

**HUDSON RESOURCES INC.**

**Management Discussion and Analysis**

**(Form 51-102F1)**

**For the Three and Nine Months Ended December 31, 2016**

This management's discussion and analysis ("MD&A") focuses on significant factors that affected Hudson Resources Inc. ("Hudson" or the "Company") during the three and nine months ended December 31, 2016 ("Q3 2017" and "YTD 2017", respectively) and to the date of this report. The MD&A supplements, but does not form part of, the unaudited condensed consolidated interim financial statements of the Company and the notes thereto for the three and nine months ended December 31, 2016 (the "Financials"). Consequently, the following discussion of performance and financial condition should be read in conjunction with the Financials. The Financials have been prepared in accordance with International Financial Reporting Standards ("IFRS"). All amounts presented in this MD&A are in Canadian dollars unless otherwise indicated.

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

This MD&A contains information up to and including March 1, 2017.

## FORWARD-LOOKING INFORMATION

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

## OUTLOOK

The White Mountain Anorthosite (calcium feldspar) Project in Western Greenland is the primary focus for the Company. The company is advancing the project towards production by the end of 2017. The anorthosite product has three major markets: a feed material for E-glass fiberglass production, a filler material in the production of paints and coatings, and a source of alumina and other valuable by-products for the aluminum industry.

## OVERALL PERFORMANCE

### Highlights of YTD 2017 and as of the Date of this Report

During YTD 2017 and to the date of this MD&A, the following highlights the Company's significant events:

#### *Financing Activities*

- Announced that the European Investment Bank and Cordiant Capital have approved the debt financing package for a total of \$US 22.5 million, subject to meeting loan documentation conditions; and
- Completed a private placement of 32,266,507 units for gross proceeds of \$11,293,277.

#### *Exploration & Development Activities*

- Obtained a 50-year mine exploitation license from the Government of Greenland;
- Completed an Impact Benefit Agreement with the local communities and government;
- Completed a major supply (off-take) agreement with a world leader in fiberglass production;
- Successfully completed an 80 tonne commercial furnace test with Owens Corning;
- Extracted an additional 40 tonnes of material for further testing by other parties;
- Advanced road construction and port development on site;
- Completed basic engineering and started placing orders for long lead capital items for the project;
- Produced metallurgical and specialty grade alumina using a hydrochloric leach process in the lab;
- Completed and published a preliminary economic assessment on the production of specialty grade alumina from White Mountain anorthosite; and
- Defined a robust business plan for the paint, coatings and polymer industry.

The Company also hold a 100% interest in the Sarfartoq Rare Earth Project. Further development of the Sarfartoq Project is dependent upon the improvement in world market prices for rare earths. In December 2015, the Greenland government granted an exploration holiday of two years to the Sarfartoq Exploration License, which hosts the rare earth project. As a result, Hudson will be able to carry accrued work commitments beyond the current December 2017 license renewal date.

## GENERAL

The Company is a junior mineral company listed on the TSX Venture Exchange engaged in developing its' White Mountain calcium feldspar (anorthosite) project. The Company's ability to continue its operations is dependent on its ability to develop sales revenue and/or 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 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 third quarter ended December 31, 2016 do not include the adjustments that would be necessary should the Company be unable to continue as a going concern.

Subsequent to December 31, 2016, the Company completed a private placement of 32,266,507 units for gross proceeds of \$11,293,277. In addition, the Company obtained an approval, subject to certain closing terms and conditions, from the Management Committee of the European Investment Bank ("EIB") and Cordiant Capital ("Cordiant") for debt financing of up to US\$13M and US\$9.5M, respectively, through its 100% owned Greenland subsidiary, Hudson Greenland A/S.

As of the date of this MD&A, the Company holds cash and cash equivalents of approximately \$9,000,000. Management believes it is sufficient to maintain the operations for the coming twelve months. Total cash outflow in respect of operating and investing activities for YTD 2017 was \$2,285,545 and \$586,401, respectively. The Company has the ability to reduce its spending going forward if necessary, without negatively affecting its property holdings in Greenland due to substantial exploration credits from previous year's activities.

The amount of the Company's administrative expenditures is related to the level of financing and resource property activities that are being conducted, which in turn may depend on the Company's recent exploration activities and prospects, as well as the general market conditions relating to the availability of funding for resource companies. Consequently, the Company does not acquire properties or conduct field work on them on a pre-determined basis and, as a result, there may not be predictable or observable trends in the Company's business activities and comparisons of financial operating results with prior years may not be meaningful.

## PROJECT UPDATE

Since the previous update provided in the Company's MD&A report dated November 23, 2016 in respect of the Company's financial statements for the quarter ended September 30, 2016, Hudson has continued to advance the White Mountain anorthosite project towards development. Construction activities will recommence shortly with the start-up of the 2017 project plan, including placement of orders for major pieces of long lead time equipment, completion of the road from the port to the pit and expansion of the accommodation complex to accommodate a larger work force. The Company is working towards commissioning the plant by the end of the year.

The Company's focus for the past several months has been on completing the financing package and undertaking detailed engineering of the process and storage facilities.

Total project capital costs, including reclamation costs and working capital are estimated at CDN\$40M. Hudson is in the process of hiring an independent technical advisor that the lenders will use to confirm capital costs and monitor the construction program. Hudson is also required to complete legal documentation in accordance with the terms of the approval and raise the balance of the project costs prior to drawdown. These project costs, estimated at CDN\$10M, will be injected by Hudson as equity capital into its subsidiary. On February 17, 2017 Hudson announced that it had completed an equity financing for total net proceeds of \$10,853,478, after

accounting for finders' fees. On top of this, Hudson has provided approximately CDN\$2M in construction capital to the project in 2016.

### Qualifications

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

## RESULTS FROM OPERATIONS

### Selected Information

	For the nine months ended		
	December 31, 2016	December 31, 2015	December 31, 2014
Interest and miscellaneous income	\$ 6,083	\$ 18,857	\$ 15,774
Net loss	(2,663,845)	(3,663,568)	(1,615,330)
Basic and diluted loss per share	\$ (0.03)	\$ (0.04)	\$ (0.02)

As at:	December 31, 2016	March 31, 2016	March 31, 2015
<b>Balance Sheet Data</b>			
Cash and cash equivalents	\$ 139,691	\$ 1,476,790	\$ 926,853
Resource properties	984,036	947,678	855,556
Total assets	\$ 4,183,138	\$ 4,648,476	\$ 2,408,993

### Three months ended December 31, 2016 ("Q3 2017") compared with three months ended December 31, 2016 ("Q3 2016")

The Company incurred a net loss of \$851,185 for Q3 2017 representing a decrease of \$740,651 when compared with a net loss of \$1,591,836 for Q3 2016.

Evaluation and exploration costs decreased by \$457,392, to \$433,281 for Q3 2017 from \$890,673 for Q3 2016. The decrease is primarily the result of the decrease in resource property activities on all of the Company's projects (Sarfartoq, White Mountain and Pingasut). For White Mountain project, the decrease of \$353,136 was primarily the result of the decrease in helicopter of \$243,860 and reclamation costs of \$238,763 which was partially offset by the increase in supplies expenses of \$97,850 and consulting fees of \$91,820.

Management fees were \$110,000 for Q3 2017 compared to \$330,000 for Q3 2016. The decrease in management fees were due to the bonuses paid to the Company's management during Q3 2016. No such bonuses were paid to management during Q3 2017.

Share-based payments were \$33,423 for Q3 2017 compared to \$114,300 for Q3 2016. This decrease in share-based payments resulted from a decrease in the number of options vesting and a corresponding decrease in recognition of expense during the period.

### Nine months ended December 31, 2016 ("YTD 2017") compared with nine months ended December 31, 2016 ("YTD 2016")

The Company incurred a net loss of \$2,663,845 for YTD 2017 representing a decrease of \$999,723 when compared with a net loss of \$3,663,568 for YTD 2016.

Evaluation and exploration costs decreased by \$561,672, to \$1,224,871 for YTD 2017 from \$1,786,543 for YTD 2016. The decrease is primarily the result of the decrease in resource property activities on all of the Company's

projects (Sarfartog, White Mountain and Pingasut). For White Mountain project, the decrease of \$362,552 was primarily the result of the decrease in helicopter of \$357,499, reclamation costs of \$238,763 and shipping costs of \$96,514 which was partially offset by the increase in consulting fees of \$238,197.

Share-based payments were \$182,117 for YTD 2017 compared to \$684,254 for YTD 2016. This decrease in share-based payments resulted from a decrease in the number of options vesting and a corresponding decrease in recognition of expense during the period.

Management fees were \$330,000 for YTD 2017 compared to \$550,000 for YTD 2016. The decrease in management fees were due to the bonuses paid to the Company's management during YTD 2016. No such bonuses were paid to management during YTD 2017.

Professional fees increased by \$125,576 to \$298,707 for YTD 2017 from \$173,131 for YTD 2016. The increase in professional fees is primarily the result of the costs incurred in appraising the value of the White Mountain mineral claim. No such professional fees were incurred during YTD 2016.

Depreciation expenses increased to \$274,315 for YTD 2017 from \$159,222 for YTD 2016. The increase is primarily due to the addition of equipment during the year ended March 31, 2016.

Bank charges and interest were \$115,005 for YTD 2017 compared to \$62,958 for YTD 2016. On August 12, 2015, the Company obtained an unsecured bridge loan for \$1,165,673. Interest of \$105,394 and \$54,036 was accrued during YTD 2017 and YTD 2016, respectively.

#### SUMMARY OF QUARTERLY RESULTS

	Three months ended			
	December 31, 2016	September 30, 2016	June 30, 2016	March 31, 2016
Interest income	\$ 1,220	\$ 1,585	\$ 3,278	\$ 3,171
Net loss	(851,185)	(1,068,873)	(743,787)	(483,883)
Basic and diluted loss per share	\$ (0.01)	\$ (0.01)	\$ (0.01)	\$ -

  

	Three months ended			
	December 31, 2015	September 30, 2015	June 30, 2015	March 31, 2015
Interest income	\$ 5,787	\$ 104	\$ 12,966	\$ (3,053)
Net loss	(1,591,836)	(1,642,834)	(428,898)	(422,117)
Basic and diluted loss per share	\$ (0.02)	\$ (0.02)	\$ -	\$ (0.01)

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

The Company prepared the financial statements for the periods indicated above in accordance with International Financial Reporting Standards ("IFRS").

#### LIQUIDITY AND CAPITAL RESOURCES

The Company had a working capital deficit of \$1,247,310, which included a note payable of \$1,360,026, as of December 31, 2016. The Company has no material income from operations and any improvement in working capital results primarily from the issuance of share capital.

During the nine months ended December 31, 2016, the Company completed a non-brokered private placement of 4,050,000 units of the Company at \$0.40 per unit for total proceeds to the Company of \$1,620,000.

Subsequent to December 31, 2016, the Company completed a private placement of 32,266,507 units for gross proceeds of \$11,293,277. In addition, the Company obtained an approval, subject to certain closing terms and conditions, from the Management Committee of the EIB and Cordiant for debt financing of up to US\$13M and US\$9.5M, respectively, through its 100% owned Greenland subsidiary, Hudson Greenland A/S.

The Company believes that it has sufficient equity capital and obtained the necessary financial commitments to continue the development of the Company's properties over the next 12 months. Any unexpected expenditures will depend on the Company's ability to obtain additional required financing. While the Company has some ability to reduce its budgets and expenditures, which could extend the time before which it would need to raise additional funds, any such actions could have a negative effect on its business. The Company has limited financial resources and there is no assurance that additional funding will be available to allow the Company to fulfill its obligations on existing resource properties. Failure to obtain additional financing could result in delay or indefinite postponement of further activities and the possible, partial or total loss of the Company's interest in the Greenland exploration and exploitation licenses overseen by the Government of Greenland, Mineral Licence and Safety Authority ("MLSA"). The Company may, in the future, be unable to meet its obligations under such agreements to which it is a party and consequently, the Company's interest in the properties subject to such agreements could be jeopardized.

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

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

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

#### **OUTSTANDING SHARE DATA**

As at December 31, 2016 and the date of this MD&A, the Company had 94,338,366 and 126,604,873 common shares issued and outstanding, respectively.

On August 12, 2016, the Company completed a non-brokered private placement of 4,050,000 units ("Units") of the Company at \$0.40 per unit for total proceeds of \$1,620,000. Each Unit is comprised of one fully paid and non-assessable common share in the capital of the Company and one-half of a transferable Common Share purchase warrant (a "Warrant"). Each whole Warrant shall entitle the holder thereof to purchase one additional common share of the Company from the date of the issue until August 10, 2019 at an exercise price of \$0.60.

#### **Subsequent to December 31, 2016:**

- The Company completed a private placement of 32,266,507 units for gross proceeds of \$11,293,277. Each unit consisted of one common share and one-half share purchase warrant. Each whole warrant entitles the holder to acquire one additional common share at an exercise price of \$0.50 per share for a period of 36 months from the date of issuance.
- The Company granted 2,260,000 options with an exercise price of \$0.38 to its officers, directors and employees. The options are exercisable for a period of five years. All of the options granted vested immediately at the date of grant.

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

- 22,559,053 share purchase warrants outstanding, each of which is exercisable for one common share at prices ranging from \$0.50 to \$0.75.
- 9,410,000 stock options outstanding, each of which is exercisable for one common share at prices ranging from \$0.34 to \$0.50.

## RELATED PARTY TRANSACTIONS

During YTD 2017 and YTD 2016, respectively, the Company incurred the following expenses for directors and officers of the Company:

	For the nine months ended	
	December 31, 2016	December 31, 2015
Short-term employee benefits - management fees	\$ 330,000	\$ 550,000
Short-term employee benefits - professional fees <sup>(1)</sup>	109,720	86,424
Short-term employee benefits - evaluation and exploration costs <sup>(2)</sup>	40,000	-
Short-term employee benefits - directors' fees	75,000	75,000
Share-based payments - management fees	141,635	530,144
Share-based payments - directors' fees	33,735	129,540
	<b>\$ 730,090</b>	<b>\$ 1,371,108</b>

- (1) The Company paid \$109,720 (December 31, 2015 – \$86,424) for accounting and corporate secretarial services to Quantum Advisory Partners LLP whose incorporated partner is the Company's Chief Financial Officer. Fees have been measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.
- (2) The Company paid \$40,000 (December 31, 2015 – \$nil) to a director for engineering consulting services. Fees have been measured at the exchange amount which is the amount of consideration established and agreed to by the related parties.

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

The balances due to related parties included in trade payables and accrued liabilities were \$225,131 as at December 31, 2016 (March 31, 2016 – \$46,588). These amounts are unsecured and non-interest bearing.

## SUBSEQUENT EVENTS

### Subsequent to December 31, 2016:

- The Company obtained an approval, subject to certain terms and conditions, from the Management Committee of the European Investment Bank for debt financing of up to US\$13M for Hudson's White Mountain Anorthosite Project in Greenland through its 100% owned Greenland subsidiary, Hudson Greenland A/S.
- The Company obtained an approval, subject to certain terms and conditions, from Cordiant Capital Inc. for debt financing of up to US\$9.5M through its 100% owned Greenland subsidiary, Hudson Greenland A/S.

## COMMITMENTS

The Company currently has two exploration licenses in Greenland, the Sarfartoq EL (2010/40) and the Pingasut EL (2013/01) and one exploitation license, the Naajat EL (2015/39). In 2014, Hudson was granted license renewals on the Naajat and Sarfartoq EL's. Prior to that, in 2012, Hudson was granted two license renewals. The Sarfartoq EL was amended to include portions of the Nalussivik, Sarfartuup Qulaa, Sarfartoq Valley and Arnanganeq exploration licenses as well as annex portions of the Sarfartoq EL and add additional ground that extends the license 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 licenses will be incorporated into one new Sarfartoq EL that is focused on the rare earth project. In 2013, the license area was further reduced to 92 sq. km. This reduced the exploration burden on the area while still maintaining 100% interest in the Sarfartoq Carbonatite Complex. The Naajat EL was renewed in 2013 for its industrial mineral potential for exploration years 11 and 12 and the license area was reduced from 190 sq. km. to approximately 96 sq. km. The Naajat EL includes the White Mountain Anorthosite Project (“White Mountain”). In 2014, Hudson began the process of converting the Naajat exploration license into an exploitation license. This was completed in September 2015. In addition, Hudson applied for and was granted a non-exclusive prospecting license for the west coast of Greenland. The license allows the Company to prospect ground outside of its existing 3 licenses. In the event that Hudson wishes to apply for a future exploration license on additional areas, funds expended from the prospecting can be carried over to the new license area.

## Resource Properties

### **Naajat (White Mountain) Mineral Claim (2015/39), Greenland**

In September 2015, exploration license 2015/39 was converted to an exploitation license. A fee of 100,000 DDK was paid. Previously, the Company was required to maintain certain work commitments to retain the exploration license. Hudson now has certain non-monetary commitments, including but not limited to employing Greenlandic personnel, based on establishing a mining operation as per the exploitation agreement in order to maintain the license.

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

The Company must submit an annual report by April 1 of each year detailing its’ activities and expenditures for approval. The total work commitment for calendar 2015 was 33,528,000 DKK (approximately \$6,156,000). The work commitments for calendar 2015 have been approved by the Greenland government. In 2015, the Company’s license was renewed to December 31, 2017. Subsequently, in December 2015, the Greenland government granted Hudson a 2-year exploration commitment holiday. As a result, Hudson will be able to carry accrued work commitments beyond the current December 2017 license renewal date with credits available until December 31, 2019.

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

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

## 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 and note payable as other financial liabilities.

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

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

The Company manages liquidity risk by maintaining sufficient cash balance to enable settlement of transactions on the due date. Accounts payable and accrued liabilities are current. Included in the loss for the period in the financial



statements is interest income on Canadian dollar cash and cash equivalents. As at December 31, 2016, the Company's cash is subject to or exposed to interest rate risk. However, this risk is not significant.

The Company's operations in Canada and Greenland are subject to foreign currency fluctuations. The Company's operating expenses are incurred in Canadian dollars, United States dollars and Danish Krone 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 company listed on the TSX Venture Exchange engaged in developing its' White Mountain calcium feldspar (anorthosite) project. Due to the commercially sensitive nature of the data disclosed when negotiating long-term purchase agreements in the industrial minerals industry, Hudson has chosen to refrain from publishing a 43-101 compliant preliminary economic assessment, pre-feasibility, or feasibility technical report with respect to the proposed mining operation on which the exploitation licence was granted. Hudson has prepared an internal bankable "feasibility" study which was submitted to the Government of Greenland and formed the basis, along with the social impact assessment (SIA) and environmental impact assessment (EIA) of the grant of its 50 year exploitation licence. The study is specific to the needs of the Greenland government, remains confidential, and should not be regarded as conforming to 43-101 disclosure. As such, as per part 4.2(6) in the Companion Policy NI 43-101 CP to National Instrument 43-101, the reader is cautioned that where projects are put into production without first establishing mineral reserves supported by a technical report and completing a feasibility study such projects have historically had a higher risk of economic or technical failure.

The Company's ability to continue its operations is dependent on its ability to develop sales revenue and/or 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 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 third quarter ended December 31, 2016 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 activities that are being conducted on its resource properties, which in turn may depend on the Company's recent experience and prospects, as well as the general market conditions relating to the availability of funding for resource companies. Consequently, the Company does not acquire properties or conduct field 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 economic development of its mineral properties. Such development could take years to complete and the resulting income, if any, is difficult to determine. The sales value of any mineralization discovered by the Company is largely dependent upon factors beyond the Company's control, such as the market value of the products produced. Other than as disclosed herein, the Company is not aware of any trends, uncertainties, demands, commitments or events which are reasonably likely to have a material effect on the Company's sales or revenues, income from continuing operations, profitability, liquidity or capital resources, or that would cause reported financial information not necessarily to be indicative of future operating results or financial condition.

**Competitive Conditions**

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

**Environmental Factors and Protection Requirements**

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

**Mineral Exploration and Development**

The Company's properties are in the exploration and development stage. Development of the Company's properties will only proceed upon obtaining satisfactory exploration results and the subsequent analysis of the technical and financial feasibility of developing such properties. Mineral exploration and development involve a high degree of risk and few properties which are explored are ultimately developed into producing mines. There is no assurance that mineral exploration and development activities will result in the discovery of a body of commercial rare earths or industrial minerals on any of the Company's properties. Several years may pass between the discovery of a deposit and its exploitation. Most exploration projects do not result in the discovery of commercially mineralized deposits.

**Operating Hazards and Risks**

Mineral exploration involves many risks, which even a combination of experience, knowledge and careful evaluation may not be able to overcome. The operations in which the Company has a direct or indirect interest will be subject to all the hazards and risks normally incidental to exploration, development and production of resources, any of which could result in work stoppages and damage to persons or property or the environment and possible legal liability for any and all damage. Fires, power outages, labour disruptions, flooding, explosions, cave-ins, landslides and the inability to obtain suitable or adequate machinery, equipment or labour are some of the risks involved in the operation of mines and the conduct of exploration programs. Although the Company will, when appropriate, secure liability insurance in an amount which it considers adequate, the nature of these risks is such that liabilities might exceed policy limits, the liability and hazards might not be insurable, or the Company might elect not to insure itself against such liabilities due to high premium costs or other reasons, in which event the Company could incur significant costs that could have a material adverse effect upon its financial condition.

**Economics of Developing Mineral Properties**

Substantial expenditures are required to establish reserves through drilling, to develop processes to commercially extract the respective ores/ commodities contained therein and to develop the mining and processing facilities and infrastructure at any site chosen for mining. Although substantial benefits may be derived from the discovery of a

major mineralized deposit, no assurance can be given that minerals will be discovered in sufficient quantities to justify commercial operations or that the funds required for development can be obtained on a timely basis. The marketability of any minerals acquired or discovered may be affected by numerous factors which are beyond the Company's control and which cannot be predicted, such as market fluctuations, the proximity and capacity of milling facilities, mineral markets and processing equipment, and such other factors as government regulations, including regulations relating to royalties, allowable production, importing and exporting of minerals, and environmental protection. Depending on the price of minerals produced, the Company may determine that it is impractical to commence or continue commercial production.

### **Commodity Prices**

The Company's revenues, if any, are expected to be in large part derived from the mining and sale of REE and industrial minerals or interests related thereto. The price of these commodities has fluctuated widely, particularly in recent years, and is affected by numerous factors beyond the Company's control including international economic and political conditions, expectations of inflation, international currency exchange rates, interest rates, global or regional consumptive patterns, speculative activities, levels of supply and demand, increased production due to new mine developments and improved mining and production methods. The effect of these factors on the price of these commodities, and therefore the economic viability of the Company's operations cannot accurately be predicted and, in almost all cases, are factors which the Company cannot change or influence.

### **Title**

Although the Company believes that it has taken all reasonable legal and other actions to ensure that it has good title to the properties in which it has a material interest, there is no guarantee that title to such properties will not be challenged or impugned. The Company's mineral property interests may be subject to prior unregistered agreements or transfers, and title may be affected by undetected defects.

### **Governmental Regulation**

Operations, development and exploration on the Company's properties are affected to varying degrees by:

- i. government regulations relating to such matters as environmental protection, health, safety and labour;
- ii. mining law reform;
- iii. restrictions on production, price controls, and tax increases;
- iv. maintenance of claims;
- v. tenure; and
- vi. expropriation of property.

There is no assurance that future changes in such regulations, if any, will not adversely affect the Company's operations. Changes in such regulations could result in additional expenses and capital expenditures, availability of capital, competition, reserve uncertainty, potential conflicts of interest, title risks, dilution, and restrictions and delays in operations, the extent of which cannot be predicted. If any of the Company's projects are advanced to the development stage, those operations will also be subject to various laws and regulations concerning development, production, taxes, labour standards, environmental protection, mine safety and other matters. In addition, new laws or regulations governing operations and activities of mining companies could have a material adverse impact on any project in the mine development stage that the Company may possess. The Bureau of Mines and Petroleum in Greenland currently restricts the mining of radioactive elements and there is no assurance that the ban will be lifted if the production of REE contains radioactive elements as by products to the primary metals.

### **Management and Directors**

The Company is dependent on a relatively small number of directors: John Hick, Flemming Knudsen, John McConnell, John McDonald, Herbert Wilson and James Tuer; and officers: James Tuer, Jim Cambon and Alnesh Mohan. The loss of any of one of those persons could have an adverse effect on the Company. The Company does not maintain key person insurance on any of its management.

**Conflicts of Interest**

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

**Limited Operating History: Losses**

As the Company is still in the early 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, 2016, the Company's deficit was \$52,665,322.

**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 companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. In particular, during the past 12 months, the Company's share price fluctuated from a high of \$0.50 to a low of \$0.29. There can be no assurance that continual fluctuations in price will not occur.

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

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

- IFRS 9: New standard that replaced IAS 39 for classification and measurement, effective for annual periods beginning on or after January 1, 2018.
- IFRS 16 – Leases: New standard to establish principles for recognition, measurement, presentation and disclosure of leases with an impact on lessee accounting, effective for annual periods beginning on or after January 1, 2019.

**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, 2016 which are available on the Company's website at [www.hudsonresource.ca](http://www.hudsonresource.ca) or on SEDAR at [www.sedar.com](http://www.sedar.com).

**APPROVAL**

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

**FORWARD-LOOKING INFORMATION**

Statements contained in this MD&A that are not historical facts are forward-looking statements (within the meaning of the Canadian securities legislation and the U.S. Private Securities Litigation Reform Act of 1995) that involve risks and uncertainties. Forward-looking statements include, but are not limited to, statements with respect

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

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