HUDSON RESOURCES INC

HUDSON RESOURCES INC.

(An Exploration Stage Company)

Management Discussion and Analysis

(Form 51-102F1)

For the Year Ended March 31, 2012

This management's discussion and analysis ("MD&A") focuses on significant factors that affected Hudson Resources Inc. ("Hudson" or the "Company") during the year ended March 31, 2012 and to the date of this report. The MD&A supplements, but does not form part of, the audited financial statements of the Company and the notes thereto for the year ended March 31, 2012. Consequently, the following discussion of performance and financial condition should be read in conjunction with the March 31, 2012 financial statements. The March 31, 2012 audited financial statements 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 July 22, 2012.

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 year ended March 31, 2012 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 $10.1 million. Management believes that the current cash position of the Company is sufficient to support the operations for the upcoming fiscal year as the total cash outflow from the operating and investing activities for the year ended March 31, 2012 was $6,930,928 and $71,453, respectively (March 31, 2011: $3,971,794 and $30,617, 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 February 29, 2012 in respect of the Company's financial statements for the third quarter ended December 31, 2011, Hudson completed an update of the mineral resource at ST1 which included its first ever indicated resource. In addition, Hudson announced the commencement of the 2012 work program in May. Going forward, Hudson is executing its field program and conducting environmental and socio-economic impact studies.

On April 26, 2012, Hudson released the results of the updated National Instrument 43-101 compliant mineral resource estimate for the 100% owned Sarfartoq ST1 Zone Rare Earth Element (REE) project in Greenland (the "April 2012 Resource Estimate"). The updated resource model includes the 2011 drill program. In total, 50 holes totaling 12,700 meters of drilling was included in the ST1 resource calculation. The April 2012 Resource Estimate includes indicated resources of 5.9M tonnes averaging 1.8% total rare earth oxides (TREO) and inferred resources of 2.5M tonnes averaging 1.6% TREO for the ST1 zone, based on a 1.0% cut-off grade. The resource estimate was prepared by GeoSim Services Inc. of Vancouver. The April 2012 Resource Estimte Technical Report was filed on SEDAR on May 30, 2012.

The April 2012 Resource Estimate was successful in moving a significant number of tonnes from the inferred resource category to the indicated resource category. Using a 1.0% cut-off grade, 43% of the 2011 inferred resources were reclassified as indicated resources. The grade of the indicated resource increased by 15% to 1.8% TREO in comparison to the 2011 inferred resource. Using a higher cut-off grade of 2.0%, the resource includes over 1.6M indicated tonnes averaging 2.5% TREO.

The April 2012 Resource Estimate was developed based on an underground mining scenario compared with the open pit mining method utilized for the 2011 inferred mineral resource calculation. The Company determined that an underground mine will allow the Company to focus on the high grade zones to maximize project value while minimizing the project footprint. Key benefits of an underground mine are the elimination of the 10:1 strip ratio, which will significantly reduce the size of the tailings facility, the ability to extract much higher grade material which should generate enhanced economics and, based on a review of similar mining projects, maintain operating costs at a level similar to open pit operating costs.

The following table presents the April 2012 Resource Estimate, showing the indicated resources and the inferred resources, using an underground mining scenario 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 1.0% TREO is considered consistent with other mineral deposits of similar characteristics, scale and location. Based on internal Company analysis, the 1.0% cut off grade also maximized the project value based on a 2,000t/day mining operation when tonnage vs. grade is considered.

ST1 Zone Mineral Resource[1.]

Indicated Mineral Resource											
COG[2,3] %TREO[4]	**Tonnes** (000's)	**TREO** %	**La_2O_3** ppm	**Ce_2O_3**ppm	**Pr_2O_3** ppm	**Nd_2O_3** ppm	**Sm_2O_3** ppm	**Eu_2O_3** ppm	**Gd_2O_3** ppm	**Tb_2O_3** ppm	**Dy_2O_3** ppm	**Y_2O_3**ppm
0.6	7,221	1.60	3,452	7,969	919	2,998	294	66	166	13	31	63
0.8	6,755	1.66	3,589	8,275	952	3,107	304	68	172	13	32	65
1.0	**5,884**	**1.77**	**3,855**	**8,844**	**1,012**	**3,296**	**321**	**71**	**181**	**14**	**34**	**68**

1.2	5,083	1.87	4,110	9,383	1,067	3,473	337	74	188	14	35	71
1.4	4,117	2.01	4,452	10,070	1,135	3,681	353	78	197	15	37	73
1.6	3,111	2.17	4,921	10,927	1,214	3,896	367	81	207	16	38	76
1.8	2,246	2.36	5,426	11,878	1,304	4,154	385	84	214	16	40	78
2.0	1,612	2.54	5,945	12,822	1,392	4,404	401	87	212	16	41	80
Inferred Mineral Resource												
COG[2,3] %TREO[4]	**Tonnes** (000's)	**TREO** %	**La_2O_3** ppm	**Ce_2O_3**ppm	**Pr_2O_3** ppm	**Nd_2O_3** ppm	**Sm_2O_3** ppm	**Eu_2O_3** ppm	**Gd_2O_3** ppm	**Tb_2O_3** ppm	**Dy_2O_3** ppm	**Y_2O_3**ppm
0.6	5,200	1.16	2,358	5,751	694	2,323	234	51	118	10	25	55
0.8	3,538	1.38	2,847	6,843	815	2,703	272	60	140	11	29	60
1.0	**2,459**	**1.59**	**3,343**	**7,930**	**932**	**3,073**	**310**	**69**	**162**	**13**	**33**	**67**
1.2	1,872	1.75	3,721	8,719	1,012	3,322	333	75	174	14	36	72
1.4	1,433	1.88	4,060	9,423	1,082	3,535	352	78	183	15	38	76
1.6	1,028	2.04	4,449	10,216	1,160	3,767	371	82	194	16	40	80
1.8	757	2.16	4,764	10,853	1,222	3,948	385	85	204	16	42	85
2.0	521	2.28	5,143	11,480	1,273	4,062	390	87	208	17	44	89

1. The resource estimate is classified as Indicated and Inferred Mineral Resources as defined by CIM and referenced in NI 43-101.
2. COG – Cut-off Grade
3. GeoSim considers a cut-off grade of 1.0% TREO to be reasonable in preliminary estimation of potentially economic resources extractable by underground mining methods.
4. TREO - Total Rare Earth Oxides refers to the elements lanthanum through lutetium plus yttrium expressed as oxides in the form REE2O3.

The April 2012 Resource Estimate was estimated using the inverse distance squared method in two passes with incremental maximum search distances of 30 and 80 m. Samples from at least two drill holes were required to estimate block grades. Individual rare earth oxides were estimated and combined to determine the final TREO estimate. Block dimensions were 5 metres by 5 metres horizontal and 5 metres vertical. Grade estimation was based on analyses of core samples from 50 diamond drill holes (12,705metres) completed between September 2009 and September 2011. 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.

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 carbonatite and gneiss lithologies based on 1785 specific gravity measurements of drill core. Grade estimation was constrained by a solid model of the carbonatite intrusive and constrained beyond this domain by a 0.5% TREO grade shell. Hard boundaries were used between the carbonatite domain and surrounding gneiss complex.

Estimated blocks were classified as "Indicated' if they were within the carbonatite domain gradeshell and estimated in the first pass with a maximum search distance of 30 metres and minimum of 2 drill holes. All other estimated blocks were classified as 'Inferred'.

Assumptions used to establish the base case underground cut-off grade were:

- A weighted average bulk concentrate price of $32/kg corresponding to a 54% discount on the three-year trailing average REO prices as of April, 2012.
- The three year trailing average for REE prices (per kilogram) as of April 2012: La_2O_3 $46.40; Ce_2O_3 $44.60; Pr_2O_3 $99.00; Nd_2O_3 $112.80; Sm_2O_3 $47.70; Gd_2O_3 $67.70; Tb_2O_3 $1287.60; Eu_2O_3 $1586.10; Dy_2O_3 $713.10; Y_2O_3 $67.80.
- TREO cut-off grades of 0.6%, 0.8%, 1.0% and 1.2% were considered potentially viable at break-even mining costs (General & Administration, Processing and Ore Mining costs) of $125/tonne, $166/tonne, $208/tonne and $250/tonne, respectively.
- A recovery of 65% has been assumed and will be revised when metallurgical test results are available.

Positive progress continues to be made on the metallurgical flow sheet for the ST1 Zone which hosts the rare earths in bastnasite and monazite mineralization. The Company has consolidated the major test work components at SRC in Saskatoon under the direction of John Goode, P.Eng. John has extensive experience in the rare earth extractive industry in North America and China. Earlier test work at SRC demonstrated that recoveries of over 90% were achievable utilizing acid baking and leaching. Preliminary flotation and gravity test work to date has demonstrated the ability to upgrade the ore and more work is ongoing. Additional beneficiation and hydrometallurgical test work is continuing at SRC. Metallurgical updates will be provided as results become available.

On May 30, 2012, Hudson announced the commencement of the 2012 exploration and development program at Sarfartoq. The objective of the program is threefold: (i) increase the "indicated" resource at the ST1 Zone; (ii) test several additional REE targets within the Sarfartoq Carbonatite Project; and (iii) continue with the baseline environmental data collection and socio-economic and environmental consultations needed to allow for the submission of an exploitation license application for the project in 2013.

Hudson plans on completing approximately 10,000m of drilling in 2012. Two drills have initiated drilling on the ST1 Zone. Drilling is focusing on expanding the high grade zones intercepted in 2011 which included four meters of 7.2% TREO (SAR11-50) and eight meters of 6.5% TREO (SAR11-71) at the north end of the ST1 Zone. The drill core will be sent in batches to Canada for assaying.

Qualifications

Ronald G. Simpson, B.Sc., P.Geo., President of GeoSim Services Inc., is an independent Qualified Person as defined by NI 43-101 and is responsible for the resource estimate on the ST1 Zone.

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.

RESULTS FROM OPERATIONS

Selected Information

	For the years ended (1)		
	March 31, 2012	March 31, 2011	March 31, 2010
Interest and miscellaneous income	$ 183,595	$ 5,735	$ 122
Net loss	(7,361,381)	(5,495,292)	(2,272,062)
Basic and diluted loss per share	(0.09)	(0.09)	(0.05)

As at:	March 31, 2012	March 31, 2011	April 1, 2010
Balance Sheet Data			
Cash and cash equivalents	$ 11,942,311	$ 2,982,564	$ 1,981,878
Resource properties	705,221	679,167	652,249
Total assets	13,076,232	3,880,541	2,708,838

(1) Financial information for the fiscal years ended March 31, 2012 and March 31, 2011 have been reported under IFRS. Financial information for the fiscal year ended March 31, 2010 has been reported under CGAAP.

Three months ended March 31, 2012 compared with Three months ended December 31, 2011

The Company incurred a net loss of $749,769 for the three months ended March 31, 2012 (“Q4 2011”) representing a decrease of $426,455 when compared with $1,176,224 for the three months ended December 31, 2011 (“Q3 2011”). This decrease was primarily the result of a decrease in evaluation and exploration activities which was partially offset by an increase in share-based payments.

Exploration and evaluation activities were $311,272 for Q4 2011 compared to $778,845 for Q3 2011. This decrease was a result of the completion of the drilling program.

Share-based payments were $253,679 for Q4 2011 compared to $185,395 for Q3 2011. This increase in share-based payments resulted from options vesting and a corresponding recognition of expense during the period.

Three months ended March 31, 2012 compared with Three months ended March 31, 2011

The Company incurred a net loss of $749,769 for Q4 2011 representing an increase of $14,664 when compared with $735,105 for the three months ended March 31, 2011 (“Q4 2010”). This increase in net loss was primarily the result of the increase in share-based payments and evaluation and exploration costs which was partially offset by the decrease in travel and accommodation expenses, filing fees and shareholder/corporate communications expenses, and an increase in interest income.

Share-based payments were $253,679 for Q4 2011 compared to $150,079 for Q4 2010. This increase in share-based payments resulted from options vesting and a corresponding recognition of expense during the period.

Management fees were $116,235 for Q4 2011 compared to $81,300 for Q4 2010. Management fees increased in the current year which resulted in the variance over the prior year.

Travel and accommodation expenses decreased by $31,404, to $14,621 for Q4 2011, from $46,025 for Q4 2010. The variance was primarily the result of the financing activities related to the public offering that closed in April 2011.

Filing fees decreased by $22,158, to $13,372 for Q4 2011, from $35,530 for Q4 2010. The variance was primarily the result of the financing activities related to the public offering that closed in April 2011.

Shareholder/corporate communications expenses decreased by $18,546, to $21,125 for Q4 2011, from $39,671 for Q4 2010. The variance was primarily the result of the financing activities related to the public offering that closed in April 2011.

Interest income increased by $50,788, to $50,881 for Q4 2011, from $93 for Q4 2010. This increase was a result of the financing completed during the year; the Company invested funds into term deposits yielding interest income.

Fiscal Year ended March 31, 2012 compared with Fiscal Year ended March 31, 2011

The Company incurred a net loss of $7,361,381 for the Fiscal Year ended March 31, 2012 ("FY 2011") representing an increase of $1,866,089 when compared with $5,495,292 for the Fiscal Year ended March 31, 2011 ("FY 2010"). This increase was primarily the result of the increases in evaluation and exploration costs and management fees, which were offset by a decrease in share-based payments and an increase in interest income.

Evaluation and exploration costs increased by $2,399,533 to $5,653,759 for FY 2011 from $3,254,226 for FY 2010. This increase resulted from an expanded drilling program undertaken in the current year.

Management fees were $645,000 for FY 2011 compared to $325,200 for FY 2010. This increase in management fees was a result of bonuses being paid to the Company's management and payment of director's fees.

Share-based payments were $727,401 for FY 2011 compared to $1,509,991 for FY 2010. This decrease in share-based payments resulted from options vesting and a corresponding recognition of expense during the period.

Interest income increased by $177,860 to $183,595 for FY 2011, from $5,735 for FY 2010. This increase was a result of the financing completed during the year; the Company invested funds into term deposits yielding interest income.

SUMMARY OF QUARTERLY RESULTS

	Three months ended			
	March 31, 2012	December 31, 2011	September 30, 2011	June 30, 2011
Interest income	$ 50,881	$ 47,742	$ 47,862	$ 37,110
Net loss	(749,769)	(1,176,224)	(2,829,081)	(2,606,307)
Basic and diluted loss per share	(0.01)	(0.01)	(0.04)	(0.03)

	Three months ended			
	March 31, 2011	December 31, 2010	September 30, 2010	June 30, 2010
Interest income	$ 93	$ 4,252	$ 1,367	$ 23
Net loss	(735,105)	(1,032,674)	(1,474,727)	(2,252,786)
Basic and diluted loss per share	(0.02)	(0.01)	(0.02)	(0.04)

LIQUIDITY AND CAPITAL RESOURCES

Hudson is currently executing its 2012 field program and conducting environmental and socio-economic impact studies, among other things. With working capital of $12.14 million as of March 31, 2012, the Company expects to have sufficient funds available to complete the 2012 Exploration Program and to finance non-exploration operations for the next 12 months. No requirement for additional funding is expected for the calendar year 2012 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 jeopardized.

Furthermore, while there are currently no such agreements in place, should the Company enter into joint venture agreements relating to the properties, if 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 10 of this MD&A 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 March 31, 2012 of $12,139,944 (March 31, 2011: $2,857,610). 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 March 31, 2012 and the date of this MD&A, the Company had 80,186,766 common shares issued and outstanding.

Subsequent to March 31, 2012, 3,102,500 warrants with an expiry date of April 6, 2012 and 450,000 stock options with an expiry date of June 15, 2012 expired unexercised.

As of the date of this MD&A, the Company had the following stock options outstanding:

- 5,395,000 stock options outstanding, each of which is exercisable for one common share at prices ranging from $0.10 to $1.04.

For the year ended March 31, 2012

On April 5, 2011, the Company issued 15,800,000 shares at $0.95 per share pursuant to a public offering. An additional 2,370,000 shares were issued to the underwriters pursuant to an overallotment option. Share issue costs included fees of $1,272,008 paid to the underwriters and other expenses of $166,029.

On June 6, 2011, the Company granted options to purchase up to 200,000 common shares exercisable at $1.04 per share until June 6 2016. The options will vest equally and quarterly over the first 12 months after issuance.

On September 28, 2011, the Company granted options to officers, directors and field staff to purchase up to 1,200,000 common shares at $0.65 per share until September 28, 2016. The options vest 25% on the date of grant and 12.5% at the end of each quarter thereafter.

RELATED PARTY TRANSACTIONS

During the years ended March 31, 2012 and 2011, respectively, the Company incurred the following expenses with a company with a common director and with directors and officers of the Company.

	For the year ended March 31, 2012			For the year ended March 31, 2011		
	Management fees	Accounting and legal fees	Total	Management fees	Accounting and legal fees	Total
President	$ 305,000	$ -	$ 305,000	$ 175,200	$ -	$ 175,200
Chief Financial Officer	-	97,760	97,760	-	70,611	70,611
VP Project Development	260,000	-	260,000	150,000	-	150,000
	$ 565,000	**$ 97,760**	**$ 662,760**	**$ 325,200**	**$ 70,611**	**$ 395,811**

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 $8,154 as at March 31, 2012 (March 31, 2011 – $36,987). These amounts are unsecured and non-interest bearing.

As at March 31, 2012, there were no amounts due from related parties (March 31, 2011 - $20,353).

For the year ended March 31, 2012, management fees included bonuses of $100,000 (2011 – nil) paid to the President and $80,000 paid to the VP Project Development (2011 – nil).

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. Licenses can also be renewed upon expiration as long as previous work commitments have been met.

The Naajat, Sarfartoq, and Arnanganeq Exploration Licences were due to expire on December 31, 2011.

In December, Hudson submitted 2 renewal applications. 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. Hudson annexed and relinquished the area around the Garnet Lake diamond discovery due to the fact that it has not worked on the Garnet Lake project since 2008 and it has no plans to reactivate the bulk sampling diamond project anytime in the foreseeable future. The Sarfartoq Øst EL was relinquished prior to December 31, 2011 because the Company had no future exploration plans for the area as it was situated well outside the bounds of the carbonatite complex. The Naajat EL was renewed for its industrial mineral potential for exploration years 11 and 12 and the licence area was reduced from 190 sq. km. to approximately 96 sq. km. These licences have now been granted by the government. In addition, Hudson applied for and has been granted a non-exclusive prospecting licence for the west coast of Greenland. The licence allows the Company to prospect ground outside of its existing 2 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 Mineral Claim (2002/06), Greenland

The total work commitment for 2012 is 4,000,000 DKK. The Company must submit an annual report by April 1 of each year detailing its' activities and expenditures for approval. Substantial work commitments can be carried forward from the previous 3 years. The Company's license expires December 31, 2013. Prior to December 31, 2011, the Company applied for and was granted the licence for the additional 2 year period.

Sarfartoq Mineral Claim (2010/40), Greenland

The total work commitment for 2012 is 6,000,000 DKK. The Company must submit an annual report by April 1 of each year detailing its' activities and expenditures for approval. Substantial work commitments can be carried forward from the previous 3 years. The Company's license expires December 31, 2013. Prior to December 31, 2011, the Company applied for and was granted the licence for the additional 2 year period.

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.

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 March 31, 2012, 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 Greenland dollars ("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 years ended March 31, 2012 and 2011 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: John Hick, Flemming Knudsen, John McConnell, John McDonald 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 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 March 31, 2012 the Company's deficit was $33,630,026.

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 $1.17 to a low of $0.31. There can be no assurance that continual fluctuations in price will not occur.

CHANGES IN ACCOUNTING POLICIES AND NEW ACCOUNTING DEVELOPMENTS

Conversion to International Financial Reporting Standards ("IFRS")

The Canadian Accounting Standards Board ("AcSB") confirmed in February 2008 that IFRS will replace Canadian Generally Accepted Accounting Principles ("CAGAAP") for publicly accountable enterprises for financial periods beginning on or after January 1, 2011. The financial statements for the year ended March 31, 2012 have been prepared in accordance with International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board ("IASB") and International Financial Reporting Interpretations Committee ("IFRIC").

This is the first time that the Company has prepared its financial statements in accordance with IFRS, having previously prepared its financial statements in accordance with pre-changeover Canadian Generally Accepted Accounting Principles ("Canadian GAAP").

Transition to International Financial Reporting Standards

As stated in Note 2 of the Company's audited financial statements for the year ended March 31, 2012, these financial statements are prepared in accordance with IFRS and do not include all of the information and disclosures required in the annual financial statements under IFRS.

The accounting policies in Note 2 have been applied as follows:

- in preparing the Company's financial statements for the year ended March 31, 2012;
- the comparative information for the year ended March 31, 2011;
- the statement of financial position as at March 31, 2011; and
- the preparation of an opening IFRS statement of financial position on the Transition Date (April 1, 2010).

In preparing the opening IFRS statement of financial position, comparative information for the year ended March 31, 2011 and the financial statements for the year ended March 31, 2011, the Company has adjusted amounts reported previously in financial statements prepared in accordance with Canadian GAAP.

The guidance for the first time adoption of IFRS is set out in IFRS 1. IFRS 1 provides for certain mandatory exceptions and optional exemptions for first time adopters of IFRS. In preparing these financial statements, the Company has elected to apply the following transitional arrangements:

IFRS 2 – Share-based payment transactions

IFRS 2 Share-based Payment has not been applied to equity instruments that were granted on or before November 7, 2002, nor has it been applied to equity instruments granted after November 7, 2002 that vested before April 1, 2010.

IFRS 2, similar to CAGAAP, requires the Company to measure share-based payments related to share purchase options granted to employees at the fair value of the options on the date of grant and to recognize such expense over the vesting period of the options. However, under IFRS 2, the recognition of such expense must be done with a "graded vesting" methodology as opposed to the straight-line vesting method allowed under CAGAAP. In addition, under IFRS, forfeitures estimates are recognized in the period they are estimated, and are revised for actual forfeitures in subsequent periods; while under CAGAAP, forfeitures of awards are recognized as they occur.

IAS 16 – Property, plant and equipment

IAS 16 Property, plant and equipment allows for property, plant and equipment to continue to be carried at cost less depreciation, same as under CAGAAP.

Reclassification within Equity Section

IFRS requires an entity to present reconciliation between the carrying amount at the beginning and end of the period for each component of equity, separately disclosing each change. The Company examined its "contributed surplus" account and concluded that as at the Transition Date, $1,118,776 relates to "Stock Options reserve" and $661,646 related to the grant date fair value of the expired warrants and options which was reclassed to "Additional paid-in capital". As a result, the Company believes that a reclassification would be necessary in the equity section between "Contributed surplus" and the "Stock Options reserve", "Additional Paid-in capital" accounts.

Future Accounting Pronouncements

Certain new accounting standards and interpretations have been published that are not mandatory for the March 31, 2012 reporting period. The following standards are assessed not to have any impact on the Company's financial statements:

IFRS 9	Financial Instruments
IFRS 7 (Amendment)	Financial Instruments: Disclosure
IAS 12 (Amendment)	Income Taxes
IFRS 10	Consolidated Financial Statements
IFRS 11	Joint Arrangements
IFRS 12	Disclosure of Interests in Other Entities
IFRS 13	Fair Value Measurement
IAS 1	Presentation of Financial Statements
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine

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 year ended March 31, 2012 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.