Management's Discussion and Analysis – TAKARA RESOURCES INC.

Year Ended December 31, 2007

May 2, 2008

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") as at and for the year ended December 31, 2007. This discussion and analysis should be read in conjunction with the audited annual consolidated financial statements as at and for the year ended December 31, 2007 and the related notes thereto. The comparative figures as at and for the nine months ended December 31, 2006 are those of Takara Resources (B.C.) Inc. (See Nature of Operations). 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 (resulting in a reverse take-over 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., and 0754545 B.C. Ltd.), a private company carrying on business as a mineral exploration company. Accordingly, on September 24, 2007, Takara Resources (B.C.) Inc. became a wholly owned subsidiary of the Company, and the audited consolidated financial statements for the year ended December 31, 2007 include activities of the Company, and of Takara Resources (B.C.) Inc.

On November 19, 2007 the Company changed its name from Naples Capital Corp. to Takara Resources Inc.

Takara Resources (B.C.) Inc. was incorporated on April 11, 2006 and its key project is the Kaibab Joint Venture, where it has been, together with its joint venture partner DIR Exploration, Inc. ("DIR"), an Arizona private corporation, 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. Takara Resources (B.C.) Inc. 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.

Upon closing of the Qualifying Transaction, the Company also assumed title interests in several claims prospective for uranium in the central mineral belt of Newfoundland and Labrador (the "CMB Project"). There was no exploration program carried out on the CMB Project during the fiscal year ended 2007.

Subsequent to the closing of the Qualifying Transaction, the Company acquired the Basket Lake uranium project in northwestern Ontario. During 2007 the Company did not carry out any specified exploration program on the Basket Lake project, however, it did raise flow through funds in 2007, a portion of which will be allocated to the Basket Lake exploration program in 2008.

Selected Information as at December 31st

	December 31, 2007	December 31, 2006 (nine months ended)
Total revenues	$476	$Nil
Net loss	($1,534,682)	($113,278)
Basic and diluted net loss per share	($0.08)	($0.008)

Results of Operations

For the year ended December 31, 2007, the Company reported a net loss of $1,534,682, compared to a loss of $113,278 for the nine month period ended December 31, 2006. The significant increase in 2007 over that of 2006 is because of the closing of the Company's Qualifying Transaction in 2007. The Qualifying Transaction is a capital transaction and was accounted for as a reverse takeover transaction, whereby Takara Resources (B.C.) Inc. was identified as the acquirer. Accordingly, the comparative figures presented in the financial statements are those of Takara Resources (B.C.) Inc. (only) for the nine month period ended December 31, 2006. Since the closing of the Qualifying Transaction, the Company transitioned from a capital pool company where its only business activities was to evaluate and identify businesses for the purpose of acquisition, to a company having a focus on mineral exploration activities.

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 $1,535,158 for the year ended December 31, 2007 were significantly higher than those incurred during the nine month period ended December 31, 2006, being $113,278. Again, the closing of the Company's Qualifying Transaction in 2007 and its associated costs is the primary reason for the significant increase, as well as the fact that the expenses incurred during 2007 include the operations of Takara Resources (B.C.) Inc. both prior to, and after the qualifying transaction. For the nine month period ended December 31, 2006, the general and administrative expenses are those of Takara Resources (B.C.) Inc. only.

Three of the larger expenses related, directly or indirectly, with the closing of the Qualifying were the stock based compensation and stock based payment for services (together totaling $537,645), as well as the professional and legal fees ($434,293).

Exploration Activities and Expenditures and Deferred Exploration Expenditures

At the end of 2007, investment in mineral properties totaled $1,145,462. The funds incurred on the Kaibab Joint Venture totaled $872,875 and $204,231 of this amount was categorized as costs associated with the acquisition of new claims. During the fiscal year ended 2007, the number of claims in the Kaibab Joint Venture increased from 48 to over 500.

With respect to the Basket Lake Project (uranium prospects in northwestern Ontario) and the CMB Project (uranium prospects in Newfoundland and Labrador), most of the expenses were allocated as acquisition fees. In respect of the Basket Lake project, $125,000 of the $230,800 was paid as reimbursement of staking fees, $8,305 as exploration expenditures, and the remaining being allocated to the purchase price. There are no future obligations, other than the reservation of a 2 ½% yellowcake royalty and ongoing claims maintenance costs. For the CMB Project, $102,720 was paid as reimbursement of staking fees, and the balance, except for $11,806, was paid as the purchase price for a 100% interest in the project. Again, there were no other future obligations other than the reservation of a 1 ¾% net smelter and yellowcake royalty, and claims maintenance fees.

Highlights from the Kaibab Joint Venture include sampling and the acquisition of additional targets prospective for uranium bearing breccia pipes. By the end of December, 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 over three years (August, 2006 to August 2009) and issuing 200,000 common shares to DIR (which were issued in September, 2007), 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 to the end of 2008.

In December, 2007, the operator of the Kaibab Joint Venture submitted to the Tusayan Ranger District, Kaibab National Forest, a Drilling Plan of Operations. A permit in this regard has not yet been obtained. Since early February, 2008, when the Arizona Coconino County Board of Supervisors unanimously passed a resolution opposing uranium mining in the vicinity of the Grand Canyon and its watersheds, various parties have, more recently, become aggressively supportive of that initiative, lobbying to implement a change in the legislation that would have the effect of disallowing mining permits for uranium extraction in several parts of the Grand Canyon region. These matters are currently being investigated, and as a the date hereof, the Company understands that new legislation has not been implemented precluding mineral exploration and development in the region.

On November 14, 2007, the Company purchased the Basket Lake Project, a property prospective for uranium exploration, located about 60 km southeast of Dryden, Ontario, and comprising 1,184 mineral claims (18,944 ha). The Basket Lake Project 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 purchased 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 (due November 14, 2008); and (iii) the issuance of 600,000 common shares, 400,000 of which were issued in December, 2007, and 200,000 are to be issued on the first anniversary of Agreement. Takara paid a finders fee to a party at arms-length of the Company, of 60,000 common shares, and it has reserved, 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.

The CMB Project was acquired in April, 2007, pursuant to an option agreement entitling the Company to earn a 100% interest in 1,712 grass roots mineral claims situated in Newfoundland and Labrador. The Company had the right to earn a 100% interest in and to the CMB Project provided that it issued an aggregate 1,250,000 common shares, (650,000 of which were issued on signing, and the balance to be issued on or before July 23, 2008), reserved a 1 ¾% royalty in favour of a third party, and maintained the claims in good standing on an annual basis pursuant to the requirements of the Newfoundland and Labrador Department of Natural Resources. As at the date of these financial statements, the Company is no longer obligated to make any further payments in respect of the CMB Project, given that on April 8, 2008 the Nunatsiavut Government imposed a three year moratorium on uranium mining within Labrador Inuit Lands, and accordingly, the Company elected to terminate its obligations under the CMB Project option agreement. Also see Transactions with Related Parties below.

In November, 2007 the Company entered into a memorandum of understanding (“MOU”) with Aphrodeities Mining (Pty) Limited, a private South African based company engaged in mineral exploration, primarily coal. The purpose of the MOU is the formation of an alliance, wherein each of Takara and Aphrodeities (having particular experience with coal), are mandated to jointly identify, explore, and/or develop South African mineral projects, primarily in the energy-related sector (coal/uranium).

There is no guarantee that a transaction will be completed in respect of the coal projects that are currently being evaluated in South Africa, however, Takara’s participation in the alliance (the “Venus Energy Strategic Alliance”) shall remain aggressive in further identifying and evaluating opportunities in accordance with the MOU. Each new opportunity identified by the Venus Energy Strategic Alliance shall be evaluated and negotiated on a project-by-project basis. During the fiscal year ended December 31, 2007, Takara paid $15,000 to Aphrodeities in respect of assisting Aphrodeities with certain geological and administrative costs incurred in sourcing these opportunities. It is anticipated that projects acquired by the Company in South Africa will be subject to 26% ownership by local companies that qualify under South Africa’s Black Economic Empowerment legislation.

Summary of Quarterly Results (unaudited)

	Fourth Quarter Ended December 31, 2007	Third Quarter Ended September 30, 2007
Total revenues	$(2,885)	$3,361
Net loss	$(1,246,799)	$(287,883)
Basic and diluted net loss per share	$(0.008)	$(0.072)

During the third quarter of 2007, the Qualifying Transaction closed on September 24, 2007, explaining why only the summary of the last two quarters are included in this Management Discussion and Analysis. Fourth quarter represents the greatest expenses, given that it was the first full quarter in which the Company operated as a mineral exploration company, and not as a capital pool company.

Financial Condition

Liquidity and Capital Resources

Working capital increased from $(68,592) for the nine months ended December 31, 2006 to $1,382,113 for the year ended December 31, 2007.

During the year ended December 31, 2007, $47,600 was raised through the convertible securities namely warrants and options.

During the third quarter ended September 30, 2007, 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.

On December 27, 2007, the Company closed a non-brokered private placement offering of 3,867,980 flow-through common shares at a price per flow-through common share of $0.25, for gross proceeds of $966,995. In connection with the offering, the Company paid a finder's fee of $60,534 in cash and 252,139 non-transferable Warrants of the Company. Each Warrant entitles the finder to purchase one common share of the Company at a price of $0.25 until June 27, 2009.

As at December 31, 2007, the Company had sufficient cash liquidity to carry out its exploration commitments for 2008.

Prior to 2007, Takara Resources (B.C.) Inc. closed an arms length non-brokered private placement offering of $292,575, in addition to settling debts by the issuance of shares in order to cover its operating costs in furtherance of completing its obligations pursuant to the Kaibab Joint Venture, and in completing the qualifying transaction.

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 shareholders' meetings and to receive such dividend as the Board of Directors of the Company in their discretion shall declare.

Issued and Outstanding

No additional securities have been issued since December 31, 2007, and accordingly, the following details the issued and outstanding securities of the Company as at December 31, 2007.:

Common shares: 30,083,030

Warrants:

Expiry Date	Exercise Price	Outstanding
March 18, 2009	$0.50	3,488,942
March 18, 2009	$0.35	697,788
June 29, 2009	$0.25	252,139
	TOTAL:	**4,438,869**

Incentive Stock Options:

Expiring Date	Outstanding	Exercisable	Exercise Price
November 7, 2009	200,000	50,000	0.35
September 24, 2012	1,750,000	1,750,000	0.35
TOTAL:	**1,950,000**	**1,800,000**	

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
Kaibab Joint Venture	$1,127,125(1)	$527,125	$600,000	-	-	-
Basket Lake Project	$75,0000(2)	$75,000	-	-	-	-

Notes: (1) In order to maintain the option to earn a 50% interest in the Kaibab Joint Venture, the Company must incur $2,000,000 in exploration expenditures over 3 years until August 31, 2009. The period in which the expenditures are to be incurred runs from August to August each year (See Exploration and Expenditures). In the event that the Company elects to discontinue its earn-in obligations in respect of the Kaibab Joint Venture, it shall no longer be obligated to incur the balance of exploration expenditures required, other than short term claims maintenance fees.

(2) Cash portion only. The Basket Lake Project was purchased from arms-length vendors, and accordingly, the Company is obligated to pay the future obligations under the purchase agreement. The total acquisition costs include $125,000 paid in cash for reimbursement of staking costs, the cash amounts set out in the table above, as well as the issuance of 600,000 common shares, 400,000 of which were issued in December, 2007. The balance of the issuance of 200,000 common shares and the $75,000 in cash are due on November 14, 2008.

Fourth Quarter

The fourth quarter was the first full quarter in which the Company began operating as a mineral exploration company, and not as a capital pool company having no business operations other than the identification of assets. Accordingly, expenses and activities are significantly higher in all categories for this quarter, compared to those incurred during the fourth quarter of 2006. Two primary activities took place during the fourth quarter, 2007, one being the acquisition of the Basket Lake Project, and the other, the closing of the flow through private placement on December 27, 2007, both of which are described above.

Transactions with Related Parties

Transactions with related parties are incurred in the normal course of business and are measured at the exchange amount accepted by the parties. The related party transactions concluded during the year with directors and officers and companies controlled by them are set out and described in the notes to the consolidated financial statements as at and for the year ended December 31, 2007.

An aggregate $214,375 in cash was paid to related parties during the fiscal year ended December 31, 2007. Of this amount, $37,735 was paid to CCIC Canada, a private geological services company in which an officer of the Company is a partial owner, and the balance as consulting fees to related party directors and or officers. Additionally, with respect to the CMB Project, one of the Optionors is an officer of the Company, and such officer received 325,000 common shares in respect of that transaction.

Subsequent Events

On April 8, 2008 the Nunatsiavut Government imposed a three year moratorium on uranium mining within Labrador Inuit Lands, and accordingly, effective April 27, 2008, the Company terminated its option and any future obligations in respect of the CMB Project. .

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 Aphrodeities 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 December 31, 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 fiscal year ended December 31, 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 December 31, 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.