

**HUDSON RESOURCES INC.**

**Management Discussion and Analysis**

**(Form 51-102F1)**

**For the year ended March 31, 2019**

## Management's Discussion and Analysis – For the Year ended March 31, 2019

The following management's discussion and analysis ("MD&A") of the operating results and financial position of Hudson Resources Inc. ("Hudson" or the "Company") should be read in conjunction with the accompanying audited consolidated financial statements and the notes thereto of the Company for the years ended March 31, 2019 and 2018. These audited consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board and all amounts are expressed in Canadian dollars, unless otherwise stated.

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.hudsonresourcesinc.com](http://www.hudsonresourcesinc.com).

This MD&A contains information up to and including July 17, 2019.

### 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 18 of this MD&A.

### THE COMPANY

As at March 31, 2019, the Company is a pre-commercial production stage mineral company listed on the TSX Venture Exchange, and is engaged in the acquisition, exploration and development of mineral properties in Greenland. As of July 17, 2017, the Company entered the development phase of its White Mountain Project ("Qaqortorsuaq") located on the Naajat anorthosite (calcium feldspar) mineral resource for which the company received an Exploitation License in 2016. The Company has completed construction of its White Mountain Project and has begun ramping up its anorthosite production in anticipation of its first shipment in summer 2019.

### HIGHLIGHTS

- Completed construction of the White Mountain anorthosite project and commenced commissioning;
- Commenced production in February 2019 and began ramp up of anorthosite production;
- Arranged first bulk shipment of White Mountain anorthosite product from Greenland for summer 2019;
- Obtained additional working capital from current lender and extended existing loan facility;
- Entered into a Letter of Intent (LOI) in January with Carver Maritime Charleston, LLC to provide port, storage and transloading services and warehouse facilities in Charleston, South Carolina.
- Instituted key changes and additions to management and board with following appointments:
  - James Cambon as President in succession to James Tuer;
  - Samuel Yik, CPA, CA as Chief Financial Officer;
  - Flemming Knudsen as Chairman in succession to John Hick;
  - Robert ("Bob") Shields, an experienced operation executive, to the Board of Directors
  - David Frattaroli, a well experienced executive in global industrial minerals markets, to the Board of Directors.

### OVERVIEW OF MARKETS

The White Mountain Project processing plant produces a finely ground anorthosite that is being sold under the name "GreenSpar". Anorthosite is a deep-seated igneous rock dominated by the mineral plagioclase, a sodium-calcium aluminum silicate and one of the common rock-forming minerals. Although anorthosite is found in several parts of the world, the White Mountain anorthosite is relatively unique because of the high calcium content of its plagioclase. It is this high calcium content that enables superior performance in production of E-

glass, the primary market identified for “GreenSpar “. Testing of material from White Mountain was undertaken by established E-glass producers. They found that the use of White Mountain “GreenSpar” compared to currently used raw material reduced energy consumption by 10% and melt times by 33%, both being critical factors in lowering production costs.

E-glass is so named because of its initial use in electrical applications as an insulator. It is made by first melting a mixture of minerals, extruding the molten material through a die which forms fine glass fibres that are used in large quantities in the building and construction industry as a glass fibre or mineral wool insulation. These glass fibres can be woven into mats or fabrics to make a vast range of products including boats, swimming pools, silos and tanks, sporting goods, and a wide range of construction materials. The value of the E-glass market in the major economies of Asia, Europe, and North America is forecast to reach US\$17.4 billion by 2024

### **Supply contract**

In July 2014, Hudson reported that a successful trial of its GreenSpar had been undertaken in an E-glass production furnace operated by a major international producer of E-glass. On July 30, 2015, the Company announced the signing of a 10-year supply agreement with that E-glass producer, and that it contains significant, although not guaranteed, annual purchases to be used in a number of production furnaces in various countries, following approval of a first delivery from the new White Mountain processing plant. The Company has also advanced discussions with at least two other major producers who are expressing strong interest in purchases from Greenland. Sales to these potential customers could only begin following a 6-month exclusivity period that starts upon delivery and approval of “GreenSpar” by the customer with the supply agreement. Strong interest has also been expressed from producers in China where production facilities are very large and frequently very modern; however, logistical challenges have meant that the Company has not strongly pursued these expressions of interest.

### **Competition**

The most commonly used raw material in the production of E-glass is the clay mineral kaolin and the GreenSpar product has garnered interest as a replacement because of its better production economics and also because in many areas the supply of kaolin is becoming less reliable, either through quality issues or political uncertainty in some cases. Both GreenSpar and kaolin are relatively low value bulk materials where the costs of transportation by ship, rail or road, or often by a combination of these, can be very significant and therefore the logistics of available distribution routes is a primary factor in commercial success.

The United States Geological Survey (“USGS”) stated in its 2017 review of clay minerals production that the major producers of kaolin are: USA, Germany, Brazil, Turkey and the Ukraine. Although kaolin is mined in 8 states, 90% of the US output is from Georgia with a further 6% from South Carolina, although only 6% of the combined total is used in fiberglass and mineral wool (insulation) production. Major purchasers are Japan, Mexico and China. In addition to kaolin, relatively small quantities of nepheline syenite sourced in the US and Ontario, Canada is also used in E-glass production.

The mineral supply industry has many small or regional companies; however, the dominant positions are held by two European multinationals: Imerys S.A. a French company with operations in 50 countries and Sibelco a Belgian company with operations in 40 countries.

### **Additional markets**

The Company believes that based on the quality of GreenSpar, it will be in a competitive position to penetrate the market for fillers (extenders) that are widely used in the production of paints, coatings and polymers. These are markets with higher unit value products than E-Glass, and is projected to grow from US\$160 billion in 2017 to US\$209 billion by 2022. (Source:<https://home.kpmg.com/xx/en/home/insights/2018/03/industry-update-2018.html>).

In September 2016, Hudson announced the results of a market prospects study by Industrial Mineral Management Consultants in Ontario which took the GreenSpar product and ran a series of technical tests after grinding it to a very fine minus 45 micron particle size (a micron is a thousandth of a millimeter). The GreenSpar45, as that product is referred to, proved to have excellent technical properties that would make it attractive for these additional markets. More recently in August 2018, the Company announced that it has received very favourable test results when using GreenSpar45 in paint and clear coating formulations. The test work completed by Marschall Labs Inc, of Clearwater, Florida, indicated that GreenSpar45 performs very well in paint and clear coating applications.

The paints and coatings market is very large, and the Company has established that major producers in the paint and coatings industry have demonstrated a strong interest in Greenspar45. However, in order to supply these potential new markets, an investment in a fine grinding (“micronizing”) plant will be required. This could realistically only be pursued following the successful performance of the White Mountain Project under its major E-glass supply contract although finding a partner to invest in the micronizing plant would be of interest.

For long term consideration, two possibilities for new markets for the anorthosite have been identified although both would represent a scale of investment that is orders of magnitude higher than the White Mountain operation: (1) as a new source for the production of alumina that could be an environmentally friendly alternative to the major bauxite route used today that generates a by-product waste known as red mud that has significant disposal issues, and; (2) research by the University of British Columbia’s Ceramics and Refractories Research and Testing Laboratories has established that a carbon dioxide (CO<sub>2</sub>) free white cement can be manufactured from the anorthosite.

## **WHITE MOUNTAIN PROJECT**

The Company announced on November 26, 2018 that it had completed the construction of the Project and had initiated commissioning activities. On February 4, 2019, the Company announced that it had completed the testing of all major equipment components under load and the production of GreenSpar had commenced. All equipment on site has been performing as expected with the exception of the secondary High-Pressure Grinding Rolls (HPGR) crusher, which was performing at 55% capacity due to inadequate drives supplied by the manufacturer. The Company is working with the vendor to rectify this issue and the vendor is expected to cover all costs related to delivery and installation of the correct motors for the crusher. The delivery of replacement parts has been delayed further due to an incident whereby the parts was damaged by the freight company en-route to site. Although final replacement drive parts have now been received, time lost in replacing them has contributed significantly. This situation has contributed to an overall delay of approximately four months for the first Greenspar shipment. and as a consequence, final replacement drive parts have now been received. This situation has contributed to an overall delay of approximately four months for the first GreenSpar shipment. This has caused the Company to reassess its requirements for working capital to support the first commercial shipments.

Mining at the White Mountain site consists of a simple drill and blast operation in an open pit where there is no overburden that needs to be removed prior to extraction. After blasting, the ‘shot rock’ is fed into a mobile jaw crusher that reduces the lump size to minus 7 inches ready for loading into 40 tonne articulated rock trucks that carry it some 11 kilometres down to the waterside processing plant. The haul road was constructed from crushed rock excavated along the route as development progressed. The haul trucks are operating downhill when loaded, which represents a considerable fuel saving that, together with the absence of overburden on the mineral resource, means a very cost-effective open pit mining operation.

Hudson’s workforce, including sub contractors, fluctuated between 30 and 45 personnel over the course of construction, reducing to a workforce of between 18 and 24 now on site for commissioning and project ramp up.

The Company has announced it has arranged for its first bulk shipment of its GreenSpar from Greenland around the end of July destined for its storage facility in Charleston, South Carolina, where it will be transloaded for final shipment to various customers. In keeping with this schedule, the Company continues to work with the

Greenland government to encourage local employment and ensure all operating conditions under the mining licence and the Impact Benefits Agreement (IBA) are met.

### **Mineral resource**

The Company filed an Amended and Restated Technical Report dated December 15, 2015 that disclosed the White Mountain project area on the Najaat mineral claim contains an Indicated Resource of 27.4 million tonnes and an Inferred Resource of 32.7 million tonnes. At the Company's anticipated rate of extraction, which includes a second phase expansion of the White Mountain processing plant, these resources are considerably more than sufficient for the 50 years provided under the Najaat Exploitation License. The Company has not published a feasibility study for this development that might have enabled a reclassification to a reserve through demonstrated economic viability. The markets in which the GreenSpar product is being sold are highly competitive and a full feasibility study would have required the disclosure of sales and cost data that would have been prejudicial to the Company's competitive position. The Amended and Restated Technical Report is available on the SEDAR website.

### **Project costs**

As of July 17, 2017, the Company had transitioned to the development stage for the Naajat mineral claim; as a result of the transition, all expenditures going forward were capitalized as development assets. On November 26, 2018, the Company announced that it had completed construction of its White Mountain Project and commenced commissioning at the site. The Company announced in February 2019 that it has commenced production at the site.

The Company also holds 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 the Company a 2-year exploration commitment holiday. In December 2017, the Greenland government extended the exploration commitment holiday for an additional year. As a result, the Company will be able to carry accrued work commitments in to 2019.

## **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. In 2018, the Company's license was renewed to December 31, 2020. In December 2015, the Greenland government granted the Company a 2-year exploration commitment holiday. In December 2017, the Greenland government extended the exploration commitment holiday for an additional year. As a result, the Company will be able to carry accrued work commitments into 2019.

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

The Company had to 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. Total work commitment for calendar 2017 was 1,512,180 DKK (approximately \$300,000). Hudson has accrued sufficient credits (2,475,727 DKK) from previous expenditures to carry the license beyond December 31, 2017, with credits available until December 31, 2018.

Management had assessed that this resource did not have strategic value with which to supplement its White Mountain Project and allowed this license to expire on December 31, 2018, without renewal. All costs associated with this license have been expensed to exploration and evaluation costs in prior periods.

## RESULTS FROM OPERATIONS

### Selected Information

	For the year ended		
	March 31, 2019	March 31, 2018	March 31, 2017
Interest income	\$ 62,856	\$ 17,407	\$ 11,209
Net loss	(6,566,464)	5,574,864	(5,645,511)
Basic and diluted loss per share	\$ (0.04)	\$ (0.04)	\$ (0.06)

As at:	March 31, 2019	March 31, 2018	March 31, 2017
<b>Balance Sheet Data</b>			
Cash and cash equivalents	\$ 1,469,162	\$ 2,296,303	\$ 6,382,573
Restricted cash	-	5,337,736	-
Equipment	12,478,520	12,201,223	4,276,396
Reclamation bonds	2,006,360	2,129,850	-
Resource properties	769,682	769,682	988,351
Development assets	38,925,498	19,241,194	-
Total assets	\$ 55,764,464	\$ 43,290,184	\$ 17,798,894

### Year ended March 31, 2019 ("YTD 2019") compared with year ended March 31, 2018 ("YTD 2018")

The Company incurred a net loss of \$6,566,464 for YTD 2019 compared with a net loss of \$5,574,864 for YTD 2018.

Evaluation and exploration costs decreased by \$4,705,702 to \$57,428 for YTD 2019 from \$4,763,130 in YTD 2018. The decrease is the direct result of the decrease in pre-development activities on the Project in YTD 2019 compared to YTD 2018. Pre-development activities on the Project were incurred up to date of transition to the development phase on July 17, 2017. Costs incurred on the Project since were capitalized as development assets.

Depreciation expenses decreased to \$5,226 for YTD 2019 from \$397,393 for YTD 2018. The depreciation charged for equipment used for the Project was capitalized as development assets during YTD 2019.

Director fees increased from \$100,000 in YTD 2018 to \$123,333 in YTD 2019 due to an increase in the number of independent directors and a change in compensation structure.

Personnel costs were \$1,444,360 for YTD 2019 compared to \$583,750 for YTD 2018. The increase is the direct result of a retiring allowance paid in the fourth quarter and a greater number of staff hired in the current period as on-site and corporate activities increased in the Company. The impact of the increase was offset by bonuses paid to the Company's management in the prior period. No such bonuses were paid to management during YTD 2019.

Professional fees decreased by \$177,925 to \$317,054 in the current year from \$494,979 in the prior year due to additional fees spent last year relating to debt financing and equity financing efforts, as well as using an outsourced firm to provide accounting and CFO related services.

Total foreign exchange loss increased by \$4,439,272 to \$3,202,683 for YTD 2019, from a foreign exchange gain of \$1,235,589 for YTD 2018 mainly due to the fluctuations in the exchange rates amongst the Canadian dollar, United States dollar, Danish Krone and Euro. Much of the loss in the YTD 2019 was the result of the strength in both the US Dollar and Canadian Dollar against the Danish Krone, the functional currency of the Company's subsidiary, during this period as development activities increased substantially year over year. Since the Cordiant loans are denominated in USD, the weaker Danish Krone resulted in a large unrealized foreign exchange loss upon revaluation of the USD Cordiant loans with an impact of \$2,697,902 (YTD 2018 - \$539,982).

Share-based payments were \$940,649 for YTD 2019 compared to \$24,918 for YTD 2018. This increase in share-based payments resulted from the options granted during the first and fourth quarters of YTD 2019.

Total office related expenses, including rent, have remained consistent and did not significantly fluctuate year over year.

Travel and accommodation expenses increased to \$181,676 from \$30,806 with increased corporate and development activities of the Project.

Bank charges and interest totalled \$42,340 for YTD 2019 compared to \$146,972 in YTD 2018 and was lower due to the Company having repaid the interest-bearing note payable in July 2019.

The Company recorded \$62,856 in interest income in YTD 2019 compared to \$17,407 in YTD 2018 as a result of higher cash balance on hand during the current period after the equity financing completed in first quarter of 2019.

Other expenditures have not materially fluctuated from YTD 2018 to YTD 2019.

## SUMMARY OF QUARTERLY RESULTS

	Three months ended			
	March 31, 2019	December 31, 2018	September 30, 2018	June 30, 2018
Interest income	\$ 2,657	\$ 17,822	\$ 42,377	\$ -
Net loss	(2,618,963)	(929,216)	(728,867)	(2,289,418)
Basic and diluted loss per share	\$ (0.01)	\$ (0.01)	\$ -	\$ (0.02)

  

	Three months ended			
	March 31, 2018	December 31, 2017	September 30, 2017	June 30, 2017
Interest income	\$ 8	\$ 254	\$ 1,411	\$ 15,734
Net loss	364,065	(137,993)	(2,386,746)	(3,414,190)
Basic and diluted loss per share	\$ -	\$ -	\$ (0.02)	\$ (0.03)

The Company's net losses are mainly due to pre-development costs, share-based payments, foreign exchange fluctuations, and general and administrative costs that vary from quarter to quarter based on planned pre-development activities and resource constraints. The net losses in the quarters ended June 30, 2017 and September 30, 2017 were largely due to expensing of exploration and evaluation costs associated with the Company's White Mountain Project. During the quarter ended September 30, 2017, the Company entered the development phase of its Naajat (White Mountain) Mineral Claim; as a result of the transition, the costs incurred on the Naajat (White Mountain) Mineral Claim upon entering the development phase were capitalized as development asset instead of expense as exploration and evaluation costs. The change in accounting policy for the costs incurred on Naajat (White Mountain) Mineral Claim began to decrease the net loss (upon transition to the development phase on July 17, 2017) during the quarter ended December 31, 2017 and significantly decreased during the quarter ended March 31, 2018 and December 31, 2018. The net income in the quarter ended March 31, 2018 was primarily the result of a foreign exchange gain recognized due to the weakness of the Canadian Dollar against the Danish Krone. The net loss in the quarter ended December 31, 2018 was the

combination of a large foreign exchange loss associated with the re-strengthening of the Canadian Dollar and US Dollar against the Danish Krone and the share-based payments recognized during the period. The Company prepared the financial statements for the periods indicated above in accordance with International Financial Reporting Standards (“IFRS”). Net losses in the quarters ended September 30, 2018 and December 31, 2018 were lower due to smaller foreign exchange losses recognized in those periods. Net loss for the quarter ended March 31, 2019 widened due to a combination of larger foreign exchange loss from the result of the continuing strength of the Canadian Dollar and US Dollar against the Danish Krone, share-based payments recognized from the granting of stock options, and a retiring allowance paid in the quarter.

**Three months ended March 31, 2019 (“Q4 2019”) compared with three months ended March 31, 2018 (“Q4 2018”)**

The Company incurred a net loss of \$2,618,963 for Q4 2019 and a net income of \$364,065 for Q4 2018.

Evaluation and exploration costs were \$6,113 for Q4 2019 compared to \$1,690 for Q4 2018. The Company did not incur significant evaluation and exploration costs in these periods as the Company focussed on completing construction at the site. Pre-development activities on the Project were incurred up to date of transition to the development phase on July 17, 2017, and costs incurred on the Project since then were capitalized as development assets.

Depreciation expense was \$273 for Q4 2019 compared to \$406 for Q4 2018 and relate to office equipment. The depreciation charged for equipment used for the Project has been capitalized as development assets since the second quarter of 2019.

Director fees increased from \$25,000 in Q4 2018 to \$33,333 in Q4 2019 due to an increase in the number of independent directors and a change in compensation structure.

Personnel costs increased by \$802,613 to \$883,863 for Q4 2019 from the comparable period. The increase is the direct result of a retiring allowance paid in the current quarter and a greater number of staff in the current period as on-site and corporate activities increased in the Company.

Professional fees decreased by \$52,252 to \$31,331 in the current quarter from \$83,583 in Q4 2018 due to additional fees spent last year relating to equity financing efforts, as well as using an outsourced firm to provide accounting and CFO related services.

Total foreign exchange loss increased by \$2,101,069 to \$1,403,993 for Q4 2019, from a \$697,076 gain for Q4 2018 mainly due to the fluctuations in the exchange rates amongst the Canadian dollar, United States dollar, Danish Krone and Euro. Much of the loss in the current quarter was the result of the strength in the US Dollar against the Canadian dollar and Danish Krone, the functional currency of the Company’s subsidiary. Since the Cordiant loans are denominated in USD, the weaker Danish Krone resulted in a large unrealized foreign exchange loss upon revaluation of the USD Cordiant loans with an impact of \$543,440.

Share-based payments were \$64,835 for Q4 2019 compared to \$2,770 for Q4 2018. This increase in share-based payments was associated with the options granted during the current quarter.

Total office related expenses, including rent, have remained consistent and did not significantly fluctuate year over year.

Travel and accommodation expenses increased to \$96,377 from \$18,399 with increased corporate and development activities of the Project.

Bank charges and interest totalled \$5,210 for Q4 2019 compared to \$35,326 in Q4 2018 and was lower due to the Company having repaid the interest-bearing note payable that was outstanding in the prior period and incurred interest on a new note payable towards the end of the current period.



The Company recorded \$2,657 in interest income in Q4 2019 compared to \$8 in Q4 2018.

Other expenditures have not materially fluctuated from Q4 2018 to Q4 2019.

## **GOING CONCERN**

The Company's consolidated financial statements for the period ending March 31, 2019, have been prepared in accordance with IFRS requirements that are applicable to a going concern, which contemplates the realization of assets and settlement of liabilities as they come due in the normal course of business.

As at March 31, 2019, the Company had a negative working capital of \$1.4 million. Total cash outflow in operating and investing activities for the current year were \$2.2 million and \$12.0 million respectively; net cash inflow from financing activities was \$13.6 million.

As at March 31, 2019, the Company had a deficit of \$67.8 million, with the cumulative losses being attributable to the very long lead times required to identify and secure potential minerals resources of commercial value, to obtain all necessary permits and licenses required for development of a deposit and the complexity of construction of the processing plant and shipping facilities in a remote location. The Company negotiated with its lender in respect of the conditions under which the restricted cash funds was released and is continuing discussions in seeking additional funds and to establish an operating line of credit to address working capital needs as the Company commences commercial sales and shipments. These steps are subject to material uncertainties and the Company expects to incur further losses in the development of its business, all of which may cast significant doubt about the Company's ability to continue as a going concern. The Company's ability to continue as a going concern is dependent upon its ability to generate future cash flow from its operations and/or obtain additional financing.

These consolidated financial statements do not give effect to adjustments that would be necessary to the carrying values and classification of assets and liabilities should the Company be unable to continue as a going concern. Realizable values may be substantially different from carrying values as shown.

As of the date of this MD&A, the Company continues to be in a working capital deficiency position and holds cash of approximately \$2.1 million. Included within this balance in restricted accounts is \$1.9 million as debt service ratio cover as part of the conditions of the Loan.

The amount of the Company's administrative expenditures is related to the level of financing and development activities that are being conducted, which in turn may depend on the Company's ability to successfully commence commercial sales on a timely basis, and on general market conditions relating to the availability of funding for exploration, development, and early production stage resource companies. 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.

## **LIQUIDITY AND CAPITAL RESOURCES**

As noted previously, the Company continues to be in a working capital deficiency position. The Company has no material income from operations and any improvement in working capital results will primarily be from the issuance of share capital and long-term debt until the Company is in commercial production.

Subsequent to March 31, 2019, the Company entered into definitive agreements with its lender, Cordiant Capital Inc. ("Cordiant") with respect to a loan facility increase and extension originally announced on March 29, 2019. The agreements provided for an immediate US\$5 million loan facility increase, which was received by the Company in May 2019. The additional funds were provided based on the same terms as the existing facility and the definitive agreements extend the maturity of the total loan facility from July 15, 2024 to July 15, 2025, with

the first principal repayment also being deferred by one year accordingly from January 15, 2020 to January 15, 2021.

In connection with this loan facility increase, the Company has issued 1,950,000 share purchase warrants, each warrant entitling Cordiant to purchase one additional share in the capital of the Company until May 23, 2024, at an exercise price of \$0.45 per share, and has cancelled the 450,000 share purchase warrants issued to Cordiant in 2017 in connection with the existing facility. The securities issued, including any shares issued upon exercise of the warrants, are subject to a 4 month hold period. The definitive agreements also provided for a further US\$3 million loan facility increase to be disbursed upon the fulfillment of certain conditions. Upon the Company receiving this further loan increase it will issue an additional 900,000 warrants having the same terms as the warrants described above.

The continued development of the Company's operations over the next 12 months will depend on the Company's ability to bring the project into commercial production and obtain additional 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 the other existing exploration properties beyond the anorthosite development project. Failure to obtain additional financing could result in delay or indefinite postponement of the completion of the Project and 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, 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) or by obtaining debt financing, in order to bring the project into commercial production, 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 interest bearing accounts with Canadian banks.

## **OUTSTANDING SHARE DATA**

As at March 31, 2019 and as at the date of this MD&A, the Company had 177,992,705 and 178,392,705 common shares issued and outstanding respectively.

- The Company completed a non-brokered private placement of 41,082,832 units at a price of \$0.45 for gross proceeds of \$18,487,274 in the first quarter of the current fiscal year. Each Unit consists of one common share of the Company and one-half of one warrant. Each whole warrant entitles the holder to purchase one common share of the Company at a price of \$0.75 for a period of three years following the date of issuance, subject to acceleration in the event that the common shares of the Company trade above a weighted average of \$1.50 for twenty consecutive days.
- On June 26, 2018, the Company granted 5,230,000 options with an exercise price of \$0.47 to its officers, directors, employees and consultants. The options are exercisable for a period of five years. One third of the options vested on the date of grant and another third will vest on each of the first and second anniversary of the date of grant.

- On February 20, 2019, the Company granted 1,610,000 options to its officers, directors, and employees with an exercise price of \$0.45. The options are exercisable for a period of five years, with one-third vesting on the date of grant and one-third vesting on each of the first and second anniversary of the date of grant.
- The Company received gross proceeds of \$47,400 for exercise of 130,000 options during the year ended March 31, 2019.
- Subsequent to March 31, 2019, the Company received gross proceeds of \$136,000 for exercise of 400,000 stock options.
- 4,400,800 warrants expired and 350,000 stock options were cancelled during the year ended March 31, 2019.
- 1,650,000 options with an exercise price of \$0.34 expired subsequent to March 31, 2019 without exercise.
- Subsequent to March 31, 2019, in connection with the loan facility increase described above, the Company issued 1,950,000 share purchase warrants, each warrant entitling Cordiant to purchase one additional share in the capital of the Company until May 23, 2024, at an exercise price of \$0.45 per share, and has cancelled the 450,000 share purchase warrants issued to Cordiant in 2017 in connection with the existing facility.
- There were 43,149,659 share purchase warrants outstanding as at March 31, 2019, each of which is exercisable for one common share at prices ranging from \$0.50 to \$0.75. As at the date of this MD&A, there were 44,649,659 share purchase warrants outstanding, each of which is exercisable for one common share at prices ranging from \$0.45 to \$0.75.
- There were 13,500,000 and 11,400,000 stock options outstanding as at March 31, 2019 and as of the date of this MD&A respectively, each of which is exercisable for one common share at prices ranging from \$0.38 to \$0.65.

## RELATED PARTY TRANSACTIONS

For the years ended March 31, 2019 and 2018 respectively, the Company incurred the following expenses for directors and officers of the Company:

	For the year ended	
	March 31, 2019	March 31, 2018
Short-term employee benefits - personnel costs <sup>(1)</sup>	\$ 825,833	\$ 1,161,250
Retiring allowance - personnel costs	650,000	-
Short-term employee benefits - professional fees <sup>(2)</sup>	76,843	228,800
Short-term employee benefits - directors' fees	123,333	100,000
Share-based payments	833,179	-
	<b>\$ 2,509,188</b>	<b>\$ 1,490,050</b>

(1) During the year ended March 31, 2019, the Company recognized \$1,475,833 of salaries and wages of which \$1,164,167 (including a \$650,000 retiring allowance) and \$311,667 were recognized as personnel costs and development assets, respectively.

During year ended March 31, 2018, the Company incurred \$1,161,250 of management fees of which \$583,750, \$364,167 and \$213,333 were recognized as management fees, project management in exploration and evaluation costs and development assets, respectively. During the year ended March 31, 2017, no management fees were recognized as project management in exploration and evaluation costs.

(2) The Company incurred \$76,843 during the year ended March 31, 2019 (2018 – \$228,800) for accounting and corporate secretarial services to Quantum Advisory Partners LLP whose incorporated partner was the Company's former Chief Financial Officer.

These transactions were measured by the exchange amount, which is the amount agreed upon by the transacting parties. The balance due to related parties included in accounts payable and accrued liabilities was \$33,333 as at March 31, 2019 (March 31, 2018 – \$139,207). These amounts are unsecured and non-interest bearing.

On March 13, 2019, the Company received an unsecured advance for \$500,000 from a related party. Total proceeds of the advance were used for working capital purposes and the balance as at March 31, 2019 was \$502,959, including accrued interest. The unsecured advance was for a term of three months bearing interest at 12% per annum. This balance has not been repaid as of the date of this report.

## COMMITMENTS

	Total	2020	2021	2022	2023	2024 and thereafter
Operating leases	\$ 157,170	\$ 48,360	\$ 48,360	\$ 48,360	\$ 12,090	\$ -
Capital leases	866,270	205,946	205,946	205,946	248,431	-
Loans <sup>(1)</sup>	42,007,705	6,694,413	9,142,259	8,397,139	7,661,319	10,112,575
	<b>\$ 43,031,145</b>	<b>\$ 6,948,719</b>	<b>\$ 9,396,565</b>	<b>\$ 8,651,445</b>	<b>\$ 7,921,840</b>	<b>\$ 10,112,575</b>

(1) Represents the undiscounted cash flow.

The Company has two exploration licenses in Greenland, the Sarfartoq EL (2010/40), which was recently renewed until December 31, 2020, 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, the five previous licenses were 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 Pingasut EL license expired on December 31, 2018 and was not renewed. 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.

## FINANCIAL INSTRUMENTS

In the normal course of business, the Company is inherently exposed to certain financial risks, including market risk, credit risk and liquidity risk, through the use of financial instruments. The timeframe and manner in which the Company manages these risks varies based upon management's assessment of the risk and available alternatives for mitigating risk. The Company does not acquire or issue derivative financial instruments for trading or speculative purposes. All transactions undertaken are to support the Company's operations. These financial risks and the Company's exposure to these risks are provided in note 19 of the Company's consolidated financial statements for the year ended March 31, 2019. For a discussion on the significant assumptions made in determining the fair value of financial instruments, refer also to note 2 of the consolidated financial statements for the year ended March 31, 2019.

## OFF-BALANCE SHEET ARRANGEMENTS

The Company does not currently have any off-balance sheet arrangements.

## PROPOSED TRANSACTIONS

As at March 31, 2019 and the date of this report, the Company had no disclosable proposed transaction. It is the Company's policy not to disclose transactions until they are fully executed.

## **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 pre-commercial production stage mineral company listed on the TSX Venture Exchange and engaged in the acquisition, exploration, development and mining of mineral properties. The recoverability of the amounts shown for resource assets is dependent upon 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 consolidated 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, 2019 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 pre-development activities that are being conducted, 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 development-stage resource companies. Consequently, the Company does not acquire properties or conduct work programs on them on a pre-determined basis and as a result there may not be predictable or observable trends in the Company's business activities and comparisons of financial operating results with prior years may not be meaningful.

### **Trends**

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

### **Competitive Conditions**

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

### **Environmental Factors and Protection Requirements**

The Company currently conducts exploration and development activities in Greenland. All phases of the Company's operations are subject to environmental regulation in the jurisdictions in which it operates. Environmental legislation is evolving in a manner which requires stricter standards and enforcement, increased

finances 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 are no assurances 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 caused by previous or existing owners or operators of the properties 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 exploitation with limited environmental impact.

### **Mineral Exploration and Development**

The Company's properties are in the exploration stage (Sarfartoq Mineral Claim and Pingasut Mineral Claim) and development stage (Naajat (White Mountain) Mineral Claim). 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 and development involve 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.

### **Shipping and port terminal**

Distribution of the Company's products from Greenland will be by ocean-going bulk carriers that will be secured through a spot-market charter. There can be no guarantee that appropriately sized and equipped vessels will be available to meet the Company's timing requirements or that such vessels can be chartered at a cost in line with the Company's original shipping market assessment. The use of such vessels requires appropriate receiving port terminals capable of handling the GreenSpar product and transloading it into another modal form of delivery, that is road or rail. The Company does not own such facilities and there can be no guarantee that they will be available when required or at an economic rate to secure.

### **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 anorthosite 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: Flemming Knudsen (Chairman), John McConnell, John McDonald, Herbert Wilson, Bob Shields, David Frattaroli, and James Cambon; and officers:

James Cambon and Samuel Yik. 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 has transitioned from the exploration phase to the development phase, 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, 2019, the Company's deficit was \$67,788,316

### **Price Fluctuations: Share Price Volatility**

In recent years, the securities markets in the United States and Canada have experienced a high level of price and volume volatility, and the market price of securities of many mineral exploration companies have experienced wide fluctuations in price which have not necessarily been related to the operating performance, underlying asset values or prospects of such companies. In particular, during the past 12 months, the Company's share price fluctuated from a high of \$0.53 to a low of \$0.32. There can be no assurance that continual fluctuations in share price will not recur.

### **Indebtedness Owing Under Senior Secured Notes**

On July 17, 2017, the Company completed the debt funding arrangement from Cordiant for a Senior Loan of US\$13 million and a Subordinated Loan of US\$9.5 million, for a total of US\$22.5 million for Hudson's White Mountain Anorthosite Project in Greenland through its 100% owned Greenland subsidiary, Hudson Greenland A/S. In connection with the debt funding arrangement, the Company provided security in respect to its obligation to pay all principal and interest owing under the Subordinated Loan and the Senior Loan in the form of a charge over substantially all of the Company's assets.

The Subordinated Loan and the Senior Loan have a term of seven years, maturing on July 15, 2024. Semi-annual principal repayments start on January 15, 2020 with only interest payments required prior to that date. The Senior Loan carries an interest rate of \$US six-month LIBOR plus 6.5% until July 15, 2018 and increased to LIBOR plus 9.5% thereafter. The Subordinated Loan's rate is \$US six-month LIBOR plus 9.5%.

In May 2019, the Company entered into definitive agreements with Cordiant with respect to a loan facility increase and extension. The agreements provided for an immediate US\$5 million loan facility increase, which was received by the Company at the end of May 2019. The additional funds were provided based on the same terms as the existing facility and the definitive agreements extend the maturity of the total loan facility from July 15, 2024 to July 15, 2025, with the first principal repayment also being deferred by one year accordingly from January 15, 2020 to January 15, 2021. The definitive agreements also provided for a further US\$3 million loan facility increase to be disbursed upon the fulfillment of certain conditions.

Should the Company fail to meet its obligations to the holders of the Subordinated Loan and the Senior Loan (collectively the "Loan Holders"), such default could result in the Loan Holders' decision to realize on their security. In accordance with the Senior and Subordinate Loan agreements with Cordiant, the Company paid US\$1.1 million, US\$1.4 million, and US\$1.4 million in semi-annual interest payments in July 2018, January 2019, and July 2019 respectively.



## **Additional Capital**

Mining, processing, development and exploration may require substantial additional financing. Failure to obtain sufficient financing may result in delaying or indefinite postponement of exploration, development or production or even a loss of property interest. There can be no assurance that additional capital or other types of financing will be available if needed or that, if available, will be on satisfactory terms.

## **Currency Fluctuations**

The Company presently maintains its corporate bank accounts in Canadian and US dollars. The senior and subordinated loans are denominated in US dollars. Due to the nature of its operations in Greenland, the Company also maintains accounts in Danish Krone in Greenland. The Company's operations in Greenland and its continued exploration and development expenditures in Greenland are denominated in DKK, US dollars and EURO, making it subject to foreign currency fluctuations. Such fluctuations are out of the Company's control and may materially adversely affect the Company's financial position and results.

## **CRITICAL JUDGEMENTS AND ESTIMATES**

### **JUDGEMENTS**

Information about critical judgments in applying accounting policies that have the most significant risk of causing material adjustments to the carrying amounts of assets and liabilities recognized in the financial statements within the next financial year are discussed below.

#### **Development stage**

Management has determined that the construction of the White Mountain project was completed in the third quarter of the current fiscal year and was thus in the development stage until that time. Accordingly, related costs incurred have been capitalized as development assets to the extent these costs are economically recoverable. Management uses several criteria in its assessments of stage of mining including metallurgic information, scoping and feasibility studies, accessible facilities, existing permits, availability of financing, and life of mine plans.

#### **Commencement of commercial production**

As at March 31, 2019, management has determined that the White Mountain project was in pre-commercial production stage. Costs associated with the commissioning of new assets, in the pre-commercial period before they are operating in the way intended by management, are capitalized, net of any pre-production revenues. Commercial production is deemed to have occurred when management determines that, amongst other items, the completion of operational commissioning of major well components has been reached, operating results are being achieved consistently for a period of time, and there are indicators that these operating results will continue, all of which involve management judgments. The Company has not yet reached commercial production.

#### **Cash generating units ("CGU")**

The determination of cash generating units requires judgment in defining a group of assets that generate cash inflows that are largely independent of the cash inflows from other assets or groups of assets. CGUs are determined by similar geological structure, shared infrastructure, geographical proximity, commodity type, similar exposure to market risks and materiality.

## **Deferred tax assets**

Management is required to make estimations regarding the tax basis of assets and liabilities and related deferred income tax assets and liabilities, the measurement of income tax expense, and indirect taxes. A number of these estimates require management to make estimates of future taxable profit and, if actual results are significantly different than estimates, the ability to realize the deferred tax assets recorded on the statement of financial position could be impacted. The Company is subject to assessments by tax authorities who may interpret tax law differently. These factors may affect the final amount or the timing of tax payments.

## **Impairment**

If information becomes available suggesting that the carrying amount of equipment and resource properties may exceed its recoverable amount, or upon transition to the development stage, the Company carries out an impairment test at the cash-generating unit or group of cash-generating unit level. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. To determine the recoverable amount, management estimates expected future cash flows from each cash-generating unit and determines a suitable interest rate in order to calculate the present value of those cash flows. In the process of measuring expected future cash flows management makes assumptions about future gross profits. These assumptions relate to future events and circumstances. The actual results may vary and may cause significant adjustments to the Company's assets within the next financial year.

## **Reclamation Obligations**

In evaluating whether a reclamation obligation exists, management applies judgment to evaluate whether they have a constructive, or legal obligation.

## **Determination of functional currency**

In accordance with IAS 21 "The Effects of Changes in Foreign Exchange Rates", management determined that the functional currency of the Company and its subsidiary is Canadian dollar and Danish Krone, respectively, as these are the currencies of the primary economic environments in which the entities operate.

## **ESTIMATES**

Since a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements in conformity with IFRS requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of assets and liabilities at the date of the financial statements and the reported amounts of expenses during the reporting periods. Actual results could differ from those estimates and such differences could be significant. Significant estimates made by management affecting our consolidated financial statements include, but are not limited to, the following:

### **Carrying value and recoverability of non-current assets**

The carrying amount of the Company's non-current assets do not necessarily represent present or future values, and the Company's resource properties and development assets have been accounted for under the assumption that the carrying amount will be recoverable. Recoverability is dependent on various factors, including the discovery of economically recoverable reserves, the ability of the Company to obtain the necessary financing to complete the development and upon future profitable production. Additionally, there are numerous geological, economic, environmental and regulatory factors and uncertainties that could impact management's assessment as to the overall viability of its properties or to the ability to generate future cash flows necessary to cover or exceed the carrying value of the Company's non-current assets.

## **Reclamation Obligations**

A provision is made for environmental remediation costs when the related environmental disturbance occurs, based on the net present value of estimated future costs. The ultimate cost of environmental disturbance is uncertain and cost estimates can vary in response to many factors including changes to the relevant legal requirements, the emergence of new restoration techniques or experience at other mine sites. The expected timing of expenditure can also change, for example, in response to changes in ore reserves or production rates or economic conditions. As a result, there could be significant adjustments to the provision for decommissioning and site restoration, which would affect future financial results.

## **Share-based payment transactions**

The Company measures the cost of equity-settled transactions with employees by reference to the fair value of the equity instruments at the date at which they are granted. Estimating fair value for share-based payment transactions requires determining the most appropriate valuation model, which is dependent on the terms and conditions of the grant. This estimate also requires determining the most appropriate inputs to the valuation model including the expected life of the stock options, volatility and dividend yield and making assumptions about them.

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

### ***Adoption of new and amended accounting standards***

Certain pronouncements were issued by the IASB or the IFRS Interpretations Committee that are mandatory for accounting periods beginning before or on January 1, 2018.

The adoption of the following IFRS pronouncement will result in enhanced financial statement disclosures in the Company's annual consolidated financial statements. This pronouncement did not affect the Company's financial results, nor did it result in adjustments to previously reported figures.

- IFRS 9 – New standard that replaced IAS 39 for classification and measurement.
- IFRS 15 - New standard to establish principles for reporting the nature, amount, timing, and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

Readers are requested to refer to note 3 of the Company's consolidated financial statements for the year ended March 31, 2019 for a more detailed discussion on the impact of the adoption of the new pronouncement.

### ***New standards and interpretations not yet adopted***

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for future accounting periods. The following have not yet been adopted by the Company and are being evaluated to determine their impact.

- 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. The Company expects that the impact of IFRS 16 will have on its consolidated financial statements is to record a right to use asset with an offsetting liability for its existing leases, as well as additional disclosure. The adoption of this standard is not expected to have a material impact on the consolidated financial statements.

## **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 consolidated financial statements for the year ended March 31, 2019 which are available on the Company's website at [www.hudsonresourcesinc.com](http://www.hudsonresourcesinc.com) 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.

## **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.