

INLET RESOURCES LTD.

INS-V

MANAGEMENT DISCUSSION & ANALYSIS

For the quarter ended March 31, 2005

Directors and Officers as at May 15, 2005:

Directors:	Cynthia Avelino David Baker Jack Milligan
Officers:	President – David Baker
Contact Name:	Cynthia Avelino
TSX Venture Exchange Symbol:	INS

INLET RESOURCES LTD.

MANAGEMENT DISCUSSION & ANALYSIS

For the Quarter Ended March 31, 2005

1.1 Date of This Report

May 15, 2005.

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.

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>2004</u>	<u>December 31,</u> <u>2003</u>	<u>December 31,</u> <u>2002</u>
(a) Net sales	-	-	-
(b) Loss before extraordinary items			
(i) Total loss	\$571,952	\$1,192,995	\$232,427
(ii) Loss per share - basic	\$0.01	\$0.03	\$0.01
(iii) Loss per share - diluted	\$0.01	\$0.03	\$0.01
(c) Net loss			
(i) Total loss	\$571,952	\$1,192,995	\$232,427
(ii) Loss per share - basic	\$0.01	\$0.03	\$0.01
(iii) Loss per share - diluted	\$0.01	\$0.03	\$0.01
(d) Total assets	\$935,293	\$494,474	\$1,404,049
(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 and to 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 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. As per the terms of the option granted to Rampart, the Company received \$25,000 cash and 100,000 common shares of Rampart.

During the 2004 exploration season, Rampart reported that it had completed an exploration program on the Red Lake Property that included:

1. An airborne magnetic survey (Terraquest fixed wing system) covering the whole property at a 100 m line spacing.
2. Geological mapping and prospecting.
3. Soil geochemical surveys at a reconnaissance level spacing over selected parts of the property. A total of 232 soil samples were collected and analyzed for gold.
4. Three ground grids were established and magnetic, VLF, and HLEM surveys were completed.
5. Overburden trenching, pitting and sampling in two target areas. Fourteen trenches were excavated by power shovel and 4 pits were dug by hand. A total of 41 samples were collected and processed to extract gold grains.

Total expenditures for the 2004 North Red Lake program incurred and reported by Rampart are \$261,600.

On March 1, 2005, Rampart Ventures Ltd. advised the Company that Rampart decided not to pursue any further work on the Red Lake property and terminated the option agreement dated December 1, 2003.

Future Plans

The results of the 2004 exploration program completed by Rampart did not result in identification of gold anomalous areas for follow-up exploration. However, the 2004 exploration program was not comprehensive and Inlet management considers the property to have untested potential for gold mineralization. Having recently received the project reports for the 2004 exploration program, Inlet is in the process of formulating a plan to continue exploring this early stage gold exploration target during the 2005 summer season.

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.

Discussion of Operations and Financial Condition

Results of Operations

The loss for the three months ended March 31, 2005 was \$102,458 as compared with a loss of \$50,138 for the three months ended March 31, 2004. During the current quarter, the Company incurred increased expenses in the following categories:

- Shareholders’ communication fees and travel and promotion expenses increased due to the active involvement in trade shows and conferences during the quarter;
- Rent, telephone and office expenses increased by \$14,214 due to the increased activity and additional office space occupied;
- Regulatory fees increased by \$3,600 due to the increase in TSX fees and additional fees for the private placement submissions, property transactions, and stock option plan submissions;
- Consulting and administration expenses and management fees increased due to the increased activities of the Company. In addition, in the previous year, management fees were deferred and charged to the mineral properties.

The details of the expenses discussed above are as follows:

	31-Mar-05	31-Mar-04	Increase/ (Decrease)
Accounting, audit & legal	\$ 7,500	10,993	\$ (3,493)
Amortization	360	766	(406)
Consulting & administration	15,970	8,895	7,075
Foreign exchange loss	-	26	(26)
Interest & bank charges	434	103	331
Investor communication fees & expenses	23,637	9,259	14,378
Management fees	10,500	2,500	8,000
Rent, telephone, office expenses & services	25,640	11,426	14,214
Transfer agent & regulatory filing fees	8,324	4,724	3,600
Travel & promotion	11,374	1,363	10,011
Loss on sale of investments	-	93	(93)
Total General & administrative	\$ 103,739	\$ 50,148	\$ 53,591

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 quarter ended March 31, 2005, there were no financing activities.

See "*Subsequent Events*" under section "1.15 Other".

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-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)	(0.02)	(0.00)	(0.01)
	Q1 <u>31-Mar-04</u>	Q4 <u>31-Dec-03</u>	Q3 <u>30-Sept-03</u>	Q2 <u>30-Jun-03</u>
Net Income (loss)	(\$50,138)	(\$1,101,191)	\$33,152	(\$63,695)
Per Share	(0.01)	(0.03)	(0.00)	(0.00)

Discussion

For the quarter ended March 31, 2005, please refer to Section 1.4 "Results of Operations."

The loss for the twelve months ended December 31, 2004 was \$571,952 as compared with a loss of \$1,192,995 for the twelve months ended December 31, 2003. During the year ended December 31, 2003, the Company wrote off its mineral interests and related deferred exploration costs in the amount of \$895,657 and resulted in a higher net loss.

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, 2005, the Company's working capital was \$350,752 (compared to \$459,313 at December 31, 2004). 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 only capital resource of the Company is its mineral properties, with a historical cost of \$227,153. The Company is committed to further expenditures on the properties, 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

Note 10 to the Financial Statements attached hereto, provides disclosure on related party transactions for the three months ended March 31, 2005, with breakdown as follows:

<u>Expense</u>	<u>Three Months Ended March 31,</u>	
	<u>2005</u>	<u>2004</u>
Management fees	\$ 10,500	\$ 2,500
Corporate & administration fees	-	7,500
Regulatory services	<u>4,500</u>	<u>-</u>
Total	<u>\$ 15,000</u>	<u>\$ 10,000</u>

At March 31, 2005, accounts payable and accrued liabilities included \$986 due to a director of the Company and \$4,677 owing to companies related by virtue of common directors for miscellaneous expenses paid by the related company on behalf of the Company.

1.10 First Quarter – 2005

The first quarter results do not differ significantly from other quarters.

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, 2005)

	<u>Number</u>	<u>Book Value</u>
<u>Common Shares</u>	58,284,437	\$13,306,960

Summary of incentive stock options:

Number of Shares	Expiry Date	Exercise Price Per Share
670,000	October 2, 2005	\$0.10
270,000	December 8, 2007	\$0.10
4,383,444	July 8, 2009	\$0.10
<u>5,323,444</u>		

Summary of warrants outstanding:

Number of Shares	Expiry Date	Exercise Price
701,000	April 20, 2005	\$0.10
10,000,000	April 20, 2006	\$0.10
57,200	June 15, 2005	\$0.10
1,990,500	June 15, 2006	\$0.10
110,950	July 6, 2005	\$0.10
3,009,500	July 6, 2006	\$0.10
<u>15,869,150</u>		

Additional Disclosure

The Company is a venture issuer that has not had significant revenue from operations in either of its last two financial years. The Company has capitalized all expenditures relating to the exploration of its mineral property. Details of deferred expenditures for the property are as follows:

Ungava Property – Actual Expenditures

	<u>31-Mar-05</u>	<u>31-Dec-04</u>
Ungava		
Acquisition costs		
- Cash payment	\$ 100,000	\$ 100,000
- 600,000 shares @ \$0.13 (Acquisition agreement)	<u>78,000</u>	<u>78,000</u>
	178,000	178,000
Less: Goldbrook shares (Option agreement)	(100,000)	(100,000)
Less: Goldbrook shares (as property acquisition consideration)	<u>(77,999)</u>	<u>(77,999)</u>
Net acquisition costs	1	1
Deferred exploration costs		
- Claims, maintenance & surveying	28,096	28,096
- Consulting fees	32,167	32,167
- Equipment rental & repairs	1,656	1,656
- Reports & maps	1,921	1,921
Less: Goldbrook shares (as property acquisition consideration)	<u>(63,840)</u>	<u>(63,840)</u>
Total deferred costs	-	-
Total – Ungava property	\$ 1	\$ 1

Red Lake Gold Property – Actual Expenditures

<u>31-Mar-05</u>	<u>31-Dec-04</u>
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Red Lake

Acquisition costs		
- Cash payment	\$ 60,000	\$ 60,000
- 2,000,000 shares @ \$0.13 (Acquisition agreement)	<u>200,000</u>	<u>200,000</u>
	260,000	260,000
Less: Cash received (Option agreement)	(25,000)	(25,000)
Shares received (Option agreement)	<u>(15,000)</u>	<u>(15,000)</u>
Net acquisition costs	220,000	220,000
Deferred exploration costs		
- Claims, maintenance & surveying	4,452	689
- Claims, maintenance & surveying	<u>2,700</u>	
Total deferred costs	7,152	689
Total - Red Lake property	\$ 227,152	\$ 220,689

Subsequent Events

On April 29, 2005, the Company announced that it had arranged a non-brokered private placement involving the issuance of up to 10,000,000 units (the "Units") at a price of \$0.05 per Unit for gross proceeds of up to \$500,000. Each Unit will be comprised of one common share and one common share purchase warrant; each warrant exercisable into one additional common share for a period of two years from the Closing Date at an exercise price of \$0.10.

The private placement will be comprised of flow-through and non-flow-through Units. Shares issued pursuant to the exercise of the Warrants will be non-flow-through shares.

In addition to working capital purposes, the proceeds of the private placement will be applied towards further recommended work programs on its Red Lake property and for evaluating new projects and potential acquisitions.

A finder's fee may apply in this financing in accordance with Exchange policies.

The private placement is subject to regulatory approvals.

Additional information

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