

INLET RESOURCES LTD.

INL-V

MANAGEMENT DISCUSSION & ANALYSIS

For the quarter ended March 31, 2006

Directors and Officers as at May 26, 2006:

Directors:	David Baker Earl Terris Harvey Lawson
Officers:	President – David Baker
Contact Name:	David Baker
TSX Venture Exchange Symbol:	INL

INLET RESOURCES LTD.

MANAGEMENT DISCUSSION & ANALYSIS

For the Quarter Ended March 31, 2006

1.1 Date of This Report

May 26, 2006.

1.2 Overall Performance

Description of Business

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

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>2005</u>	<u>December 31,</u> <u>2004</u>	<u>December 31,</u> <u>2003</u>
(a) Net sales	-	-	-
(b) Loss before extraordinary items			
(i) Total loss	\$647,888	\$571,952	\$1,192,995
(ii) Loss per share - basic	\$0.01	\$0.01	\$0.03
(iii) Loss per share - diluted	\$0.01	\$0.01	\$0.03
(c) Net loss			
(i) Total loss	\$647,888	\$571,952	\$1,192,995
(ii) Loss per share - basic	\$0.01	\$0.01	\$0.03
(iii) Loss per share - diluted	\$0.01	\$0.01	\$0.03
(d) Total assets	\$564,016	\$935,293	\$494,474
(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

Red Lake Gold Property

On November 19, 2003, the Company entered into a Property Acquisition Agreement with Mackenzie Jaims (“Jaims”). The Company agreed to acquire a 100% interest in the property consisting of 53 mining claims totaling 830 claim units comprised of 32,800 acres located in the Red Lake area of Ontario. In consideration, the Company paid \$60,000 in cash and issued 2,000,000 shares to Jaims. Jaims retains a 2% net smelter royalty and the Company has the option to purchase a 1% of the net smelter royalty (“NSR”) for \$1,000,000

On December 1, 2003, the Company granted Rampart Ventures Ltd. (“Rampart”) the option to acquire an undivided 60% interest in the Red Lake Gold Property. The Company received an option payment of \$25,000 and 100,000 shares of Rampart valued at \$0.15 per share in the year ended December 31, 2004.

On March 1, 2005, Rampart Ventures Ltd. terminated the option agreement.

During the year ended December 31, 2005, the Company continued a comprehensive review of the 2004 exploration data as well as review of previous exploration data. The company completed a 14 day field program on the property consisting of geological mapping and prospecting. Based on the exploration results, there is no future value in the property and, accordingly, the Company wrote off the acquisition costs and exploration expenditures associated with the Red Lake Gold property, while the claiming of this property was still in good standing until April 2006.

During the three months ended March 31, 2006, the Company incurred \$2,437 expenses relating to Red Lake property. Those expenses were charged to operation as the property has been written-off already.

Ungava Property

On February 3, 2003, the Company acquired a 100% interest in the Ungava property located in Quebec, through the delivery of 600,000 shares at \$0.13 per share and the payment of \$100,000. The property is subject to a 1% NSR of which half may be purchased for \$1,000,000.

On August 6, 2003, the Company entered into an Option and Joint Venture Agreement with Goldbrook Ventures Inc. (“Goldbrook”). The Company granted Goldbrook the exclusive right and option to acquire an undivided 80% interest in the Ungava Property, through the delivery of an aggregate 500,000 common shares of Goldbrook and incurring an aggregate of \$3,500,000 of work expenditures on the Property for the next 4 years.

On July 30, 2004, the Company announced that it had reached an agreement with Goldbrook Ventures Inc. (“Goldbrook”) whereby Goldbrook will acquire all of the Company’s interest in the Wakeham Property (the “Property”) comprised of approximately 74,280 acres in the Raglan area of northern Quebec. As consideration, Goldbrook delivered 3,000,000 common shares to the Company valued at \$141,839.

This Agreement replaces the option previously granted to Goldbrook by the Company to earn up to an 80% interest in the Property. The Wakeham Property is subject to a 1-per-cent net smelter return royalty on any mineral production from the Property. Goldbrook has the option to purchase one-half of this royalty for \$1 million.

During the year ended December 31, 2005, the Company wrote off the \$1 nominal value of the Ungava property.

Discussion of Operations and Financial Condition

Results of Operations

The loss for the three months ended March 31, 2006 was \$73,090 as compared with a loss of \$102,458 for the three months ended March 31, 2005. During the current quarter, the Company recognized \$20,200 non-cash gain in value of short term investment. The Company also incurred expenses in the following categories:

- Shareholders’ communication fees and travel and promotion expenses decreased due to the less involvement in trade shows and conferences during first three months of the year;
- Rent, telephone and office expenses decreased by \$12,762;
- Legal fees increased by \$7,645
- Consulting and administration fees and regulatory filing fees increased due to the increased activities of the Company.

The details of the expenses discussed above are as follows:

	31-Mar-06	31-Mar-05	Increase/ (Decrease)
Accounting fees	\$ 5,000	\$ 7,500	\$ (2,500)
Amortization	360	360	-
Consulting & administration	25,136	15,970	9,166
Foreign exchange loss	297	-	297
Interest & bank charges	161	434	(273)
Legal fees	7,645	-	7,645
Management fees	11,000	10,500	500
Rent, telephone, office expenses & services	12,878	25,640	(12,762)
Shareholders’ communication fees & expenses	9,500	23,637	(14,137)
Transfer agent & regulatory filing fees	16,639	8,324	8,315
Travel & promotion	3,741	11,374	(7,633)
(Gain)/loss in value of short term investment	(20,200)	-	(20,200)
Total General & administrative	\$ 72,157	\$ 103,739	\$ (31,582)

Consulting fees for the current period 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 who 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 period, 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).

Financings, Principal Purposes & Milestones

During the three months ended March 31, 2006, the Company completed a post-consolidation non-brokered private placement involving the issuance of 2,000,000 units (the "Units") at a price of \$0.225 per Unit, for gross proceeds of \$450,000 less finders' fees of \$12,195 for net proceeds of \$437,805. Each Unit is composed of one post-consolidated common share of the Company and one transferable common share purchase warrant. Each Warrant is exercisable into one additional post-consolidated common share of the Company for a period of two years from the closing date of the Private Placement at an exercise price of \$0.30. The proceeds from the offering will be added to working capital and will be used for general and administrative expenses and to investigate new opportunities for the Company.

1.5 Summary of Quarterly Results

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

	Q1 <u>31-Mar-06</u>	Q4 <u>31-Dec-05</u>	Q3 <u>30-Sept-05</u>	Q2 <u>30-Jun-05</u>
Net Income (loss)	(\$73,090)	(313,699)	(\$110,562)	(\$121,169)
Per Share	(0.02)	0.15	(0.05)	(0.06)
	Q1 <u>31-Mar-05</u>	Q4 <u>31-Dec-04</u>	Q3 <u>30-Sept-04</u>	Q2 <u>30-Jun-04</u>
Net Income (loss)	(\$102,458)	(\$87,337)	(\$350,641)	(\$83,836)
Per Share	(0.05)	(0.05)	(0.20)	(0.05)

Discussion

For the quarter ended March 31, 2006, please refer to Section 1.4 “*Results of Operations.*”

The loss for the quarter ended September 30, 2004 was \$350,641 as compared with a loss of \$110,562 for the quarter ended September 30, 2005. During the quarter ended September 30, 2004, the Company granted incentive stock options to directors, officers and key employees and stock-based compensation expenses in the amount of \$272,607 was charged to operation.

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 March 31, 2006, the Company’s working capital was \$766,880 (compared to \$401,805 at December 31, 2005). 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

During the year ended December 31, 2006, the Company wrote off its mineral property in the amount of \$306,123. The Company is committed to investigate new opportunities, 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

The Company retains the services of certain directors and officers. Management fees, regulatory fees, and corporate and administration fees are as follows:

Expense	Three months ended March 31,	
	2006	2005
Management fees	\$ 11,000	\$ 10,500
Consulting fees - shareholders communication	7,500	-
Corporate services	-	4,500
Total	\$ 18,500	\$ 15,000

In the three months ended March 31, 2006, the management fees of \$11,000 (2005 - \$10,500) were paid to the president, who is also a director, of the Company. Three months of consulting fees related to shareholders' communication of \$7,500 were paid to a company controlled by the spouse of the president.

At March 31, 2006, accounts payable and accrued liabilities included \$924 (2005 - \$986) due to a director of the Company and \$3,514 (2005 - \$4,677) owing to a company with common directors for expenses paid on behalf of the Company.

At March 31, 2006 accounts receivable include the offices expenses paid on behalf of companies with common directors and management in the amount of \$1,404 (2005 – Nil).

1.10 First Quarter – 2006

The first quarter results do not differ significantly from other quarters, except the recognition of non-cash gain in value of short term investment in the amount of \$20,200.

1.11 Proposed Transactions

None.

1.12 Critical Accounting Estimates

N/A

1.13 Changes in Accounting Policies

N/A

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 (March 31, 2006)

	<u>Number</u>	<u>Book Value</u>
Common Shares	4,141,817	\$14,024,015

Summary of incentive stock options:

<u>Number of Shares</u>	<u>Expiry Date</u>	<u>Exercise Price Per Share</u>
9,000	December 8, 2007	\$3.00
146,115	July 8, 2009	\$3.00
<u>155,115</u>		

Summary of warrants outstanding:

<u>Number of Shares</u>	<u>Expiry Date</u>	<u>Exercise Price</u>
333,333	April 20, 2006	\$3.00
66,350	June 15, 2006	\$3.00
100,317	July 6, 2006	\$3.00
172,333	May 30, 2007	\$3.00
26,667	June 8, 2007	\$3.00
2,000,000	January 19, 2008	\$0.30
<u>2,699,000</u>		

Subsequent Events

The Company will be applying for the release of the 3 million escrow Goldbrook shares. As per the Goldbrook Ventures Inc. audited financials statements for the year-ended April 30, 2005, exploration expenditures incurred in the Wakeham Property from August 1, 2004 to April 30, 2005 total \$1,302,531 and May 1, 2005 to December 31, 2005 of \$90,577 for a total of \$1,393,108. Based on these expenditures, the Company is eligible to apply for release of the 3,000,000 escrow shares based upon one share for each \$0.42 in exploration expenditures made by Goldbrook in the Wakeham Property.

Additional information

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