

# INLET RESOURCES LTD.

INL-V

## MANAGEMENT DISCUSSION & ANALYSIS

For the year ended December 31, 2007

**Directors and Officers as at April 25, 2008:**

**Directors:**

David Baker  
Earl Terris  
Harvey Lawson

**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, 2007

### 1.1 Date of This Report

April 25, 2008.

### 1.2 Overall Performance

#### *Description of Business*

Inlet Resources Ltd. (the “Company”) is a publicly listed company that trades 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.

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>2007</u>	<u>December 31,</u> <u>2006</u>	<u>December 31,</u> <u>2005</u>
(a) Net sales	-	-	-
(b) Loss before extraordinary items			
(i) Total loss	\$236,592	\$365,644	\$647,888
(ii) Loss per share - basic	\$0.04	\$0.08	\$0.31
(iii) Loss per share - diluted	\$0.04	\$0.08	\$0.31
(c) Net loss			
(i) Total loss	\$236,592	\$365,644	\$647,888
(ii) Loss per share - basic	\$0.04	\$0.08	\$0.31
(iii) Loss per share - diluted	\$0.04	\$0.08	\$0.31
(d) Total assets	\$1,781,418	\$1,123,349	\$564,016
(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 announce that it has entered into an option agreement with Timer Explorations Inc. (“Timer”) (TSX-V:TES), a related company by virtue of 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 clams. 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.

The Company has not completed the required expenditures as at August 31, 2007 and Timer received a notice of Default of Agreement on September 6, 2007. On October 9, 2007, the Company received an Amended Notice of Default that extended the default period to December 31, 2007, and the Company made a \$15,000 deposit to the optionor pursuant to the Amended Notice of Default.

Subsequent to the year end, the Company made a \$5,000 payment to the optionor to extend the default period and Timer entered into a letter of intent (“LOI”) to amend the Option Agreement. Under the LOI, Timer will complete a \$125,000 work program by November 2, 2008 and make advance royalty payments of \$5,000 each subsequent year to the optionor until \$100,000 has been paid.

#### **Exploration and developments updates**

A \$125,000 exploration program is planned for 2008 field season 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. Management will review the findings of the 2008 work program to determine an appropriate follow-up work program.

## *Discussion of Operations and Financial Condition*

### **Results of Operations**

The loss for the year ended December 31, 2007 was \$236,592 as compared with a loss of \$365,644 for the year ended December 31, 2006. During the year ended December 31, 2007, the Company recognized \$214,000 unrealized gain in value of short term investment as other comprehensive income, which is not included in the net loss. The Company also incurred expenses in the following categories:

- Shareholders' communication fees and travel and promotion expenses decreased by \$12,407 due to the less involvement in trade shows and conferences during the year;
- Transfer agent and filing fees decreased by \$12,670
- Rent, telephone and office expenses increase by \$24,275 as a result of higher rent for the new office and expenses for moving the office;
- Professional fees decreased by \$28,213;
- There's no stock based compensation expense charged in current year, while \$121,816 was recorded during the year ended December 31, 2006.

The details of the expenses discussed above are as follows:

	31-Dec-07	31-Dec-06	Increase/ (Decrease)
Amortization	\$ 2,481	\$ 4,799	\$ (2,318)
Consulting & administration	85,013	87,061	(2,048)
Professional fees	20,257	48,470	(28,213)
Management fees	49,250	48,250	1,000
Rent, telephone, office expenses & services	60,717	36,442	24,275
Property investigation	-	2,437	(2,437)
Stock based compensation	-	121,816	(121,816)
Shareholders' communication fees & expenses	24,896	30,373	(5,477)
Transfer agent & regulatory filing fees	14,592	27,262	(12,670)
Travel & promotion	-	6,930	(6,930)
<b>Total General &amp; administrative</b>	<b>\$ 257,206</b>	<b>\$ 413,840</b>	<b>\$ (156,634)</b>

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

On October 22, 2007, the Company completed a non-brokered private placement for the issuance of 2,000,000 units of the Company at a price of \$0.15 per unit for gross proceeds of \$300,000. Each unit is composed of one common share of the Company and one transferable common share purchase warrant. Each warrant is exercisable into one additional common share of the Company for a period of two years from the closing date of the private placement at an exercise price of \$0.20. The shares and warrant shares are subject to a four month hold period expiring on February 5, 2008.

### 1.5 Summary of Quarterly Results

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

	<b>Q4</b> <b>31-Dec-07</b>	<b>Q3</b> <b>30-Sept-07</b>	<b>Q2</b> <b>30-Jun-07</b>	<b>Q1</b> <b>31-Mar-07</b>
Net Income (loss)	(\$66,180)	(\$53,641)	(\$60,252)	(\$56,519)
Per Share	(0.01)	(0.01)	(0.01)	(0.01)
	<b>Q4</b> <b>31-Dec-06</b>	<b>Q3</b> <b>30-Sept-06</b>	<b>Q2</b> <b>30-Jun-06</b>	<b>Q1</b> <b>31-Mar-06</b>
Net Income (loss)	(\$174,201)	(\$71,226)	(\$47,127)	(\$73,090)
Per Share	(0.03)	(0.02)	(0.01)	(0.02)

### Discussion

For the quarter ended December 31, 2007, please refer to Section 1.4 "Results of Operations."

During the quarter ended December 31, 2006, the Company recorded \$121,816 stock based compensation expenses as a result of granting 523,000 stock options.

## 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, 2007, the Company's working capital was \$1,697,523 (compared to \$1,045,992 at December 31, 2006). 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

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

	Years ended December 31	
	2007	2006
Management fees	49,250	48,250
Consulting fees – shareholders communication	30,625	30,625
Corporate service	-	1,500
Accounting fees	10,625	
Total	90,500	80,375

In the year ended December 31, 2007, management fees of \$49,250 (2006 - \$48,250) were paid to the president, who is also a director, of the Company. Consulting fees related to shareholders' communication of \$30,625 (2006 - \$30,625) were paid to a company controlled by the spouse of the president. Accounting fees of \$10,625 (2006 - \$Nil) were paid to an officer.

At December 31, 2007, accounts payable and accrued liabilities included \$Nil (2006 - \$924) due to a director of the Company.

At December 31, 2007, accounts receivable include the offices expenses paid on behalf of companies with common directors and management in the amount of \$1,301 (2006 – \$1,404).

At December 31, 2007, prepaid expenses include \$11,110 paid to companies controlled by a director for future management fees and other expenses.

#### 1.10 Fourth Quarter – 2007

The fourth quarter results do not differ significantly from other quarters. During the twelve months ended December 31, 2007, the Company recognized \$214,000 unrealized gain from available for sale securities as other comprehensive income

#### 1.11 Proposed Transactions

None.

#### 1.12 Critical Accounting Estimates

N/A

#### 1.13 Changes in Accounting Policies

Effective January 1, 2007, the Company has adopted three new accounting standards related to financial instruments that were issued by the Canadian Institute of Chartered Accountants (“CICA”) in 2005. These accounting policy changes were adopted on a prospective basis with no restatement of prior period financial statements. The new standards and accounting policy changes are as follows:

##### *Financial Instruments – Recognition and Measurement (CICA Handbook Section 3855)*

In accordance with this new standard the Company now classifies all financial instruments as either held-to-maturity, available-for-sale, held for trading or loans and receivables. Financial assets held to maturity, loans and receivables and financial liabilities other than those held for trading, are measured at amortized cost. Available-for-sale instruments are measured at fair value with unrealized gains and losses recognized in other comprehensive income. Instruments classified as held for trading are measured at fair value with unrealized gains and losses recognized on the statement of loss.

##### *Comprehensive Income (CICA Handbook Section 1530)*

The standard introduces the concept of comprehensive loss, which consists of net loss and other comprehensive income. The Company’s financial statements now include a Statement of Comprehensive Loss integrated with the statement of operation, which includes the components of comprehensive income. For the Company, other comprehensive income (“OCI”) is comprised of the unrealized gains on available-for-sale financial assets arising during the year.

Cumulated changes in OCI are included in Accumulated Other Comprehensive Income (“AOCI”), which is presented as a new category within shareholders’ equity on the balance sheet.

##### *Hedges (CICA Handbook Section 3865)*

The new standard specifies the criteria under which hedge accounting can be applied and how hedge accounting can be executed. The Company has not designated any hedging relationships.

#### 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, 2007)*

	Number	Book Value
Common Shares	8,151,817	\$14,691,855

#### *Summary of incentive stock options:*

Number of Shares	Expiry Date	Exercise Price Per Share
91,115	July 7, 2009	\$3.00
<u>513,000</u>	November 30, 2011	\$0.24
604,115		

#### *Summary of warrants outstanding:*

Number of Shares	Expiry Date	Exercise Price
2,000,000	January 20, 2008	\$0.30
2,000,000	August 24, 2008	\$0.265
2,000,000	October 3, 2009	\$0.20
<u>6,000,000</u>		

#### *Subsequent Events*

Subsequent to December 31, 2007, 530,000 share purchase warrants, with expiry date of January 20, 2008, were exercised at \$0.30 per share, and 50,000 share purchase warrants, with expiry date of October 3, 2009, were exercised at \$0.20 per share.

The remaining 1,470,000 share purchase warrants with expiry date of January 20, 2008 expired unexercised.

#### *Additional information*

Additional information relating to the company is on SEDAR at [www.sedar.com](http://www.sedar.com).