, the unaudited interim financial statements of the Company and the notes thereto for the nine months ended December 31, 2010. Consequently, the following discussion of performance and financial condition should be read in conjunction with the unaudited interim financial statements for the nine months ended December 31, 2010 and the notes thereto. 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 February 28, 2011.

FORWARD-LOOKING INFORMATION

This discussion includes certain statements that may be deemed "forward-looking statements." All statements in this discussion, other than statements of historical facts that address future production, reserve potential, exploration drilling, exploration activities and events or developments that the Company expects, are forward-looking statements. Although the Company believes the expectations expressed in such forward-looking statements are based on reasonable assumptions, such statements are not guarantees of future performance and actual results or developments may differ materially from those in the forward-looking statements. Factors that could cause actual results to differ materially from those in forward-looking statements include market prices, exploitation and exploration successes, continued availability of capital and financing, and general economic, market or business conditions. Investors are cautioned that any such statements are not guarantees of future performance and actual results or developments may differ materially from those projected in the forward-looking statements.

GENERAL

The Company is a junior mineral exploration company listed on the TSX Venture Exchange and 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 nine months ended December 31, 2010 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 $3.3 million. Management believes that the current cash position of the Company is sufficient to support the operations for the upcoming fiscal year as the cash outflow for the operating and investing activities for the nine months ended December 31, 2010 and the year ended March 31, 2010 was $3,557,696 and $2,178,685, respectively.

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.

EXPLORATION UPDATE

Since the previous Exploration Update provided in the Company's MD&A report dated November 25, 2010 in respect of the Company's financial statements for the period ended September 30, 2010, Hudson's main objective has been to complete the N1 43-101 compliant resource estimate on the ST1 Zone and to plan the 2011 exploration and development plans. As well, the Company is advancing the project by studying the metallurgy and the mineralogy in preparation of a proposed preliminary economic assessment (PEA).

On January 4, 2011 Hudson announced a National Instrument 43-101 compliant inferred mineral resource estimate of 14.1M tonnes averaging 1.51% total rare earth oxides (TREO) for the ST1 Zone at a cut-off of 0.8% TREO. The selected base case cut-off grade of 0.8% TREO is considered consistent with other mineral deposits of similar characteristics, scale and location. The technical report was filed on SEDAR on February 3, 2011.

In August 2011, Hudson engaged Ronald Simpson P.Geo. of GeoSim Services Inc. to complete an independent resource estimation of the ST1 Zone. A site inspection was conducted by Mr. Simpson in early September in anticipation of preparing the resource estimate.

The following table presents the inferred mineral resource estimate for the ST1 Zone at a range of cut-off grades with the base case in bold face. The selected base case cut-off grade of 0.8% TREO is considered consistent with other mineral deposits of similar characteristics, scale and location.

Table 1. ST1 Zone Inferred Mineral Resource[1]

COG[2,3] %TREO	Tonnes (000,s)	% TREO[4]	% La_2O_3	% Ce_2O_3	% Pr_2O_3	% Nd_2O_3	% Sm_2O_3	% Gd_2O_3	% Eu_2O_3	% Dy_2O_3	% Y_2O_3
0.5	15,216	1.445	0.302	0.723	0.085	0.277	0.026	0.020	0.006	0.002	0.005
0.6	14,641	1.481	0.310	0.741	0.087	0.283	0.027	0.020	0.006	0.002	0.005
0.7	14,310	1.500	0.314	0.751	0.088	0.287	0.027	0.021	0.006	0.002	0.005
0.8	**14,058**	**1.514**	**0.317**	**0.757**	**0.088**	**0.289**	**0.028**	**0.021**	**0.006**	**0.002**	**0.005**
0.9	13,840	1.524	0.320	0.763	0.089	0.291	0.028	0.021	0.006	0.002	0.005
1.0	13,554	1.536	0.322	0.769	0.090	0.293	0.028	0.021	0.006	0.002	0.005
1.5	7,155	1.746	0.379	0.878	0.100	0.321	0.030	0.023	0.007	0.002	0.006

1. The resource estimate is classified as Inferred Mineral Resources as defined by CIM and referenced in NI 43-101. A Technical Report was filed on SEDAR on February 3, 2011.
2. COG – Cut-off Grade.
3. GeoSim considers a cut-off grade of 0.8% TREO to be reasonable in preliminary estimation of potentially economic resources extractable by open pit methods.
4. TREO - Total Rare Earth Oxides refers to the elements lanthanum through lutetium plus yttrium expressed as oxides in the form REE_2O_3.

The mineral resource was estimated using the inverse distance squared method constrained by an optimized pit shell. Block dimensions were 10 metres by 10 metres horizontal and 10 metres vertical. Grade estimation was based on analyses of core samples from 19 diamond drill holes (4,737 metres) completed between September 2009 and September 2010. Assays were composited in two metre down-hole intervals. It was concluded from statistical analysis of the raw sample data that grade capping or special treatment of outliers was not warranted. The mineralized zone is not tabular in shape and true thickness was not used as a factor in resource estimation.

Wireframe models of the major lithologies were developed to constrain the grade estimate and for assigning density values. The density values were assigned to the major lithologies based on 470 specific gravity measurements of drill core.

Assumptions used for pit optimization were:

- A three year trailing average for REE prices (per kilogram). La_2O_3 \$12.53; Ce_2O_3 \$10.80; Pr_2O_3 \$31.66; Nd_2O_3 \$32.49; Sm_2O_3 \$7.71; Gd_2O_3 \$7.91; Eu_2O_3 \$506.09; Dy_2O_3 \$152.25; Y_2O_3 \$22.05.
- General & Administration, Processing and Ore Mining costs of \$150/tonne.
- Waste mining costs of \$4.00/tonne.
- A recovery of 80% has been assumed and will be revised when metallurgical test results are available.

In order to determine the economics of the project, metallurgical testwork needs to be conducted. This exercise commenced February 1, 2011 at Hazen Research Inc. in Golden Colorado under the direction of Mr. Les Heymann, P. Eng. Results of the metallurgical test program are expected in the first half of 2011. Limited mineralogical work to date has been carried out on 31 samples, primarily from the ST1 Zone.

Mineralogical work is being managed by Dr. Peter Le Couteur, of North Vancouver. The ST1 Zone is a carbonatite hosted rare earth deposit. Recent analyses on the ST1 material suggests that the rare earths, comprised of synchysite-(Ce), synchysite- (Nd) bastnasite- (Ce) and monazite-(Ce), are found only in the hematized (iron rich) portions of the carbonatite material. As a result, Hudson is undertaking tests to determine if magnetic separation will be an effective method to generate a preliminary concentrate.

Based on this resource estimate, and due to the fact that the deposit remains open along strike and down dip, Hudson plans to undertake higher-density diamond drilling commencing in May of 2011 with the objective of upgrading the resource to indicated status and increasing tonnage. Furthermore, the resource estimate has confirmed that the ST1 Zone represents one of the industries highest ratios of neodymium and praseodymium to TREO totaling 25%. A Preliminary Economic Assessment is planned for 2011. Since the project is located near tidewater it is ideally situated to provide REEs to both the North American and European markets.

Dr. Michael Druecker is a qualified person as defined by National Instrument 43-101 and reviewed the preparation of the scientific and technical information in this MD&A disclosure. Ronald G. Simpson, B.Sc., P,Geo., President of Geosim Services Inc., is an independent Qualified Person as defined by NI 43-101 and was responsible for the resource estimate on the ST1 Zone.

RESULTS FROM OPERATIONS

Selected Information

	For the nine months ended		
	December 31, 2010	December 31, 2009	December 31, 2008
Financial Results			
Interest income	$ 5,642	$ 97	$ 13,469
Net income (loss)	(1,407,644)	(560,879)	(709,587)
Basic loss per share	(0.02)	(0.01)	(0.02)

As at:	December 31, 2010	March 31, 2010	March 31, 2009
Balance Sheet Data			
Cash and cash equivalents	$ 3,458,944	$ 1,981,878	$ 712,877
Resource properties	19,926,157	16,921,437	15,413,713
Total assets	23,505,859	18,978,026	16,205,010

Three months ended December 31, 2010 compared with Three months ended September 30, 2010

The Company incurred a net loss of $511,513 for the three months ended December 31, 2010 representing an increase of $159,950 when compared with $351,563 for the three months ended September 30, 2010. This increase in net loss was primarily the result of increases in non-cash compensation expenses of $138,684 during the three months ended December 31, 2010.

Non-cash compensation expense was $342,439 for the three months ended December 31, 2010 compared to $203,755 for the three months ended September 30, 2010. This increase in stock-based compensation expense for the three months ended December 31, 2010 resulted from options vesting and a corresponding recognition of expense during the period.

Three months ended December 31, 2010 compared with Three months ended December 31, 2009

The Company incurred a net loss of $511,513 for the three months ended December 31, 2010 representing an increase of $360,934 when compared with $150,579 for the three months ended December 31, 2009. This increase in net loss was primarily the result of increases in non-cash compensation expenses and legal, audit and accounting expenses.

Non-cash compensation expense was $342,439 for the three months ended December 31, 2010 compared to $27,026 for the three months ended December 31, 2009. This increase in stock-based compensation expense for the three months ended December 31, 2010 resulted from options vesting and a corresponding recognition of expense during the period.

Legal, audit and accounting expenses were $40,480 for the three months ended December 31, 2010 compared to $900 for the three months ended December 31, 2009. This increase is primarily the result of hiring a contract Chief Financial Officer during the nine months ended December 31, 2010 and the costs associated with listing on the over-the-counter market in the US (“OTCQX”) during the nine months ended December 31, 2010.

Nine months ended December 31, 2010 compared with Nine months ended December 31, 2009

The Company incurred a net loss of $1,407,644 for the nine months ended December 31, 2010 representing an increase of $846,765 when compared with $560,879 for the nine months ended December 31, 2009. This increase in net loss was primarily the result of increases in non-cash compensation expenses, legal, audit and accounting expenses and shareholder and corporate communications expenses.

Non-cash compensation expense was $943,139 for the nine months ended December 31, 2010 compared to $206,470 for the nine months ended December 31, 2009. This increase in stock-based compensation expense for the nine months ended December 31, 2010 resulted from options vesting and a corresponding recognition of expense during the period.

Legal, audit and accounting expenses were $102,908 for the nine months ended December 31, 2010 compared to $10,663 for the nine months ended December 31, 2009. This increase is primarily the result of hiring a contract Chief Financial Officer, incurring legal fees relating to Board of Director appointments and the costs associated with listing on the OTCQX during the nine months ended December 31, 2010.

Shareholder and corporate communication expenses were $39,413 for the nine months ended December 31, 2010 representing an increase of $16,317 when compared with $23,096 for the nine months ended December 31, 2009. This increase is primarily result of the increase in business activities including marketing and investor relations activities.

SUMMARY OF QUARTERLY RESULTS

	Three months ended			
	December 31, 2010	September 30, 2010	June 30, 2010	March 31, 2010
Interest income	$ 4,252	$ 1,367	$ 23	$ 25
Net income (loss)	(511,513)	(351,563)	(544,568)	(211,149)
Basic and diluted loss per share	(0.01)	(0.01)	-	(0.01)

	Three months ended			
	December 31, 2009	September 30, 2009	June 30, 2009	March 31, 2009
Interest income	$ 27	$ 32	$ 38	$ 142
Net loss	(150,579)	(140,635)	(269,665)	(130,205)
Basic and diluted loss per share	-	(0.01)	-	-

LIQUIDITY AND CAPITAL RESOURCES

The Company is currently completing the 2010 exploration program which includes producing an initial resource calculation for the ST1 Zone and initiating metallurgical testwork. With working capital of $3.47 million as of December 31, 2010, the Company expects to have sufficient funds available to complete the 2010 program and to finance non-exploration operations for the next 12 months and to finance non-exploration operations until the end of 2011. Additional funding may be required for the 2011 exploration 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 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, 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 jeopardised.

Furthermore, while there are currently no such agreements in place, should the Company enter into joint venture agreements relating to the properties, are the other parties that are subject to such agreements do not meet their share of such costs, the Company may be unable to finance the total cost required to maintain the licenses. Refer to "Commitments" on page 8 for further information.

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

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

The Company had working capital at December 31, 2010 of $3,474,813 (March 31, 2010: $1,868,724). 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. It has no exposure to asset-backed securities.

OUTSTANDING SHARE DATA

As at December 31, 2010, the Company had 61,894,266 common shares issued and outstanding.

As at the date of this MD&A, the total number of shares issued and outstanding was 62,016,766.

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

- 3,125,000 warrants, each of which is exercisable for one common share at an exercise price of $1.20 through April 6, 2012.
- 4,445,000 stock options outstanding, each of which is exercisable for one common share at prices ranging from $0.51 to $1.00.

For the nine months ended December 31, 2010

On April 6, 2010, the Company completed a non-brokered private placement of 6,250,000 units at a price of $0.80. Each unit consists of one common share and one-half of one share purchase warrant. Each full warrant entitles the holder thereof to purchase one additional share for $1.20 on or before April 6, 2012. In certain events, the Company can accelerate the expiry date of the warrants if the common shares trade above a weighted average of $2.00 for 20 days. The Company paid $224,288 in fees in connection with this private placement.

On April 30, 2010, the Company granted 2,250,000 options with an exercise price of $0.80 to its directors, officers and employees.

During the nine months ended December 31, 2010, the Company issued 1,133,000 shares and received $499,850 from the exercise of stock options.

Subsequent to December 31, 2010

- 22,500 warrants were exercised for cash proceeds of $27,000;
- 100,000 stock options were exercised for cash proceeds of $80,000.

RELATED PARTY TRANSACTIONS

During the nine months ended December 31, 2010 and 2009, the Company incurred the following expenses with a company with a common director and with directors and officers and a former officer of the Company.

	For the nine months ended December 31, 2010			For the nine months ended December 31, 2009		
	Management fees	Accounting and legal fees	Total	Management fees	Accounting and legal fees	Total
President	$ 131,400	$ -	$ 131,400	$ 131,400	$ -	$ 131,400
Chief Financial Officer	-	47,770	47,770	-	-	-
VP Project Development	112,500	-	112,500	112,500	-	112,500
	$ 243,900	**$ 47,770**	**$ 291,670**	**$ 243,900**	**$ -**	**$ 243,900**

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

As at December 31, 2010, accounts payable and accrued liabilities include $6,845 (March 31, 2010: $29,277) in management and directors' fees and travel and other expenses due to directors, officers and a company with a common director.

COMMITMENTS

The Company has made certain commitments in the course of running its business. In addition to office lease commitments disclosed in the Company's financial statements, the most notable commitment is the annual exploration commitment on the Company's exploration licenses in Greenland. Commitments can be reduced and/or eliminated by dropping and/or reducing licenses by the end of each calendar year. Based on work done to date, Hudson believes that it has met all of the expenditure commitments required under its license agreements with the Bureau of Minerals and Petroleum of Greenland.

Resource Properties

Naajat Mineral Claim, Greenland

The total work commitment for 2011 is 3,379,059 DKK. 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, 2011.

Nalussivik Mineral Claim, Greenland

The total work commitment for 2011 is 2,365,341 DKK. 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, 2012.

Sarfartuup Qulaa Mineral Claim, Greenland

The total work commitment for 2011 is 1,895,211 DKK. The Company must submit an annual report by April 1 of each year detailing its' activities and expenditures for approval. In December, 2009, the Company applied to extend the license for an additional five year period; the license was extended to December 31, 2014.

Sarfartoq Mineral Claim (New Millennium Resources NL JV, Greenland)

During 2009, the Company obtained approval to extend the license for a further 2 year period ending December 31, 2011. The Company has an annual work commitment of 4,000,000 DKK for the upcoming two years.

Sarfartoq Øst Mineral Claim, Greenland

The total work commitment for 2011 is 6,082,326 DKK. The Company must submit an annual report by April 1 of each year detailing its' activities and expenditures for approval. An application to renew the license for another 5 years was submitted in December 2010 and is pending approval. The renewal application covers the license period 2011 -2015.

Arnanganeq Mineral Claim, Greenland

The total work commitment for 2011 is 2,027,435 DKK. 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, 2011.

Sarfartoq Valley Claim, Greenland

The total work commitment for 2011 is 330,560 DKK. 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, 2014.

Helicopter Services

The Company has entered into an agreement with Air Greenland to provide helicopter services for the 2011 exploration period.

Drilling Contract

The Company entered into an agreement with Cartwright Drilling to provide a minimum 10,000m drill program for 2011.

FINANCIAL INSTRUMENTS

The Company has designated its cash and cash equivalents as held-for-trading; accrued interest and amounts receivable as loans and receivables; deposits as held-to-maturity; and accounts payable and accrued liabilities as other financial liabilities.

The carrying values of cash and cash equivalents, accrued interest and 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.

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 December 31, 2010, 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 and Greenland dollars ("DKK") and the fluctuation of the Canadian dollar in relation to the other currency 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 nine months ended December 31, 2010 and 2009 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 diamond, 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. Mineral exploration and development involve a high degree of risk and few properties which are explored are ultimately developed into producing mines. There is no assurance that mineral exploration and development activities will result in the discovery of a body of commercial diamonds or rare earths 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 extract diamonds and to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that the funds required for development can be obtained on a timely basis. The marketability of any minerals acquired or discovered may be affected by numerous factors which are beyond the Company's control and which cannot be predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection. Depending on the price of minerals produced, the Company may determine that it is impractical to commence or continue commercial production.

Commodity Prices

The Company's revenues, if any, are expected to be in large part derived from the mining and sale of diamonds and/or REE and specialty metals 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, availability and costs of diamond substitutes, diamond stock levels maintained by producers and others and inventory carrying costs. The effect of these factors on the price of diamonds and REE metals, 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: James Tuer, John Hick, John McConnell, John McDonald and Flemming Knudsen; and officers: James Tuer, Jim Cambon and Alnesh Mohan. The loss of any of one of those persons could have an adverse affect on the Company. The Company does not maintain key person insurance on any of its management.

Conflicts of Interest

Certain officers, directors and advisors of the Company are officers and/or directors of, or are associated with, other natural resource companies that acquire interests in mineral properties. Such associations may give rise to conflicts of interest from time to time. The directors are required by law, however, to act honestly and in good faith with a view to the best interests of the Company and its shareholders and to disclose any personal interest which they may have in any material transaction which is proposed to be entered into with the Company and to abstain from voting as a director for the approval of any such transaction.

Limited Operating History: Losses

As the Company is still in the exploration phase of its development, it has experienced losses in all years of its operations. There can be no assurance that the Company will operate profitably in the future, if at all. As at December 31, 2010 the Company's deficit was $5,893,224.

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 $1.86 to a low of $0.46. There can be no assurance that continual fluctuations in price will not occur.

CHANGES IN ACCOUNTING POLICIES AND NEW ACCOUNTING DEVELOPMENTS

Future changes in accounting policies

International Financial Reporting Standards ("IFRS")

In 2008, the Canadian Accounting Standards Board confirmed that publicly listed companies will be required to adopt IFRS for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. Early adoption may be permitted, however it will require exemptive relief on a case by case basis from the Canadian Securities Administrators. The Company expects its first financial statements presented in accordance with IFRS to be for the three-month period ended June 30, 2011, which includes presentations of its comparative results for fiscal 2010 under IFRS. In order to prepare for the changeover to IFRS, the Company will develop an IFRS conversion plan comprised of three phases:

PRELIMINARY PLANNING AND SCOPING PHASE:

DESCRIPTION AND STATUS: The IFRS conversion plan will include consideration of the impacts of IFRS on the Company's financial statements, internal control over financial reporting, information systems and business activities such as foreign operations, if any, compensation metrics, and personnel and training requirements. Based on Management's preliminary review of IFRS and current Company processes, minimal impact is expected on information systems and compensation metrics.

DETAILED IMPACT ASSESSMENT PHASE:

DESCRIPTION AND STATUS: This phase involves detailed review of IFRS relevant to the Company and identification of all differences between existing Canadian GAAP and IFRS that may or will result in accounting and/or disclosure differences in the Company's financial statements, along with quantification of impact on key line items and disclosures. The phase includes identification, evaluation and selection of accounting policies necessary for the Company's conversion to IFRS and evaluation of the impact on outstanding operational elements such as debt covenants and budgeting.

IMPLEMENTATION PHASE:

DESCRIPTION AND STATUS: This phase will embed the required changes for conversion to IFRS into the underlying financial close and reporting process and business processes. This will include finalization and approval of accounting policy changes, collection of financial information necessary to prepare IFRS compliant financial statements, implementation of additional internal controls, and preparation and approval of completed IFRS financial statements. The IFRS changeover is expected to impact the presentation and/or valuations of balances and transactions in the Company's quarterly and annual consolidated financial statements and related notes effective April 1, 2011, however continued progress on the IFRS conversion plan is necessary before the Company is able to describe or quantify those effects.

Business Combinations

In January 2009, the CICA issued Handbook section 1582, Business Combinations, section 1601, Consolidated Financial Statements, and section 1602, Non-Controlling Interests. These sections replace the former section 1581, Business Combinations, and section 1600, Consolidated Financial Statements, and establish a new section for accounting for a non-controlling interest in a subsidiary.

Sections 1582 and 1602 will require net assets, non-controlling interests and goodwill acquired in a business combination to be recorded at fair value and non-controlling interests will be reported as a component of equity. In addition, the definition of a business is expanded and is described as an integrated set of activities and assets that are capable of being managed to provide a return to investors or economic benefits to owners. Acquisition costs are not part of the consideration and are to be expensed when incurred. Section 1601 establishes standards for the preparation of consolidated financial statements.

These new sections apply to interim and annual consolidated financial statements relating to fiscal years beginning on or after January 1, 2011. Earlier adoption of these sections is permitted as of the beginning of a fiscal year. All three sections must be adopted concurrently. The Company is currently evaluating the impact of the adoption of these sections.

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 nine months ended December 31, 2010 and 2009 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.