

INLET RESOURCES LTD.

INL-V

MANAGEMENT DISCUSSION & ANALYSIS

For the year ended December 31, 2010

Directors and Officers as at April 26, 2011:

Directors:

David Baker
Earl Terris
Martin Auyeung

Officers:

President – David Baker
CFO – Vivian Gu

Contact Name:

David Baker

TSX Venture Exchange Symbol:

INL

INLET RESOURCES LTD.

MANAGEMENT DISCUSSION & ANALYSIS

For the Year Ended December 31, 2010

1.1 Date of This Report

April 26, 2011.

1.2 Overall Performance

Description of Business

Inlet Resources Ltd. (the “Company”) is a publicly listed company that trades on the TSX Venture Exchange as a junior resource company with a focus on acquiring mineral projects that will provide the opportunity to enhance shareholder value.

During the year ended December 31, 2006, the Company consolidated its share capital on a 30 old for 1 new basis. The name of the Company was unchanged.

Effective at the opening January 11, 2006, shares of the Company commenced trading on TSX Venture Exchange under the new trading symbol “INL”. The Company is now classified as a “Resource” company.

1.3 Selected Annual Information

The highlights of financial data for the Company for the three most recently completed financial years are as follows:

	<u>December 31,</u> <u>2010</u>	<u>December 31,</u> <u>2009</u>	<u>December 31,</u> <u>2008</u>
(a) Net sales	-	-	-
(b) Loss before extraordinary items			
(i) Total loss	\$285,679	\$149,194	\$359,883
(ii) Loss per share - basic	\$0.02	\$0.02	\$0.03
(iii) Loss per share - diluted	\$0.02	\$0.02	\$0.03
(c) Net loss			
(i) Total loss	\$285,679	\$149,194	\$359,883
(ii) Loss per share - basic	\$0.02	\$0.02	\$0.03
(iii) Loss per share - diluted	\$0.02	\$0.02	\$0.03
(d) Total assets	\$2,134,089	\$2,714,163	\$1,789,902
(e) Total long-term liabilities	N/A	N/A	N/A
(f) Cash dividends declared per-share	N/A	N/A	N/A

1.4 Results of Operations

Discussion of Acquisitions, Operations and Financial Condition

The following should be read in conjunction with the financial statements of the Company and notes attached hereto.

Mineral Properties

Broken Hill-Leo property

On September 26, 2006, the Company entered into an option agreement with Timer Explorations Inc. ("Timer", name changed to Potash North Resource Corp.), a company related by common directors, to acquire a 50% interest in the Broken Hill-Leo property, located approximately 150 kilometers north-north east of Kamloops, British Columbia.

The property comprises 133 claims (3,325 hectares) located near the village of Avola, and covers a 9-kilometer strike extent of carbonate stratigraphy with numerous zinc-lead-silver showings and occurrences. In June 2005 Timer conducted a 5-hole drill program to test two of several occurrences (the Vista and Paulter showings), which resulted in narrow intercepts of zinc mineralization being drilled, including 5.88% zinc over a drill width of 0.83m. The claims are located approximately 15 kilometers west of the Ruddock Creek property where Selkirk Metals Corp. (TSX-V: SLK) recently announced a drill hole intercept of 15.79% zinc and 3.33% lead over 14.05 meters.

Under the terms of the Option Agreement, the Company must complete an initial \$50,000 work program prior to December 31, 2006 (incurred \$49,938 as at December 31, 2006) and a further \$150,000 work program by August 31, 2007 to earn the 50% interest in the claims. The report on the initial program has been received, covering the results of mapping, soil/rock sampling, trenching and ground geophysics to further explore the known showings and define new target areas for drilling.

On April 23, 2008, Timer signed an Amended Option that requires Timer to complete a \$125,000 work program on the property by November 2, 2008 in order to keep the option in good standing and to make advance royalty payments of \$5,000 each subsequent year to the optionor until \$100,000 has been paid.

On April 23, 2008, the Company, through a board resolution, extended the option agreement with Timer pursuant to the Amended Option. Under the extended option agreement, the Company may earn a 50% interest in Broken Hill-Leo property by sharing 50% of the \$125,000 required work program expenditures (incurred as of December 31, 2008) and funding 50% of the advance royalty payments of \$5,000 each subsequent year to the optionor until a total \$100,000 has been paid.

In December 2009, Timer sold their 50% interest to Monster Uranium Corp. ("Monster"). Monster will assume the responsibilities of Timer.

During the current year, the Company received a tax credit relating to the exploration expenses incurred in British Columbia in the amount of \$18,776.

Exploration and developments updates

A \$125,000 exploration program started in late September 2008 which encompasses line cutting, prospecting, rock and soil sampling, trenching in the area of the Navan and Mike showings and 2000 metres of diamond drilling and core sampling in order to better establish the extent of the mineral showings and to define the economic potential of the property. Necessary work permits were received from the BC Government.

The drilling program was completed on Oct 10, 2008, with seven holes completed. The initial focus of the drilling was on the Mike and Denis showings to test for economic concentrations in bedrock of zinc, lead and silver mineralization and to followup on soil geochemistry anomalies and prospecting finds. Also targeted was stratigraphy between and on the Navan and Paulter showings which are a kilometre apart. Drilling targeted the Paulter showing where 5.88% zinc was reported from previous drilling in the area.

All “significant” mineralized intersections have been sampled and the samples with blanks and standards went to Ecotech Analytical laboratories in Kamloops for ICP analyses and if warranted zinc assay and gold analyses. All disturbed areas have been reclaimed.

After reviewing the results and recommendations from the 2008 program, management will be considering appropriate follow-up measures for the property. The drilling results were generally disappointing although there were minor intersections of zinc and copper sulphides which may warrant further evaluation. Trenching failed to reach bedrock or encounter additional mineralized boulders. A phased program of geophysics and geology followed by drilling has been recommended to identify possible targets in new areas of the property and this will be considered by management.

Discussion of Operations and Financial Condition

Results of Operations

The loss for the year ended December 31 2010 was \$285,679 as compared with a loss of \$149,494 for the year ended December 31, 2009. During the twelve months ended December 31, 2010, the Company recognized a \$4,031 loss from sale of marketable securities.

During the year ended December 31, 2010, the Company recorded \$42,775 future income tax expenses (2009 - \$100,545 future income tax recovery). The Company also recorded \$304,825 unrealized loss during the current year (2009 - \$726,455 unrealized gain) in value of short term investment as other comprehensive income, which is not included in the net loss.

The details of the general and administrative expenses are as follows:

	31-Dec-10	31-Dec-09	Increase/ (Decrease)
Amortization	\$ 2,480	\$ 2,480	\$ -
Consulting & administration	66,000	68,462	(2,462)
Management fees	60,000	53,000	7,000
Professional fees	43,017	44,759	(1,742)
Rent, telephone, office expenses	47,473	52,094	(4,621)
Shareholders' communication	7,251	8,893	(1,642)
Transfer agent & regulatory filing fees	13,188	20,051	(6,863)
Total General & administrative	\$ 239,409	\$ 249,739	\$ (10,330)

Consulting fees for the current year include services related to corporate and administration, shareholder communications, and computer and website. Shareholder communication fees consist of the fees paid to the Company spokespersons that handle all shareholder calls, maintain the company mailing list, and handle all company mail-outs. The Company also retains a consultant for maintenance of the Company's website. Filing and transfer agent fees include fees paid to the TSX Venture Exchange and the B.C. and Ontario Securities Commissions, SEDAR filings, and fees paid to Computershare Trust Company of Canada and the Minister of Finance.

Investor Relations Activities

The Company currently has no formal arrangements with respect to investor relations. During the year, the Company responded to investor inquiries and conducted shareholder and investor mailouts. The Company has assigned spokespersons responsible for responding directly to all investor inquiries and for conducting shareholder and investor mailouts. (See above for costs related to shareholder communications).

1.5 Summary of Quarterly Results

The following is a summary of the Company's financial results for the eight most recently completed quarters:

	Q4 31-Dec-10	Q3 30-Sept-10	Q2 30-Jun-10	Q1 31-Mar-10
Net Income (loss)	(\$80,148)	(\$59,662)	(\$82,561)	(\$63,308)
Per Share	(0.00)	(0.00)	(0.01)	(0.00)
	Q4 31-Dec-09	Q3 30-Sept-09	Q2 30-Jun-09	Q1 31-Mar-09
Net (loss)	\$15,414	(\$48,775)	(\$50,909)	(\$64,924)
Per Share	(0.00)	(0.00)	(0.00)	(0.00)

1.6 Liquidity

The Company has no revenue generating projects at this time. The Company's historical capital needs have been met by equity subscriptions. The Company will require additional financing to fund any property acquisitions as well as exploration programs on any properties it acquires. As at December 31, 2010, the Company's working capital was \$1,977,008 (compared to \$2,545,856 at December 31, 2009). The ability of the Company to successfully acquire and develop properties in the resource sector is conditional on its ability to secure financing when required. The Company proposes to meet any additional financing requirements through the exercise of outstanding stock options and warrants, or arranging other equity financing, and/or finalizing a joint venture agreement with a partner(s) who will be able to assume the costs of recommended exploration programs. In light of the continually changing financial markets, there is no assurance that funding by equity subscriptions or finding a joint venture partner will be possible at the times required or desired by the Company.

1.7 Capital Resources

The Company entered into an option agreement with Timer Explorations Inc. ("Timer") to acquire a 50% interest in the Broken Hill-Leo property, located approximately 150 kilometers north-north east of Kamloops, British Columbia., as detailed in Section 1.4 "*Results of Operations.*"

1.8 Off Balance Sheet Arrangements

There are no off-balance sheet arrangements to which the Company is committed.

1.9 Transactions with Related Parties

All related party transactions and amounts owing are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

The Company retains the services of certain directors and officers. Management fees, consulting fees, and accounting fees are as follows:

	<u>2010</u>	<u>2009</u>
Management fees paid to the President	\$ 60,000	\$ 53,000
Consulting fees paid to a company controlled by the spouse of the President	24,000	25,500
Consulting fees paid to a director	15,000	11,250
Accounting fees paid to an officer	18,000	14,125
Total	<u>\$ 117,000</u>	<u>\$ 103,875</u>

At December 31, 2010, prepaid expenses include \$543 (2009 - \$509) paid to a company controlled by a director for future expenses.

1.10 Forth Quarter – 2010

The fourth quarter results do not differ significantly from other quarters, except for the recognizing of \$42,775 future income tax expense in net loss as a result of the recording of unrealized loss on available-for-sale financial assets in other comprehensive loss. \$304,825 unrealized loss arising on available-for-sale investments has been recorded as other comprehensive loss, which is not included in the net loss.

1.11 Proposed Transactions

None.

1.12 Critical Accounting Estimates

N/A

1.13 Changes in Accounting Policies

Canada's Accounting Standards board ratified a plan that will result in Canadian GAAP being converged with International Financial Reporting Standards ("IFRS") by 2011. The specific implementation is set for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The changeover date of January 1, 2011 will require restatement for comparative purposes of amounts reported by the Company for the year ended December 31, 2010.

The key elements, timing and status of the Company's changeover plan are outlined below:

- Developed internal knowledge to manage changeover, design systems and produce IFRS reports. Accounting staff have upgraded their knowledge and will continue throughout the process.
- Reviewed accounting policy changes that are required or are optional under IFRS on conversion and make choices where necessary. An internal review has been conducted for major differences between IFRS and Canadian GAAP, where it is likely to affect the Company. No significant impact is expected to the Company's financial reporting.
- Prepare 2010 opening balance sheets and reconciliations of 2010 interim and year end statements to Canadian GAAP statements of the same periods. These statements will be ready for the interim financial statements for the quarter ended March 31, 2011.
- Reviewed internal control implication of new policies and changeover.
- Reviewed disclosure controls and procedures in light of change to IFRS.
- Reviewed business implications of conversion such as compensation formulas and contract requirements. No significant implications have been determined.

1.14 Financial and Other Instruments

The carrying value of cash and cash equivalents and accounts payable approximate their fair values due to the short maturity of those instruments.

1.15 Other

Disclosure of Outstanding Share Capital (December 31, 2010)

	Number	Book Value
Common Shares	16,397,317	\$16,021,450

Summary of incentive stock options:

Number of Shares	Expiry Date	Exercise Price Per Share
52,500	November 30, 2011	\$0.24

Summary of warrants outstanding:

Number of Shares	Expiry Date	Exercise Price
4,000,000	January 22, 2011	\$0.10

Other Information

Controls and Procedures

In contrast to the certificate required under National Instrument 52-109 Certificate of Disclosure in Issuers' Annual and Interim Filings (NI 52-109), this Venture Issuer Basic Certificate does not include representations relating to the establishment and maintenance of disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as defined in NI 52-109, in particular, the certifying officers filing this certificate are not making any representations relating to the establishment and maintenance of:

- i) controls and other procedures designed to provide reasonable assurance that information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and
- ii) a process to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

The issuer's certifying officers are responsible for ensuring that processes are in place to provide them with sufficient knowledge to support the representations they are making in this certificate.

Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement on a cost effective basis DC&P and ICFR as defined in NI 52-109 may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

Subsequent Events

Subsequent to the year ended December 31, 2010:

- The Company issued 1,050,000 common shares pursuant to stock purchase warrants exercised for proceeds of \$105,000.
- The Company issued 20,000 common shares to stock options exercised for proceeds of \$4,800.

Additional information

Additional information relating to the company is on SEDAR at www.sedar.com.