

Management's Discussion and Analysis – TAKARA RESOURCES INC. (formerly, Naples Capital Corp.)

Third Quarter Ended September 30, 2007

Introduction

The following is management's discussion and analysis of the financial condition and results of operations of Takara Resources Inc. (the "Company" or "Takara") for the third quarter ended September 30, 2007. This discussion and analysis should be read in conjunction with the unaudited interim consolidated financial statements for the period ended September 30, 2007 and the related notes thereto. These statements are consolidated as at September 24, 2007. All figures are in Canadian dollars unless otherwise noted.

Nature of Operations

Prior to the closing of its qualifying transaction on September 24, 2007, the Company was a capital pool company, whereby its principal business was to identify, evaluate and acquire assets or businesses that would constitute a "Qualifying Transaction" pursuant to the policies of the TSX Venture Exchange Inc. (the "Exchange"). In accordance with an Amended and Restated Arrangement Agreement, made as at August 1, 2007, the Company closed its Qualifying Transaction on September 24, 2007 by acquiring all of the issued and outstanding securities of Takara Resources (B.C.) Inc. (formerly named Takara Resources Inc.). Accordingly, the unaudited interim consolidated financial statements include activities of Takara Resources Inc. for the period January 1, 2007 to September 30, 2007 in addition to the activities of Takara Resources (B.C.) Inc. for the period September 24, 2007 to September 30, 2007.

Takara's key project is the Kaibab Joint Venture, where Takara and its joint venture partner, DIR Exploration, Inc. ("DIR"), an Arizona private corporation, have been active in uranium breccia pipe exploration since the late summer of 2006 in the Arizona Strip situated in the northwestern portion of Arizona. During the Phase I program, which was completed at the end of August, 2007, the number of lode mining claims increased from 48 to over 500. The Company is now carrying out Phase II of the Kaibab Joint Venture program, which is designed to refine up to 30 geological targets for further testing in subsequent rotary downhole hammer and spot coring campaigns.

On November 19, 2007 the Company changed its name from Naples Capital Corp. to Takara Resources Inc., and accordingly, Takara carries on business as a mining exploration company, through its wholly owned subsidiary, Takara Resources (B.C.) Inc.

Selected Quarterly Information as at September 30

	September 30, 2007	September 30, 2006	September 30, 2005
Total revenues	\$Nil	\$3,265	\$938
Net income (loss)	\$(276,644)	\$(15,605)	\$(30,047)
Basic and diluted net loss per share	\$(0.055)	\$(0.004)	\$(0.009)

Results of Operations

As at September 30, 2007, the Company reported a net loss of \$276,644, compared to a loss of \$15,605 as at September 30, 2006.

Revenues

The Company has no cash income, other than from interest income generated primarily from private placements funds, and accordingly, this amount will fluctuate, depending on the time of year that the Company completes its private placement financings. This income is virtually offset by interest charges and ongoing bank charges.

Non-Exploration Expenditures

General and administration expenses totaling \$276,644 as at September 30, 2007 was significantly higher than those incurred during the same period in 2006 (\$15,605), given that most of these expenses were attributed to the closing the Qualifying Transaction. Given that the Company's operations did not commence until September 24, 2007, comparative analyses of the reporting periods have remained relatively static.

Exploration Activities and Expenditures

Given that the Company's unaudited financial statements for the period ended September 30, 2007 includes activities on a consolidated basis only for a period of 6 days (September 24, 2007 to September 30, 2007), the exploration expenditures recorded for that period totaled \$11,143, all of which were incurred on the Kaibab Joint Venture.

Additionally, \$580,764 (of the \$624,201) has been capitalized on the Company's balance sheet as deferred charges, all of which relate to exploration expenditures carried out by Takara Resources (B.C.) Inc. prior to the completion of the Company's qualifying transaction.

Highlights from the Kaibab Joint Venture include sampling and the acquisition of additional targets prospective for uranium bearing breccia pipes. By the end of September, 2007 the Kaibab Joint Venture had acquired over 500 lode mining claims. By incurring US \$2,000,000 in exploration expenditures on the Kaibab Joint Venture project and issuing 200,000 common shares to DIR on or before August 31, 2009, Takara will earn a 50% interest in the breccia pipe prospects, as well as in all other breccia pipe prospects acquired by the Kaibab Joint Venture in the intervening time. Upon vesting of its 50% ownership interest in the Kaibab Joint Venture, Takara may elect, at its sole discretion, to increase its interest to 90% by agreeing to carry DIR's pro rata exploration and development costs in the joint venture to commercial production.

The Phase II exploration program for the Kaibab Joint Venture is designed to refine up to 30 geological targets for further testing in subsequent rotary downhole hammer and spot coring campaigns. The ongoing Phase II program is being carried out by a team of field geologists, and includes surface geochemical and geophysical surveys (EM, CSAMT, and possible seismic), archaeological surveys, data analysis and modelling, and operations permitting, all of which will be followed by drill site preparation, drilling, and reclamation work on selected targets. Phase II is budgeted at approximately US\$700,000 in expenditures and is expected to extend over the next twelve months.

Other than the acquisition of 1,712 claims in the Central Mineral Belt of Newfoundland and Labrador as at March 31, 2007, the Company did not acquire, nor did it dispose of, any other mineral projects as at September 30, 2007.

Subsequent to the nine month period ended September 30, 2007, the Company purchased, subject to regulatory approval, acquired the Basket Lake Property, a property prospective for uranium exploration, located about 60 km southeast of Dryden, Ontario, and comprising 1,184 mineral claims (18,944 ha). The Property was acquired based on a distinct airborne radiometric anomaly that is coincident with a strong, multi-point lake sediment geochemical uranium anomaly defined by a cluster of anomalous values over a 20 x 15 km area. No previous exploration work is known to have been conducted on the Basket Lake Property, and much of the area has been recently logged providing new bedrock exposures and excellent access. Takara has agreed to purchase a 100% interest in the Basket Lake Project, by paying: (i) reimbursement of staking costs of \$125,000; (ii) \$75,000 in cash on first anniversary of the purchase agreement; and (iii) the issuance of 600,000 common shares, issuable as to 400,000 on Exchange approval, and 200,000 on the first anniversary of Agreement. Additionally, Naples shall pay a finders fee to a party at arms-length of the Company, of 60,000 common shares, and it shall reserve, in favour of the vendors, a yellowcake returns royalty equal to 2 ½% on all final uranium contained in the uranium concentrate produced from ores derived from the Property, subject to a buy back of 1% of the royalty for \$1,000,000 at any time.

Summary of Quarterly Results

	Third Quarter Ended	Second Quarter Ended	First Quarter Ended	Fourth Quarter Ended	Third Quarter Ended	Second Quarter Ended	First Quarter Ended	Fourth Quarter Ended
	September 30, 2007	June 30, 2007	March 31, 2007	December 31, 2006	September 30, 2006	June 30, 2006	March 31, 2006	December 31, 2005
Total revenues	\$Nil	\$Nil	\$3,362	\$2,946	\$3,265	\$3,111	\$2,453	\$2,879
Net loss	\$(276,644)	\$(1,633)	\$(9,604)	\$(18,647)	\$(15,605)	\$(6,185)	\$(4,884)	\$(13,453)
Basic and diluted net loss per share	\$(0.055)	\$(0.001)	\$(0.003)	\$(0.003)	\$(0.004)	\$(0.002)	\$(0.001)	\$(0.01)

Over the past eight quarters, expenses have remained relatively consistent until the first quarter, 2007, when activity started to increase as a result of the contemplated and pending Qualifying Transaction, which ultimately closed on September 24, 2007.

Financial Condition

Liquidity and Capital Resources

Working capital increased from \$338,570 as at December 31, 2006 to \$2,205,673 at September 30, 2007. During the quarter ended September 30, 2007, \$50,000 was raised through the convertible securities namely warrants and options.

The Company closed a private placement offering simultaneously with the closing of the Qualifying Transaction, through two separate issuances of an aggregate 6,977,883 common shares and 3,488,942 purchase warrants (exercisable at \$0.50 until March 18, 2009) for gross proceeds of \$2,442,259.05. As at September 30, 2007, the Company had sufficient cash liquidity to carry out its exploration commitments (as at September 30, 2007) for 2008.

As an exploration stage company, with a limited revenue stream, the Company budgets exploration and administrative expenses, and closely monitors its burn rate, investments and cash position.

Capital Stock Information

Authorized

The Company is authorized to issue an unlimited number of common shares without nominal or par value and an unlimited number of preferred shares without nominal or par value, issuable in one or more series with restrictions as determined by the Board of Directors. The holders of the common shares of the Company shall be entitled to vote at all shareholder meetings and to receive such dividend as the Board of Directors of the Company in their discretion shall declare.

Issued and Outstanding

The following details the issued and outstanding securities of the Company as at November 29, 2007:

Common shares: 25,755,050

Warrants:

Expiry Date	Exercise Price	Number of Common Shares
March 18, 2009	\$0.50	3,837,831
March 18, 2009	\$0.35	697,778
TOTAL:		<u>4,535,609</u>

Incentive Stock Options:

Expiring Date	Outstanding	Exercisable	Exercise Price
November 7, 2009	200,000	0	0.35
September 24, 2012	1,750,000	1,750,000	0.35
TOTAL:	<u>1,950,000</u>	<u>1,750,000</u>	

Contractual Obligations

Cash Payments due by Period

Obligation	Total	1 year or less	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years
Basket Lake Project	\$200,000 ⁽¹⁾	\$125,000	\$75,000	-	-	-
CMB Property	\$342,000 ⁽²⁾	\$342,000	-	-	-	-

Notes:

(1) Cash portion only. Total acquisition costs also include the issuance of 600,000 common shares, issuable as to 400,000 on Exchange approval, and 200,000 in November, 2008.

(2) In order to keep the claims in good standing, Takara must incur \$342,400 in assessment work within the first year. In the event that Takara completes \$342,400 in assessment work and it is accepted by the government of Newfoundland and Labrador, Takara will be reimbursed \$85,600 of the original staking fees, which were \$102,720.

Transactions with Related Parties

Transactions with related parties are incurred in the normal course of business and are measured at the exchange amount which is the amount of consideration established and approved by the non-related parties. The related party transactions concluded during the year with directors and companies controlled by them are set out and described on the balance sheet and as stock-based compensation on the statement on earnings and deficit in the unaudited consolidated financial statements for the period ended September 30, 2007.

Outlook

Takara's exploration plans for 2007 have been described in the Exploration Expenditure section of this document. The Company's principal objectives are related to advancing Phase II of the Kaibab Joint Venture, in preparation for a subsequent drilling campaign. Additionally, a large focus for 2008 will be on expediting an exploration program on the Basket Lake Project in northwestern Ontario, with a view to completing an ensuing drilling campaign. As far as the strategic alliance with Aphroditis Mining (Pty) Limited is concerned, the Company will continue to evaluate projects on a case-by-case basis, and will capitalize on any project that shows prospective value-added opportunities. The capital markets for exploration companies have weakened since the summer of 2007, and these markets could remain as such during the time that the Company is focused on expediting the above-mentioned programs.

Risks and Uncertainties

Few projects that are explored result into producing mines, and the exploration and development of mineral projects always involves significant risks over an extended period of time, even where a combination of careful evaluation, experience and knowledge are evident. The long-term profitability of the Company's operations will be in part related to the cost and success of its exploration programs, which may be affected by a number of factors out of the Company's control, such as commodity prices, the availability of skilled personnel, qualified vendors, and critical equipment.

Substantial expenditures are required to establish reserves through drilling, to determine the technical and economic feasibility of mining and extracting them, and, if warranted, 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, it is impossible to ensure that the current or proposed exploration programs on properties in which the Company has an interest will result in profitable mining operations.

Internal Controls over Financial Reporting

The Chief Executive Officer and the Chief Financial Officer of the Company are responsible for establishing and maintaining controls and procedures regarding the communication of information about the Company, as well as internal controls over its financial reporting. As required by securities legislation, the Chief Executive Officer and Chief Financial Officer have conducted an evaluation of the controls and procedures regarding communication of information and have concluded that these controls and procedures were effective for the period ended September 30, 2007. In addition, the Chief Executive Officer and the Chief Financial Officer of the Company are responsible for designing internal controls over financial reporting or for causing it to be designed under their supervision. During the third quarter of 2007, all existing systems have been documented and inadequacies have been corrected, as necessary. The Chief Executive Officer and the Chief Financial Officer have evaluated whether there were changes to internal control over financial reporting during the period ended September 30, 2007 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting. No such changes were identified through their evaluation.

Additional Information

Additional information about Takara Resources Inc., including the annual information form, may be obtained from the Company's website at www.takararesources.com or on SEDAR at www.sedar.com.

Forward Looking Statement

“All statements other than those of a historical nature are ‘forward-looking statements’ that may involve a number of unknown risks, uncertainties and other factors. There can be no assurance that such statements will prove to be accurate, and actual results and future events could differ materially from those anticipated in such statements.”