



## **HUDSON RESOURCES INC.**

### **Management's Discussion and Analysis**

**(Form 51-102F1)**

**For the year ended March 31, 2020**

## Management's Discussion and Analysis – For the year ended March 31, 2020

This management's discussion and analysis ("MD&A") focuses on significant factors that affected Hudson Resources Inc. ("Hudson" or the "Company") during the year ended March 31, 2020 and to the date of this report. The MD&A supplements, but does not form part of, the audited consolidated financial statements of the Company and the notes thereto for the year ended March 31, 2020. Consequently, the following discussion of performance and financial condition should be read in conjunction with the consolidated financial statements, which 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.hudsonresourcesinc.com](http://www.hudsonresourcesinc.com).

This MD&A contains information up to and including July 27, 2020.

### 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 21 of this MD&A.

### THE COMPANY

As at March 31, 2020, 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. On July 17, 2017, the Company entered the development phase of its White Mountain Project ("Qaqortorsuaq" in Greenlandic) 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 began production and shipping of its anorthosite product in 2019.

### HIGHLIGHTS

- Completed two tranches of additional debt financing for total gross proceeds of US\$8 million and extended maturity and principal payment terms of its debt.
- Completed additional short term loan facility of US\$10 million in December 2019.
- First shipment of 14,400 metric tonnes of the Company's GreenSpar product to the United States in August 2019.
- Received first purchase order for 5,000 metric tonnes of the Company's GreenSpar anorthosite product in accordance with the Company's 10-year supply contract (see White Mountain Project)
- On June 11, 2020, the Company announced that it has reached an agreement in principle with its Lenders to restructure its outstanding debt, the terms of which will include the extension of the maturity of the Company's debt with the Lenders, as well as provide an injection of working capital into Hudson Greenland A/S to ensure the stability of the mine going forward. Details of a definitive agreement are currently being finalized and are subject to applicable regulatory approvals
- On July 15, 2020, the Company entered into amendment agreements with its Lenders to extend the maturity date of its US\$10 million short term loan facility and the interest payments on its senior loan and subordinated loan to July 31, 2020 in order to allow additional time to finalize the details and terms of a definitive agreement .

## 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 calcium aluminum silicate. 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 fiberglass, one of the primary markets identified for “GreenSpar “. Testing of material from White Mountain was undertaken by most of the established E-Glass producers. They found that the use of White Mountain “GreenSpar” compared to currently used raw material reduced energy consumption and decreased melt times, 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. These glass fibres can be woven into mats or fabrics to make a vast range of products including boats, wind turbine blades, swimming pools, silos and tanks, 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, that contains significant, although not guaranteed, annual purchases to be used in a number of production furnaces in various countries, following the qualification of a first delivery from the new White Mountain processing plant. The Company is in advanced discussions with several other major E-Glass producers and is working towards finalizing purchase agreements.

### 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.

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 are 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 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 markets are very large, and the Company has established that numerous producers in the paint and coatings industries 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, or the material will need to be toll-milled by a third party. It is estimated that C\$6-8M is required to build a micronizing facility capable of producing 20,000 tonnes per year of paint and coating grade material. This facility could be located in North America or Europe.

Hudson has also quoted on the delivery of a coarse grade anorthosite for the use in the manufacturing of rock wool insulation in Europe and North America. This material would not need to go through Hudson’s process plant and would only require one stage of crushing prior to shipping from the mine site in Greenland.

The Company has identified several other potential revenue streams for the anorthosite. These include (1) as a new source for the production of a waste free green alumina that would be an environmentally friendly alternative to the current production of alumina using bauxite that generates a by-product waste known as red mud that has significant disposal issues, and; (2) the production of a carbon dioxide (CO<sub>2</sub>) free white cement that can be manufactured from the anorthosite with good heat resistant and strength characteristics. This has been backed up by research at the University of British Columbia’s Ceramics and Refractories Research and Testing Laboratory.

## **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 had been performing as expected with the exception of the secondary High-Pressure Grinding Rolls (HPGR) crusher, which was operating at 55% capacity due to mechanical issues involving the drive system and material feed arrangement. These are being corrected at the manufacturer’s expense, but the situation contributed to an overall delay of approximately four months for the first GreenSpar shipment. This caused the Company to seek additional working capital to support the first commercial shipments. Commissioning the plant during the cold winter period also revealed the need for a rotary drum dryer to be installed in the feed circuit into the plant to allow for consistent iron removal by the magnetic separators. An order was subsequently placed for a rotary drum dryer which has now been delivered to site for installation. Commissioning of the dryer is expected to take place during Q3 2020 depending on travel restrictions of the vendor’s commissioning team due to the pandemic.

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. Mining is done with 10m benches. After blasting, the ‘shot rock’ is loaded into 35 and 40 tonne articulated haul trucks that carry the ore 11 kilometres down to the waterside processing plant where it is fed in to a mobile jaw crusher followed by mobile cone crushing before being fed in to the processing plant. 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.

The Company announced on August 20, 2019 that that the bulk carrier, MV Happy Dragon, had been loaded and departed August 20th for a port facility in Charleston, South Carolina. The ship carried approximately 14,400 tonnes of GreenSpar 250 anorthosite product and 56 tonnes of GreenSpar 90 (98% finer than 90 microns) which

is a high quality air separated product from the low iron process plant dust collection system. The GreenSpar 90 material will be used in further development of the paints and coatings markets and CO2 free cement applications. The ship also transported two Terex all terrain cranes (80 tonnes and 55 tonnes) and three manlifts which were no longer required after the construction period and will be sold in North America.

On August 30, 2019, the Company reported that the unloading of its first shipment in Charleston was terminated before completion for reasons outside the Company's control. Certain heavy construction equipment that was no longer required and a small quantity of GreenSpar 90 were unloaded, but the dry bulk anorthosite was not unloaded due to the receiver, Carver Maritime, not being properly set up to deal with the dust associated with the dry product despite being well aware of the requirements in advance. The impending arrival of Hurricane Dorian caused the emergency closure of the port forcing the MV Happy Dragon to put to sea for safety.

The Company identified a suitable temporary facility in Savannah, one with which the Company previously announced an agreement in 2017 (see news release NR2017-09), and the MV Happy Dragon proceeded there as soon as weather permitted to discharge its cargo. The disruption caused by hurricane Dorian impacted the logistical arrangements for this first shipment with significant additional costs being incurred. Hudson has retained experienced legal counsel in the US and a claim has now been filed against Carver Maritime seeking to recover all additional costs that were incurred from the failure to perform under the contract resulting in the change in port and storage facilities.

The Company completed bagging the GreenSpar at this alternate facility in to 1,360 kg super sacs to allow for transshipment or temporary storage until the product is shipped to customer in the Americas. On November 20, 2019, the Company received a purchase order for 5,000 metric tonnes of GreenSpar, and the Company delivered this amount to a storage warehouse in Tlaxcala, Mexico. The Company has since discovered some contamination of its product, which from initial investigations, seems to be small gravel debris stemming from tire treads of the trucks moving the product from the ship to the warehouse several kilometers from the port. The Company believes the contaminates can be removed through a screening process to bring the product back to specs. A claim has been filed with the Company's insurer to recover costs if the product cannot be sold, or if added costs are incurred to remove the contamination through screening. There can be no assurances that either the claim against Carver Maritime, or the insurance claim for the product contamination, will be successful, or that either will be concluded in a timely manner.

The Company also announced that as winter approached, a decision was made to place the Greenland operations into temporary care and maintenance for technical production reasons. As previously reported, cold rock entering the plant can influence iron extraction and product quality. As such, the Company ordered a rotary drum dryer which arrived on site in late January. A number of site activities were undertaken during care and maintenance including preparations for the installation of the dryer, firefighter training, haul road improvements and accommodation complex upgrades.

Activities have been initiated to re-start the mine in Q2 of the new fiscal year. Hiring of staff and delivery of consumables and critical spares is being undertaken. The Company continues to work closely with the Greenland government to ensure activities are conducted to strict COVID-19 guidelines to protect the wellbeing of employees and local communities.

## **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 and its ability to negotiate purchase agreements. 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.

## 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 has held a 100% interest in the Sarfartoq Rare Earth and Niobium Projects. This license was in its 25<sup>th</sup> year and work commitments in excess of C\$5M would have been required in the 2020 calendar year. Consequently, the Company elected to relinquish the license at the end of 2019 and has reapplied for a new license on Sarfartoq which was granted to the Company in the last quarter of the current fiscal year. This granting of a new license has reset the minimum work commitment expenditures to approximately \$60,000 per annum. Due to COVID-19, the Greenland government has waived all work commitments for calendar 2020. Further development of the Sarfartoq Project is dependent upon the improvement in world market prices for rare earths and niobium. The Company has seen significant interest from the US State Department and Canadian government given the need for a secure supply of strategic minerals. The Company is currently developing exploration programs for Sarfartoq.

## RESULTS FROM OPERATIONS

### Selected Information

	For the year ended		
	March 31, 2020	March 31, 2019	March 31, 2018
Interest income	\$ 4,417	\$ 62,856	\$ 17,407
Net income (loss)	(14,222,477)	(6,566,464)	5,574,864
Basic and diluted loss per share	\$ (0.08)	\$ (0.04)	\$ (0.04)

<i>As at:</i>	March 31, 2020	March 31, 2019	March 31, 2018
<b>Balance Sheet Data</b>			
Cash and cash equivalents	\$ 1,829,044	\$ 1,469,162	\$ 2,296,303
Restricted cash	2,612,711	-	5,337,736
Inventory	892,652	-	-
Equipment and right of use assets	9,404,005	12,478,520	12,201,223
Reclamation bonds	2,087,690	2,006,360	2,129,850
Resource properties	-	769,682	769,682
Development assets	50,257,360	38,925,498	19,241,194
Total assets	\$ 67,922,459	\$ 55,764,464	\$ 43,290,184

## **Year ended March 31, 2020 (“YTD 2020”) compared with year ended March 31, 2019 (“YTD 2019”)**

The Company recorded a net loss of \$14,222,477 for YTD 2020 compared with a net loss of \$6,566,464 for YTD 2019.

Accretion of interest was \$373,758 in YTD 2020 compared to \$12,309 in YTD 2019 and is related to the estimate of the present value of the future required site restoration costs. With interest rates in Greenland and Denmark, being at 0% or negative as at March 31, 2020, the Company has accelerated the accretion of its reclamation obligation to its nominal estimated amount as at year-end.

Evaluation and exploration costs were \$37,340 for YTD 2020 compared to \$57,428 for YTD 2019. The Company did not incur significant evaluation and exploration costs in these periods as the Company focussed on ramping up production in the current period and on completing construction at the site in the prior year.

Depreciation expense was \$48,149 for YTD 2020 compared to \$5,226 for YTD 2019 and related to office equipment and right of use asset. Right of use assets were set up in the current year in adopting the new accounting standard for leases and hence the higher depreciation amount for the year. The depreciation charged for equipment used for the Project has been capitalized as both development assets and inventory.

Director fees increased from \$123,333 in YTD 2019 to \$140,000 in YTD 2020 due to an increase in the number of independent directors period over period. These fees have been accrued and the directors of the Company have agreed to defer payment until the Company’s financial situation improves.

Personnel costs decreased by \$479,703 to \$964,657 for YTD 2020 from \$1,444,360 in the comparable period. The decrease is the direct result of a retiring allowance paid to the Company’s ex-CEO in the fourth quarter of the prior year offset by a greater number of in-house staff in the current period as on-site and corporate activities increased in the Company starting in Q2 of the prior year.

Professional fees have decreased by \$35,066 to \$281,988 in the current period from \$317,054 in YTD 2019 as the Company tried to minimize expenditures during the year.

Total net foreign exchange loss for current year was \$1,063,178 compared to \$3,202,683 in YTD 2019 mainly due to the fluctuations in the exchange rates amongst the Canadian dollar, United States dollar, and Danish Krone. The loss in the current year was the result of the strength in the USD against the DKK, offset by the weakness of the CAD against the DKK, the functional currency of the Company’s subsidiary.

A gain of \$1,488,481 (\$Nil in YTD 2019) on debt refinancing was recorded in the current year as a result of modifying the terms of the original loans payable to Cordiant which included the extension of the maturity date and the deferral of the first principal payment. Under IFRS 9, the original debt was derecognized and replaced with the present value of the modified debt, and consequently, a gain was recorded from the calculation.

The Company recorded a \$769,682 impairment of resource properties in December 2019 upon the relinquishment of its Sarfartoq property which it reacquired before the end of the current fiscal year.

Interest and financing costs of \$1,812,993 were recorded in YTD 2020 compared to \$42,340 in YTD 2019. The increase is due to the recognition on the statement of loss and comprehensive loss the accrued interest and cash transaction costs associated with the short term loan facility entered into in Q3 of 2020. Interest costs incurred on the long term loans continued to be capitalized into development assets until commercial production is reached. Current period’s amount also included recognition of interest expense from current leases that were not existent in YTD 2019.

Interest and other income earned in YTD 2020 was \$4,417 compared to \$62,856 in YTD 2019 due to significantly lower cash balances on hand during the current period, but included a small sale of product samples to a space agency.

An inventory adjustment of \$9,501,054 (\$Nil in the prior year) was recorded in the current year in order to adjust the carrying value of the Company's finished product inventory to its net realizable value, largely due to the result of contamination of its product while in transit and associated with operating at below full capacity.

Rent expense decreased to \$28,057 from \$79,643 for YTD 2020 as a result of adopting the new accounting standard, IFRS 16 – Leases, on a modified retrospective method where prior year comparatives are not restated. A portion of the company's office lease payments is now capitalized as a Right-of-Use Asset and amortized over the life of the lease term, where in prior year, these amounts were expensed directly as rent.

Share-based payments were \$441,903 for YTD 2020 compared to \$940,649 for YTD 2019. The amounts recognized are associated with the fair value of stock options granted and vested in the respective periods. There were no options granted in the current year.

Shareholder and community engagement costs increased to \$81,147 from \$58,090 in YTD 2020 due to required expenditures incurred for community development projects in Greenland during the current period.

Transfer agent and filing fees of \$51,196 for YTD 2020 were higher than \$42,517 in YTD 2019 due to additional regulatory filings for the Company's debt financing rounds during the year .

Total office expenses totalled \$83,539 for YTD 2020, which was \$37,473 lower than that of YTD 2019 and travel and accommodation expenses decreased to \$36,734 from \$181,676, as the Company focussed on conserving cash by minimizing expenses in the current period.

### **Three months ended March 31, 2020 ("Q4 2020") compared with three months ended March 31, 2019 ("Q4 2019")**

The Company recorded a net loss of \$5,789,655 for Q4 2020 compared with a net loss of \$2,618,963 for Q4 2019.

Accretion of interest was \$364,735 in Q4 2020 compared to \$3,063 in Q4 2019 and is related to the estimate of the present value of the future required site restoration costs. With interest rates in Greenland and Denmark, being at 0% or negative as at March 31, 2020, the Company accelerated the accretion of its reclamation obligation to its nominal estimated amount in the current quarter.

Evaluation and exploration costs were \$3,537 for Q4 2020 compared to \$6,113 for Q4 2019. The Company did not incur significant evaluation and exploration costs in these periods.

Depreciation expense was \$10,845 for Q4 2020 compared to \$273 for Q4 2019 and related to office equipment and right of use asset. Right of use assets were set up in the current year in adopting the new accounting standard for leases and hence the higher depreciation amount for the period. The depreciation charged for equipment used for the Project has been capitalized as development in the current quarter.

Director fees increased from \$33,333 in Q4 2019 to \$35,000 in Q4 2020 due to an increase in the number of independent directors period over period. These fees have been accrued and the directors of the Company have agreed to defer payment until the Company's financial situation improves.

Personnel costs decreased by \$684,506 to \$199,357 for Q4 2020 from \$883,863 in the comparable period. The decrease is the direct result of a retiring allowance paid to the ex-CEO of the Company in the prior period.

Professional fees increased by \$19,588 to \$50,919 in the current period from \$31,331 in Q4 2019 due to activities associated with discussions on restructuring of its debt.

Total net foreign exchange loss for current period was \$2,324,589 compared to \$1,403,993 in Q4 2019 mainly due to the fluctuations in the exchange rates amongst the Canadian dollar, United States dollar, and Danish Krone. Much of the loss in the current period was the result of the strength in the USD against the DKK along

with a greater USD denominated debt balance, offset by a weakness of the CAD against the DKK, the functional currency of the Company's subsidiary.

Interest and financing costs of \$800,057 were recorded in Q4 2020 compared to \$5,210 in Q4 2019. The increase is due to the recognition on the statement of loss and comprehensive loss the accrued interest and cash transaction costs associated with the short term loan facility entered into in Q3 of 2020. Interest costs incurred on the long term loans continued to be capitalized into development assets until commercial production is reached. Current period's amount also included recognition of interest expense from current leases that were not existent in Q4 2019.

Interest and other income earned in Q4 2020 was \$3,011 compared to \$2,657 in Q4 2019 and were not material.

An inventory adjustment of \$2,400,157 (\$Nil in the prior period) was recorded in the current period in order to adjust the carrying value of the Company's finished product inventory to its net realizable value, largely due to the result of contamination of its product while in transit and associated with operating at below full capacity.

Rent expense decreased to \$6,952 from \$19,811 for Q4 2020 as a result of adopting the new accounting standard, IFRS 16 – Leases, on a modified retrospective method where prior year comparatives are not restated. A portion of the company's office lease payments has been capitalized as a Right-of-Use Asset and amortized over the life of the lease term, where in prior year, these amounts were expensed directly as rent.

The Company recorded a share-based payments recovery of \$447,474 for Q4 2020 compared to \$64,835 for Q4 2019. The current quarter's recovery amount relates to an adjustment to non-cash transaction costs associated with the increase in loans payable during the year and short term loan facility obtained in December 2019.

Shareholder and community engagement costs were insignificant in Q4 2020 at \$805, as compared to \$12,081 in Q4 2019.

Transfer agent and filing fees of \$9,997 for Q4 2020 were slightly lower than \$12,248 in Q4 2019.

Total office expenses totalled \$25,167 for Q4 2020, down from \$49,089 in Q4 2019 and travel and accommodation expenses decreased to \$8,023 from \$96,377, as the Company focussed on conserving cash by minimizing expenses in the current period.

## SUMMARY OF QUARTERLY RESULTS

	Three months ended			
	March 31, 2020	December 31, 2019	September 30, 2019	June 30, 2019
Interest and other income	\$ 3,011	\$ -	\$ 1,406	\$ -
Net income (loss)	(5,789,655)	(2,869,951)	(5,672,549)	109,679
Basic and diluted loss per share	\$ (0.03)	\$ (0.02)	\$ (0.03)	\$ -

  

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

The Company transitioned to the development stage in fiscal year 2018 where costs associated with its White Mountain project were capitalized. The Company's net results were historically mainly due to share-based payments, and foreign exchange fluctuations amongst the USD, CAD, and DKK which have significant impact on the results of operations from quarter to quarter.

In the quarter ended June 30, 2019, a net income was recorded largely due to a recognition of a gain on debt refinancing. Since the Company began production in the current fiscal year, it has adjusted downwards the carrying value of its inventory to its estimated net realizable value in the last three quarters and contributed to the higher level of losses in those periods. Additionally, the Company entered into an agreement with its Lenders for a short term loan facility in the third quarter of 2020, where the debt's financing costs, including interest, are expensed on the statement of loss and comprehensive loss, as opposed to being capitalized, due to the short term nature of the facility, thus resulting in a higher loss.

## **GOING CONCERN**

The Company's consolidated financial statements for the year ended March 31, 2020, 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, 2020, the Company had a working capital deficit of approximately \$18.5 million. Total cash outflow in operating and investing activities for the current year were \$12.6 million and \$5.5 million respectively; net cash inflow from financing activities was \$17.2 million.

As at March 31, 2020, the Company had a deficit of \$82.0 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, combined with some start-up operating and transportation logistical issues. The Company is currently in discussions with its lender to restructure its debts and establish a new credit facility 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. As of the date of this MD&A, the Company has cash of approximately \$0.5 million.

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.

### **Impact of COVID-19**

On March 11, 2020, the World Health Organization declared a global pandemic related to the virus known as COVID-19. The expected impacts on global commerce are anticipated to be far reaching. To date there have been significant widespread stock market declines and the movement of people and goods has become restricted, affecting supply, demand and pricing for many products.

The mineral exploration sector is expected to be impacted significantly as various levels of governments have issued public health orders in response to COVID-19, including restricting the movement of people, which could impact the Company's ability to access its properties and complete exploration, development or production programs in the current year. Certain industrial mineral prices have declined in the wake of the COVID-19 pandemic. A continuing period of lower prices could significantly affect the economic potential or intentions with respect to the White Mountain Project.

The impact of these factors on the Company is not yet determinable, however they may have a material impact on the Company's financial position, results of operations and cash flows in future periods. There may be heightened risk of mineral property impairment and liquidity or going concern uncertainty. As a result, impairment indicators for our mineral properties could arise in 2021 if current conditions persist.

In response to the COVID-19 pandemic, the Greenlandic Government announced certain emergency relief measures for mining companies, with the first initiative being the waiver of minimum mineral exploration license

obligations and expenditures through to December 31, 2020. Additionally, subsequent to March 31, 2020, the Company was granted temporary permission and has withdrawn DKK 5 million from its reclamation funds on deposit for working capital purposes, with such funds to be repaid within two years from the date of withdrawal. The Company has also applied for and received compensation for wage costs for some of its Greenlandic employees it has retained during the pandemic.

## 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.

In May 2019, the Company entered into definitive agreements with its lender, 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 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 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.

In August 2019, the Company announced that it has entered into definitive agreements with Cordiant and its new lender, Romeo Fund – Flexi and its affiliates (“Romeo”) with respect to the US\$3 million loan facility increase originally announced on May 24, 2019. Pursuant to the agreements, which provide for the assignment by Cordiant to Romeo of Cordiant's commitments in respect of the third tranche, Romeo funded the US\$3 million loan facility increase. The additional funds are provided based on the same terms as the existing facility and the definitive agreements. In connection with this loan facility increase, the Company has issued 900,000 share purchase warrants, each warrant entitling Romeo to purchase one additional share in the capital of the Company until May 23, 2024. The securities issued, including any shares issued upon exercise of the warrants, are subject to a 4 month hold period.

On December 18, 2019, the Company announced it had entered into definitive agreements with Cordiant and Romeo with respect to an additional US\$10 million six month bridge loan facility (“the Short Term Loan”) designed to facilitate completion of deliveries to lead customers and completion of its strategic process announced earlier in 2019. The additional loan facility was provided by Cordiant and Romeo on a 50:50 basis.

The loan agreements provide for an immediate US\$10 million loan facility increase, of which the Company drew down fully as at March 30, 2020. The additional funds bear interest at 20% per annum and mature on June 16, 2020. In connection with this loan facility increase, the Company has issued a total of 29,400,000 share purchase warrants to the lenders, each warrant entitling the holder to purchase one additional share in the capital of the Company until December 16, 2020 at an exercise price of \$0.325 per share. The securities issued, including any shares issued upon exercise of the warrants, are subject to a 4 month hold period. The Company also incurred cash transaction costs of \$896,357 associated with this loan facility and these costs have been recognized in the Statement of Loss and Comprehensive Loss. As of the date of this MD&A, the Company has fully drawn down on this facility.

Prior to the completion of the Short Term Loan, the Company entered into additional short-term loan agreements for US\$109,197 and US\$350,000 with Cordiant and Romeo respectively enabling direct payment of certain invoices to its vendors. These additional loans bore interest at a rate of LIBOR plus 9.5% and were fully repaid with the proceeds from the Short Term Loan facility.

On June 11, 2020, the Company announced that it has reached an agreement in principle with its Lenders to restructure the outstanding debt on the White Mountain Anorthosite mine and to provide an injection of working capital into Hudson Greenland A/S to ensure the stability of the mine going forward. The details of a definitive agreement are currently being finalized and the terms will include the extension of the maturity of the Company's debt with the Lenders. The details of the final agreement are being negotiated with the Lenders and will be subject to approval of the TSX Venture Exchange.

On July 15, 2020, the Company entered into amendment agreements with its Lenders to extend the maturity date of its US\$10 million six month bridge loan facility (the "Loan") and the interest payments on its senior loan and subordinated loan ("Interest") to July 31, 2020 in order to allow the Company and Lenders additional time to finalize the details and terms of a definitive agreement which will be subject to applicable regulatory approvals.

The Company and its Lenders are committed to completing a transaction restructuring the debt of Hudson Greenland; however, the agreement in principle does not contain legal obligations on the part of either Hudson or the Lenders to consummate the debt restructuring transaction.

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, 2020 and as at the date of this MD&A, the Company had 178,392,705 common shares issued and outstanding.

- In April 2019, the Company received gross proceeds of \$136,000 for exercise of 400,000 stock options.
- 1,650,000 options with an exercise price of \$0.34 expired in April 2019 without exercise and 500,000 options with an exercise price of \$0.45 were cancelled in December 2019.
- In May and August 2019 in connection with the loan facility increases described above, the Company issued 1,950,000 and 900,000 share purchase warrants respectively, each warrant entitling the lenders 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.

- In December 2019, the Company issued 29,400,000 share purchase warrants to the lenders in connection with the short term loan facility. Each warrant entitles the holder to purchase one additional share in the capital of the Company until December 16, 2020, at an exercise price of \$0.325 per share
- 22,158,253 share purchase warrants with exercise prices ranging from \$0.50 to \$0.70 expired as at March 31, 2020 without exercise.
- There were 52,791,416 share purchase warrants outstanding as at March 31, 2020 and as at the date of this MD&A, each of which is exercisable for one common share at prices ranging from \$0.325 to \$0.75.
- 160,000 stock options with an exercise price of \$0.45 were cancelled as at March 31, 2020.
- There were 10,790,000 stock options outstanding as at March 31, 2020 and as of the date of this MD&A, each of which is exercisable for one common share at prices ranging from \$0.38 to \$0.65.

## RELATED PARTY TRANSACTIONS

For the year ended March 31, 2020 and 2019 respectively, the Company incurred the following expenses for directors and officers of the Company:

	For the year ended	
	March 31, 2020	March 31, 2019
Short-term employee benefits - personnel costs <sup>(1)</sup>	\$ 757,201	\$ 825,833
Retiring allowance - personnel costs	-	650,000
Short-term employee benefits - professional fees <sup>(2)</sup>	-	76,843
Short-term employee benefits - directors' fees	140,000	123,333
Share-based payments	299,363	833,179
	<b>\$ 1,196,564</b>	<b>\$ 2,509,188</b>

(1) During the year ended March 31, 2020, the Company recognized \$694,250 of salaries and wages of which \$610,951 and \$146,250 were recognized as personnel costs and inventory, respectively.

During the year ended March 31, 2019, the Company incurred \$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.

(2) The Company incurred \$nil during the year ended March 31, 2020 (2019 – \$76,843) 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 \$173,333 for director fees as at March 31, 2020 (March 31, 2019 – \$33,333). In light of the Company's current financial situation, the directors of the Company have agreed to defer payment of these fees until the Company's financial situation improves. 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 was fully repaid in August 2019, including accrued interest. The unsecured advance was for a term of three months bearing interest at 12% per annum.

## COMMITMENTS

	Total	2025 and thereafter				
		2021	2022	2023	2024	
Lease from right of use asset	\$ 113,100	\$ 52,200	\$ 52,200	\$ 8,700	\$ -	\$ -
Capital leases	669,233	214,295	214,295	240,643	-	-
Short term loan payable	14,890,308	14,890,308	-	-	-	-
Loans payable <sup>(1)</sup>	58,964,874	9,177,612	12,745,775	11,784,282	10,822,789	14,434,416
	<b>\$ 74,637,515</b>	<b>\$ 24,334,415</b>	<b>\$ 13,012,270</b>	<b>\$ 12,033,625</b>	<b>\$ 10,822,789</b>	<b>\$ 14,434,416</b>

(1) Represents the undiscounted cash flow.

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 December 2019, the Company relinquished the Sarfartoq license due to expected work commitment expenditures of approximately \$5 million in the calendar year 2020. The Company elected to relinquish the license at the end of 2019 and reapplied in January 2020 for a new license on Sarfartoq that was granted in the current quarter and reset the minimum work commitment expenditures. Due to COVID-19 the government has now waved all work commitments for calendar 2020.

Management had assessed that The Pingusat EL license 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.

## **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 20 of the Company’s consolidated financial statements for the year ended March 31, 2020. 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, 2020.

## **OFF-BALANCE SHEET ARRANGEMENTS**

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

## **PROPOSED TRANSACTIONS**

As at March 31, 2020 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, 2020 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 successful sales of its mining products and 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 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 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 has one production stage project (White Mountain) that is fully permitted and has reapplied for the exploration stage Sarfartoq Mineral Claim it previously held. There is no assurance that the application to reacquire this exploration claim will be successful. Development of the Company's exploration properties will also 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, niobium 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, 2020, the Company's deficit was \$82,010,795.

### **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 \$0.43 to a low of \$0.065. 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.

In August 2019, the Company entered into definitive agreements with Cordiant and its new lender, Romeo Fund – Flexi and its affiliates ("Romeo") with respect to the US\$3 million loan facility increase originally announced on May 24, 2019. Pursuant to the agreements, which provide for the assignment by Cordiant to Romeo of Cordiant's commitments in respect of the third tranche, Romeo funded the US\$3 million loan facility increase. The additional funds are provided based on the same terms as the existing facility and the definitive agreements.

On December 18, 2019, the Company entered into definitive agreements with Cordiant and Romeo with respect to an additional US\$10 million six-month bridge loan facility designed to facilitate completion of deliveries to lead customers and completion of its strategic process announced earlier in 2019. The additional loan facility was provided by Cordiant and Romeo on a 50:50 basis.

Should the Company fail to meet its obligations to the holders of the above loans (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 the Loan Holders, the Company paid US\$1.1 million, US\$1.4 million, US\$1.4 million, and US\$1.8 million in semi-annual interest payments in July 2018, January 2019, July 2019, and January 2020 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 prior 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, 2020, management has determined that the White Mountain project remained 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 inventory, 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 April 1, 2019.

#### **IFRS 16 - Leases**

Effective April 1, 2019, the Company adopted IFRS 16 using the modified retrospective application method, where the prior year comparatives are not restated and the cumulative effect of initially applying IFRS 16 has been recorded on April 1, 2019 for any differences identified. The Company has determined that the adoption of IFRS 16 resulted in no adjustments to the opening balance of accumulated deficit.

Readers are requested to refer to note 3 of the Company's consolidated financial statements for the year ended March 31, 2020 for a more detailed discussion on the impact of the adoption of the new pronouncement.

### *New accounting standards not yet adopted*

Certain new standards, interpretations, amendments and improvements to existing standards were issued by the IASB or IFRIC that are mandatory for accounting periods beginning on or after April 1, 2020. The Company does not anticipate such updates will be applicable or have significant impacts on the Company's results of operations or financial position.

## 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, 2020 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 Company's Board of Directors 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.