
CHARIOT RESOURCES LIMITED

CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED
APRIL 30, 2006 AND 2005

MANAGEMENT'S RESPONSIBILITY FOR FINANCIAL REPORTING

The accompanying consolidated financial statements of the Company have been prepared by management in accordance with Canadian generally accepted accounting principles. These consolidated financial statements contain estimates based on management's judgment. A system of internal control is maintained to provide reasonable assurance that financial information is accurate and reliable.

The Company's independent auditors are appointed by its shareholders to conduct an audit in accordance with Canadian generally accepted auditing standards to allow them to express an opinion on the financial statements.

The Audit Committee of the Board of Directors, which is composed of independent directors, has met with the Company's independent auditors to review the scope and results of the annual audit and to review the financial statements and related financial reporting matters prior to submitting the financial statements to the Board for approval.

"Ulrich Rath " Chief Executive Officer
Toronto, Canada
July 28 , 2006

"Peter Blunt " Chief Financial Officer
Toronto, Canada
July 28 , 2006

AUDITORS REPORT

To the Shareholders of Chariot Resources Limited

We have audited the consolidated balance sheet of Chariot Resources Limited as at April 30, 2006 and the consolidated statements of operations, shareholders' equity and cash flows for the year then ended. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Company as at April 30, 2006 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements as at April 30, 2005 and for the year then ended were audited by other auditors who expressed an opinion without reservation on those statements in their report dated July 25, 2005.

“PricewaterhouseCoopers LLP”

Chartered Accountants
Vancouver, British Columbia
July 25, 2006

CHARIOT RESOURCES LIMITED
CONSOLIDATED BALANCE SHEETS
AS AT APRIL 30,

	2006	2005
	\$	\$
Assets		
Current Assets		
Cash and cash equivalents	21,437,185	7,608,575
Accounts receivable	388,255	41,701
Prepaid expenses	57,600	122,422
	21,883,040	7,772,698
Equipment (note 3)	348,475	179,563
Mineral property interests (note 4)	25,859,999	18,568,728
Peruvian sales tax receivable (note 6)	3,074,064	1,968,896
Other	-	56,798
	51,165,578	28,546,683
Total Assets	51,165,578	28,546,683
Liabilities		
Current Liabilities		
Accounts payable and accrued liabilities	613,420	561,281
Current portion of capital lease obligations (note 12)	51,350	35,352
	664,770	596,633
Capital lease obligations (note 12)	9,317	52,076
Asset retirement obligations	314,225	314,225
	988,312	962,934
Total Liabilities	988,312	962,934
Shareholders' Equity		
Share capital (note 7)	59,899,717	35,672,072
Contributed surplus	2,077,035	1,483,385
Deficit	(11,799,486)	(9,571,708)
	50,177,266	27,583,749
Total Liabilities and Shareholders' Equity	51,165,578	28,546,683

COMMITMENTS AND CONTINGENCIES (note 12)
SUBSEQUENT EVENTS (note 13)

APPROVED ON BEHALF OF THE BOARD

“ Ulrich Rath ”

Director

“ John Kutkevicius ”

Director

See accompanying notes to the financial statements

CHARIOT RESOURCES LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED APRIL 30,

	2006	2005
	\$	\$
Expenses		
Amortization	40,391	2,086
Audit fees	55,299	47,725
Salaries, consulting and management fees	713,944	907,331
Exploration	-	6,711
General and administration	776,602	551,216
Legal	167,405	91,495
Stock-based compensation	583,592	552,086
	<hr/>	<hr/>
	2,337,233	2,158,650
Foreign exchange gain	(79,256)	(205,816)
Interest income	(147,605)	(48,848)
Write off of mineral property interests (note 4(b))	117,406	1,690,360
	<hr/>	<hr/>
Net Loss for Year	2,227,778	3,594,346
	<hr/>	<hr/>
Loss per Share - Basic and diluted	\$ 0.01	\$ 0.05
	<hr/>	<hr/>
Weighted Average Shares Outstanding	174,645,059	76,391,514
	<hr/>	<hr/>

See accompanying notes to the financial statements

CHARIOT RESOURCES LIMITED
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY

	Common Shares		Contributed Surplus	Deficit	Total
	Shares	Amount			
		\$	\$	\$	\$
Balance - April 30, 2004	34,294,314	7,613,058	931,299	(5,977,362)	2,566,995
Issued during the year					
For cash					
Exercise of warrants	8,336,322	1,527,464	-	-	1,527,464
Public sale	117,200,000	29,300,000	-	-	29,300,000
Share issue costs	-	(2,768,450)	-	-	(2,768,450)
Stock-based compensation	-	-	552,086	-	552,086
Net loss for year	-	-	-	(3,594,346)	(3,594,346)
Balance - April 30, 2005	159,830,636	35,672,072	1,483,385	(9,571,708)	27,583,749
Issued during the year					
For cash					
Exercise of warrants	8,363,631	2,103,220	-	-	2,103,220
Exercise of stock options	500,000	80,000	-	-	80,000
Public sale	42,500,000	18,275,000	-	-	18,275,000
Private sale	16,644,000	5,326,080	-	-	5,326,080
Share issue costs	-	(1,609,305)	-	-	(1,609,305)
Stock-based compensation	-	-	675,748	-	675,748
Transfer of value on exercise of options	-	52,650	(52,650)	-	-
Stock options forfeited	-	-	(29,448)	-	(29,448)
Net loss for year	-	-	-	(2,227,778)	(2,227,778)
Balance - April 30, 2006	227,838,267	59,899,717	2,077,035	(11,799,486)	50,177,266

See accompanying notes to the financial statements

CHARIOT RESOURCES LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED APRIL 30,

	2006	2005
	\$	\$
Operating Activities		
Net loss for year	(2,227,778)	(3,594,346)
Items not involving cash:		
Amortization	40,391	2,086
Stock-based compensation	583,592	552,086
Write off of mineral property interests	117,406	1,690,360
	<u>(1,486,389)</u>	<u>(1,349,814)</u>
Changes in operating assets and liabilities:		
Increase in accounts receivable	(346,554)	(3,738)
Decrease in prepaid expenses	64,822	96,506
Increase in accounts payable and accrued liabilities	52,129	117,445
	<u>(1,715,992)</u>	<u>(1,139,601)</u>
Investing Activities		
Expenditures on equipment	(236,054)	(96,100)
Expenditures on mineral property interests	(7,289,171)	(18,606,195)
Increase in other asset	-	(56,798)
Increase in recoverable Peruvian sales tax receivable	(1,105,168)	(1,968,896)
	<u>(8,630,393)</u>	<u>(20,727,989)</u>
Financing Activities		
Shares issued for cash	25,784,300	30,827,464
Share issue costs	(1,609,305)	(2,473,450)
	<u>24,174,995</u>	<u>28,354,014</u>
Increase in cash and cash equivalents during year	13,828,610	6,486,424
Cash and cash equivalents, beginning of year	<u>7,608,575</u>	<u>1,122,151</u>
Cash and cash equivalents, end of the year	<u>21,437,185</u>	<u>7,608,575</u>

SUPPLEMENTARY CASH FLOW INFORMATION (note 10)

See accompanying notes to the financial statements

CHARIOT RESOURCES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED APRIL 30, 2006 AND 2005

1. CONTINUING OPERATIONS

The Company was incorporated on November 12, 1996 under the Business Corporations Act (Yukon). On October 28, 2004, the Company was continued under the *Business Corporations Act* (British Columbia).

The consolidated financial statements for years ended April 30, 2006 and 2005 are prepared on a going-concern basis, which contemplates the realization of assets and the settlement of liabilities in the normal course of business. The Company is in the development stage and currently derives no revenue from its operations. The Company has financed its operations principally through equity financing. Substantial external financing will be required by the Company to fund its future operations, to explore and develop its interest in mineral properties and to pursue other potential investments in the resource sector.

The ability of the Company to meet its commitments and ongoing operating expenses will depend upon the following:

- The ability to raise additional funds by issuing equity, debt or a combination thereof;
- The sale of assets in the ordinary course of business; and
- The ability to generate sufficient revenues from the commercialization of the Company's areas of interest.

Although, the Company has been successful in obtaining the necessary financing to continue operations in the past there can be no assurance that it will be able to continue to do so in the future.

In particular, the ultimate realization of the amounts shown as mineral property interests (note 4) is dependent upon the continuance or rights to tenure of the areas of interest, the results of future exploration, the successful development and exploitation of the areas of interest or, alternatively, their sale or partial sale. There can be no assurance that title to the properties will ultimately be secured and will not be challenged.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

These consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles.

The consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries: Andes Resources Compañia Minera S.A.C. ("Andes"); Chariot Holdings Inc.; Chariot Operating Limited and Chariot Partners Limited and its proportionate 70% interest in Marcobre S.A.C., an incorporated joint venture with LS-Nikko Copper Inc. ("LS-Nikko") and Korea Resources Corporation ("KORES"). Inter company balances and transactions are eliminated upon consolidation.

Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of commitments and contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported period. Significant current management estimates relate to the determination of asset retirement obligations, impairment of mineral claims and deferred exploration expenditures and stock-based compensation. Actual results could differ materially from these estimates.

Cash and Cash Equivalents

Cash and cash equivalents includes deposits at call, term deposits with an original maturity date of 90 days or less, and term deposits callable after 30 days.

CHARIOT RESOURCES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED APRIL 30, 2006 AND 2005

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Mineral Property Interests

Mineral property costs and exploration, development and field support costs directly related to mineral properties are deferred until the property to which they relate is placed into production, sold, abandoned or determined to be impaired. Deferred costs will be amortized over the life of the ore body to which they relate following commencement of production or charged to operations if the property is sold or abandoned. Administration costs and other costs that do not relate to specific properties are expensed as incurred.

On a periodic basis, as circumstances dictate, management reviews the carrying values of deferred mineral property costs to assess whether there has been any impairment in value. If it is determined that future cash flows are less than the carrying values a write down to the estimated fair value of such deferred mineral property costs will be charged to operations.

From time to time, the Company acquires or disposes of properties pursuant to the terms of option agreements. Options are exercisable entirely at the discretion of the optionee and, accordingly, are recorded as mineral property costs or recoveries when the payments are made or received.

Although the Company has taken steps to verify title to mineral properties in which it has an interest according to the usual industry standards, these procedures do not guarantee the Company's title. Such properties may be subject to prior agreements or transfers and title may be affected by undetected defects.

Asset Retirement Obligations

The Company recognizes a liability for its legal obligations associated with retirement of mineral property and equipment when the liability is incurred. A liability is recognized initially at fair value if a reasonable estimate of the fair value can be made and the resulting amount is capitalized as part of the asset. The liability is accreted over time through periodic charges to earnings or mineral property costs. In subsequent periods, the Company adjusts the carrying amounts of the asset and liability for changes in estimates of the amount or timing of underlying future cash flows.

It is reasonably possible that the Company's estimates of its ultimate reclamation and site restoration liability could change as a result of changes in regulations or cost estimates. The effect of changes in estimated costs is recognized on a prospective basis.

Joint Ventures

The Company participates in joint ventures and consolidates its proportionate share of the assets, liabilities and expenses where joint control is exercised.

Equipment – Amortization

Equipment is recorded at cost less accumulated amortization. Amortization is determined on a straight-line basis over the related asset's estimated useful life, which is generally from three to ten years. Equipment under capital lease contracts is initially carried at the lower of fair value or discounted minimum lease payments and is amortized on a straight-line basis over three years.

CHARIOT RESOURCES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED APRIL 30, 2006 AND 2005

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Leases

Leases are classified as either capital or operating. Leases which transfer substantially all the benefits and risks of ownership are accounted for as a capital lease. All other leases are accounted for as operating leases wherein rental payments are expensed as incurred.

Income Tax

Income taxes are accounted for under the asset and liability method. Under this method, tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying value and the tax basis of assets and liabilities.

Future tax assets and liabilities are measured using the enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in the statement of operations in the period during which the change in rates is considered to be substantially enacted. Future tax assets are evaluated and if realization is not considered more likely than not, a valuation allowance is provided.

Foreign Currency Translation

The Company's subsidiaries are integrated foreign operations whose transactions, balances and accounts are translated into Canadian dollars using the temporal method, as follows:

- i. Expenses, except for amortization at average exchange rates for each year;
- ii. monetary items at the rates of exchange prevailing at balance sheets dates;
- iii. non-monetary items at the historical exchange rates; and,
- iv. exchange gains and losses arising from translation are included in the determination of earnings for each year.

Loss per Share

Loss per share computations are based upon the weighted average number of common shares outstanding during the period. The Company uses the treasury stock method to compute the dilutive effect of options and warrants. Under this method, the dilutive effect on earnings per share is recognized on the use of the proceeds that could be obtained upon the exercise of options and warrants. It assumes that the proceeds would be used to purchase common shares at the average market price during the period. The effect of conversion of outstanding options and warrants would be anti-dilutive and therefore, basic and diluted losses per share are the same.

Stock-Based Compensation

The Company has a stock-based compensation plan, which is described in note 7.

The Company records compensation associated with stock options granted to consultants, directors and employees using a fair value measurement basis and records the corresponding amount as an expense or a capital cost, as appropriate, over the vesting period for the options. Consideration paid by grantees when the options are exercised, as well as the fair value at the grant date of options exercised, are added to share capital.

CHARIOT RESOURCES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED APRIL 30, 2006 AND 2005

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial Instruments

All significant financial assets and financial liabilities of the Company are either recognized or disclosed in the financial statements together with other information relevant for making a reasonable assessment of future cash flows, interest rate risk, currency risk, convertibility risk and credit risk.

Foreign Exchange Rate Risk

The Company is required to make certain payments in US dollars and has not entered into forward currency contracts or other financial derivatives to hedge exchange risk.

3. EQUIPMENT

Equipment consists of: vehicles, leasehold improvements, computer equipment, furniture and fixtures as follows:

	2006			2005		
	Cost	Accumulated Amortization	Net Book Value	Cost	Accumulated Amortization	Net Book Value
	\$	\$	\$	\$	\$	\$
Vehicles	138,907	21,569	117,338	87,023	823	86,200
Leasehold Improvements	18,840	7,610	11,230	-	-	-
Equipment and furniture	243,547	23,640	219,907	104,968	11,605	93,363
	401,294	52,819	348,475	191,991	12,428	179,563

4. MINERAL PROPERTY INTERESTS

Mineral property interests consist of:

	Marcona	Antash	Bambas Este	Other	Total
	\$	\$	\$	\$	\$
Balance April 30, 2004	-	-	-	1,357,745	1,357,745
Initial property payment (note 4a)	17,023,464	-	-	-	17,023,464
Exploration and development	1,427,857	70,061	47,345	332,615	1,877,878
Write off of property interests	-	-	-	(1,690,360)	(1,690,360)
Balance April 30, 2005	18,451,321	70,061	47,345	-	18,568,728
Exploration and development	7,448,678	-	-	-	7,448,678
Write off of property interests	-	(70,061)	(47,345)	-	(117,406)
Balance April 30, 2006	25,899,999	-	-	-	25,899,999

CHARIOT RESOURCES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED APRIL 30, 2006 AND 2005

4. MINERAL PROPERTY INTERESTS

(a) Marcona Project

On January 3, 2005 the Company and KORES and LS-Nikko, jointly the “Korean Partners”, paid the first of two payments to acquire a 100% undivided interest in the Marcona Copper Project (“Marcona”). The Company’s share of the first payment was \$18,695,535 representing payments to the former owners of Marcona in the amount of \$17,023,464 and a payment in respect of Peruvian General Sales Tax (“IGV”) in the amount of \$1,672,071. The payment in respect of IGV is considered to be eventually recoverable as a credit against IGV otherwise payable in respect of future mineral production from Marcona.

The second payment in respect of Marcona of US \$13,000,000 (approximately Cdn \$14,534,000) is due on January 3, 2007.

In the event that the Company and the Korean Partners approve the start of construction of a mine and plant to process mineralized material from Marcona additional, contingent payments will be required to complete the acquisition of an undivided 100% interest in Marcona as follows:

- US \$3,000,000 if, based on an independent feasibility study, the mineral resource at Marcona is equal to or greater than 300 million tonnes with a copper equivalent grade of 0.8% per tonne, and,
- An additional US \$7,000,000 if, based on an independent feasibility study, the mineral resource at Marcona is equal to or greater than 400 million tonnes with a copper equivalent grade of 0.8% per tonne.

The Company’s 70% share of these contingent payments would be approximately US \$2,100,000 and US \$4,900,000, respectively. No amounts related to these contingent payments have been accrued in these financial statements.

Marcona is owned by Marcobre S.A.C. (“Marcobre”), a Peruvian limited liability company. The Company indirectly owns 70% of Marcobre and the Korean Partners own 30%. Each of the Company and the Korean partners have guaranteed, to the extent of their respective pro rata ownership of Marcobre, the Marcona purchase payments and each has pledged its shares of Marcobre as security for its purchase payments. Additionally, Marcobre has granted a mortgage over its title to Marcona to the former owners of the property as security for the guarantee of the second payment.

(b) Write-offs of mineral property interests

During the year ended April 30, 2006, the Company wrote off previously deferred mineral property costs in respect of interests in the two properties described below:

Antash Copper Gold Project

Under a Letter Agreement with BHP Billiton Tintaya S.A. dated November 21, 2003 the Company was granted the right to acquire an interest in the Antash Copper Gold project. Following a short drilling program it was decided not to proceed with any further work on the property and the agreement was terminated, as a result \$70,061 was written off.

CHARIOT RESOURCES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED APRIL 30, 2006 AND 2005

4. MINERAL PROPERTY INTERESTS (continued)

Bambas Este Copper-Gold Project

Under a Letter of Agreement with BHP Billiton on November 21, 2003 a right was granted to the Company to acquire an interest in the Bambas Este Copper-Gold project. Following some preliminary exploration work and community meetings it was decided not to proceed with any further work on the property, the Company's interest was relinquished and accordingly, \$47,345 was written off.

During the year ended April 30, 2005, the Company wrote off previously deferred mineral property costs of \$1,690,360 relating to the property interests described below.

The Company obtained an option to acquire a 100% ownership interest, subject to a 2% net smelter returns royalty ("NSR"), in the Cello Ccasa silver/gold project located in Ayacucho, Southern Peru. After conducting an exploration drilling program in October 2004 and evaluating the results of the program it was determined the property should be surrendered. As a result, costs of \$861,677 were written off during the financial year ended April 30, 2005.

After a review of the Company's exploration priorities in April 2005 it was determined that no additional efforts or funds would be directed toward the Company's earn-in requirements for the Yanama and Chonta copper/gold projects in Peru. As a result, the Company wrote off \$825,077 of deferred expenditures relating to the Yanama project and \$3,606 of deferred expenditures related to the Chonta project

5. JOINT VENTURE

The Company's share of the assets and liabilities and cash flows of the Marcobre joint venture is as follows:

	<u>2006</u>	<u>2005</u>
	\$	\$
Current assets	353,747	377,301
Current liabilities	268,712	18,566
Working capital	85,035	358,735
Mineral property interests	25,897,041	17,553,500
Other non-current assets	3,225,993	1,924,293
Less: non-current liabilities	<u>322,013</u>	<u>314,225</u>
Net assets	<u>28,886,057</u>	<u>19,522,303</u>
Net cash flows from operating activities	<u>-</u>	<u>-</u>
Net cash flows from financing activities	<u>-</u>	<u>-</u>
Net cash flows from investing activities	<u>15,132,515</u>	<u>17,220,709</u>
Supplemental non-cash investing and financing activities		
Equipment acquired financed by capital leases	(20,164)	-
Asset retirement obligations	-	314,225

CHARIOT RESOURCES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED APRIL 30, 2006 AND 2005

6. PERUVIAN SALES TAX RECEIVABLE

Included in non-current assets is \$3,074,064 (2005-\$1,968,896) of refundable Peruvian General Sales Tax. This amount is refundable either as a credit received from the export of mineral production or under the sales tax early recovery program established by the Peruvian government.

7. SHARE CAPITAL

Authorized and Issued

The Company's authorized share capital is an unlimited number of common shares of which 227,838,267 were issued and outstanding as at April 30, 2006. Subsequent to April 30, 2006 the Company issued 4,592,273 shares (note 13)

On December 30, 2004 the Company closed a public offering of 110,000,000 units. Each unit was issued at \$0.25 and consisted of one common share and one-half of a common share purchase warrant. The half warrants were separable and are tradable. One whole warrant, upon exercise, allows the holder upon payment of \$0.35 per share to acquire a common share in the capital of the Company until December 22, 2006. On January 17, 2005 pursuant to the exercise of an over allotment option granted to the underwriters of the December 30, 2004 financing the Company issued an additional 7,200,000 units. The financing resulted in the Company issuing a total of 117,200,000 common shares and 58,600,000 whole share purchase warrants.

In addition to the units issued to the public, the underwriters, as partial consideration for their services in arranging the December 30, 2004 financing, were granted non-transferable warrants exercisable until December 22, 2006 to acquire a number of units equal to 5% of the number of units sold to the public. Upon exercise the underwriters are entitled to acquire up to 5,860,000 units at \$0.25 per unit, which would result in the Company issuing up to 5,860,000 common shares and 2,930,000 whole warrants to purchase common shares in the capital of the Company for \$0.35 per share until December 22, 2006. The Company also paid the underwriters cash compensation of \$1,758,000 for their services. The gross proceeds of the offering amounted to \$29,300,000 and after underwriters' fees and expenses the Company realized net proceeds of \$26,531,550

On July 13, 2005 the Company completed a private placement of 16,644,000 units. Each unit was issued at \$0.32 and consisted of one common share and one-half of a common share purchase warrant. One whole warrant, upon exercise, allows the holder upon payment of \$0.35 to acquire a common share in the capital of the Company until December 22, 2006. The gross proceeds of the private placement were \$5,326,080, the Company realized \$4,964,736 after placement costs and expenses of \$361,344.

On March 21, 2006 the Company completed a public offering of 40,000,000 common shares at a price of \$0.43 per share. In addition to the shares issued to the public the underwriters of the offering syndicate were granted an option to purchase up to an additional 2,500,000 common shares at \$0.43 per share. This option was available to the underwriters for a period of 48 hours prior to the closing of the public offering and was exercised upon the closing. The gross proceeds of the underwriting and exercise of the underwriters' option amounted to \$18,275,000. The net proceeds to the Company after underwriters' fees and expenses of \$1,247,961 were \$17,027,039.

Stock Options

During the year ended April 30, 2006, the Company recorded stock-based compensation expense of \$675,748 attributable to the grant of stock options. On December 21, 2004 the Company granted 2,900,000 options to purchase common shares, on January 26, 2005 granted 385,000 options, on March 10, 2005 granted 350,000 options, on April 5, 2005 granted 3,235,000 options and on February 7, 2006 granted 2,602,500 options.

CHARIOT RESOURCES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED APRIL 30, 2006 AND 2005

7. SHARE CAPITAL (continued)

All options were granted to officers, directors, employees or consultants of the Company.

The options granted on December 21, 2004, January 26, 2005, March 10, 2005 and April 5, 2005 are exercisable for 10 years from the date of grant and vest as to one-third on the date of grant, one-third on the first anniversary of the date of grant and one-third on the earlier of the second anniversary of the date of grant or the

date that a feasibility study in respect of Marcona is completed. The options granted on February 7, 2006 are exercisable for 10 years from the date of grant and vest as to one-third on the date of grant, one-third on the first anniversary of the date of grant and one-third on second anniversary of the grant.

The following table sets out information concerning stock options granted and outstanding as at April 30, 2006.

Number of Options	Number of Options vested	Exercise Price \$	Expiry Date	Number of months To Expiry
475,000	475,000	0.1600	March 6, 2008	23
1,100,000	1,100,000	0.4500	December 4, 2008	32
41,333	41,333	0.4500	April 23, 2009	36
2,900,000	1,933,335	0.2650	January 3, 2015	104
385,000	256,666	0.2650	January 26, 2015	105
300,000	233,333	0.2783	March 10, 2015	107
3,135,000	2,106,665	0.3360	April 5, 2015	108
2,602,500	867,413	0.4358	February 7, 2016	118
10,938,833	7,013,745	0.3411		90

Stock option transactions for the years ended April 30, 2006 and 2005 were as follows:

	2006		2005	
	Number	Weighted Average Exercise Price \$	Number	Weighted Average Exercise Price \$
Balance - beginning of year	9,236,333	0.30	2,366,333	0.30
Granted	2,602,500	0.44	6,870,000	0.30
Exercised	(500,000)	0.16	-	-
Cancelled	(250,000)	0.16	-	-
Forfeited	(150,000)	0.32	-	-
Balance - end of year	10,938,833	0.34	9,236,333	0.30

CHARIOT RESOURCES LIMITED
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
AS AT AND FOR THE YEARS ENDED APRIL 30, 2006 AND 2005

7 SHARE CAPITAL (continued)

Granting stock options results in a stock-based compensation charge. Stock-based compensation expense is determined by a Black-Scholes option pricing model. Option pricing models include the use of assumptions and estimates. Changes in the underlying assumptions or estimates can materially affect the fair value of the options granted and, therefore, option pricing models do not necessarily provide a reliable measure of the fair value of the options granted. The following table sets out the principal assumptions and estimates used in the determination of the fair value of options granted and the estimation of stock-based compensation expense.

Granted - year ending	April 30, 2006	April 30, 2005	April 30, 2004
Number of options	2,602,500	6,870,000	1,141,333
Estimated life of options	3 years	3 years	2.5 years
Share price on date of grant	\$ 0.42	\$ 0.28	\$ 0.35
Option exercise price	\$ 0.44	\$ 0.30	\$ 0.45
Risk free interest rate	4.22%	3.15%	3.55%
Estimated volatility	97%	110%	125%
Expected dividend yield	0%	0%	0%
Option value	\$ 0.25	\$ 0.18	\$ 0.23
Fair value of options granted	\$ 661,675	\$ 1,263,939	\$ 261,547

The compensation expense has been or is expected to be recognized as a charge to operations over the expected vesting period of the options as follows:

Year of Grant	April 30, 2004	April 30, 2005	April 30, 2006	April 30, 2007	April 30, 2008	Total
	\$	\$	\$	\$	\$	\$
2003	64,693	-	-	-	-	64,693
2004	96,898	130,773	33,876	-	-	261,547
2005	-	421,313	421,313	421,313	-	1,263,939
2006	-	-	220,559	220,559	220,557	661,675
	161,591	552,086	675,748	641,872	220,557	2,251,854

7. SHARE CAPITAL (continued)

CHARIOT RESOURCES LIMITED
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Warrants

The following table summarizes information about the number of common shares reserved pursuant to the Company's warrants outstanding at April 30, 2006:

Number of Warrants	Number of Shares Reserved	Exercise Price \$	Expiry date	Number of Months to Expiry
66,213,216	66,213,216	0.35	December 22, 2006	8

Warrant transactions for the years ended April 30, 2006 and 2005 were as follows:

	2006	2005
Balance - beginning of year	66,455,397	16,191,719
Granted	8,322,000	58,600,000
Exercised	(6,998,064)	(8,336,322)
Exercise of underwriters non transferrable warrants	(1,365,567)	
Conversion of underwriters non transferrable warrants	682,783	-
Expired	(883,333)	-
Balance - end of year	66,213,216	66,455,397

As part of the December 30, 2004 financing there were warrants granted to the underwriters of the financing. Upon exercise, the Company would issue an additional 2,930,000 non-transferable warrants to purchase common shares of the Company at \$0.35 per share until December 22, 2006 (note 13). At April 30, 2006, 682,783 of the non-transferable warrants had been issued.

8. MANAGEMENT FEES AND CONSULTING SERVICES

During the year ended April 30, 2006, the Company was charged for management services provided by directors and officers of the Company or private corporations controlled by the respective parties. The amounts paid to Messrs. Black and Rath in 2006, tabled below, are included in general and administration expenses whereas their management services were included in consultants and management expenses for the year ended April 30, 2005.

	Services	Terms and Conditions	2006 \$	2005 \$
Robert Baxter, Director	Consulting	Normal Commercial	195,852	175,506
Alex Black, Director	Salary	Executive compensation	235,000	163,535
Peter Blunt, Officer	Consulting	Normal Commercial	33,201	-
John Hannaford, former Director	Consulting	Normal Commercial	10,837	114,157
Anthony Hawkshaw, former Officer	Consulting	Normal Commercial	112,202	68,044
Ulrich Rath, Director	Salary	Executive compensation	200,417	126,002
			787,509	647,244

8. MANAGEMENT FEES AND CONSULTING SERVICES (continued)

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As at April 30, 2006, the Company owed \$8,266 (2005 - \$158,492) to a director which amount is included within accounts payable and accrued liabilities.

On September 15, 2005 the Company loaned US \$160,000 (Cdn \$189,712) to a director of the Company. The loan bore interest at 6 month LIBOR plus 3 percent per annum, was due March 15, 2006 and was secured by 700,000 shares of the company. The loan together with interest of \$4,757 was fully repaid on March 10, 2006.

9. SEGMENTED INFORMATION

The Company's principal business activity is the acquisition, exploration and development of mineral properties located in Peru. The assets and liabilities of the Company are located geographically as set out below:

April 30, 2006	Canada	Peru	Total
	\$	\$	\$
Cash	20,825,063	612,122	21,437,185
Mineral Property Interests	-	25,859,999	25,859,999
Other assets	362,337	3,506,057	3,868,394
Total Assets	21,187,400	29,978,178	51,165,578
Liabilities	258,649	729,663	988,312
Net Assets	20,928,751	29,248,515	50,177,266
April 30, 2005			
Cash	7,024,703	583,872	7,608,575
Mineral Property Interests	-	18,568,728	18,568,728
Other assets	116,892	2,252,488	2,369,380
Total Assets	7,141,595	21,405,088	28,546,683
Liabilities	491,043	471,891	962,934
Net Assets	6,650,552	20,933,197	27,583,749

10. SUPPLEMENTARY CASH FLOW INFORMATION

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Non-cash investing and financing activities and other supplementary cash flow information is as follows:

	<u>2006</u>	<u>2005</u>
	\$	\$
Non-cash investing activity		
Asset retirement obligation	-	314,225
Deferral of fair value of employee stock options	62,708	-
Non-cash financing activity		
Equipment financed through capital leases	20,164	87,428
Interest paid	-	9,429
Income taxes paid	-	-
Cash	2,399,475	7,608,575
Cash equivalents	19,037,710	-
Total cash and cash equivalents	<u>21,437,185</u>	<u>7,608,575</u>

11. INCOME TAXES

The Company's provision for income taxes differs from the amounts computed by applying the combined Canadian federal and provincial income tax rates to the loss as a result of the following:

	<u>2006</u>	<u>2005</u>
	\$	\$
Statutory rates	34.4%	36.1%
Income tax recovery computed at statutory rates	(752,956)	(1,297,559)
Stock-based compensation	187,849	199,303
Rate differential for foreign entities	(4,015)	57,672
Other	15,683	(5,783)
Recovery of income taxes before application of losses	(553,439)	(1,046,367)
Tax benefit not recognized on current year's losses	<u>553,439</u>	<u>1,046,367</u>
Provision for (recovery of) income taxes	<u>-</u>	<u>-</u>

The tax effects of temporary differences that give rise to significant components of future income tax assets or liabilities are as follows:

CHARIOT RESOURCES LIMITED
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11. INCOME TAXES (continued)

	2006	2005
	\$	\$
Future tax assets		
Share issue costs	1,018,638	821,714
Non-capital loss carry forwards	2,457,669	414,314
Other	3,903	-
Resource properties	126,215	-
Total gross future income tax assets	3,606,425	1,236,028
Less valuation allowance	(3,601,869)	(1,094,490)
Net future income tax assets	4,556	141,538
Less future income tax liabilities	(4,556)	(141,538)
Net future income tax assets	-	-

At April 30, 2006, Chariot Resources Limited has non-capital losses of \$5,686,607, which may be carried forward to apply against future years' income for Canadian income tax purposes, subject to final determination by taxation authorities expiring as follows:

	\$
2007	209,097
2008	222,805
2009	257,105
2010	238,502
2011	521,528
2015	1,753,438
2016	2,484,132
	5,686,607

At April 30, 2006, the Company's subsidiaries have non-capital losses, which may be carried forward to apply against future years income for Peruvian income tax purposes, subject to final determination by taxation authorities expiring as follows:

2008	574,683
2009	812,243
2010	337,737
	1,724,663

In addition, Chariot Resources Limited has capital losses of approximately 2,590,000, which may be carried forward indefinitely to apply against future years capital gains for Canadian income tax purposes, subject to final determination by taxation authorities.

12. COMMITMENTS AND CONTINGENCIES

CHARIOT RESOURCES LIMITED
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Marcona Acquisition commitments

Under the terms of the acquisition of Marcona, Marcobre agreed to make certain payments including a payment of US \$20,500,000 on closing, which occurred and which payment was made on January 3, 2005, and a US \$13,000,000 second payment on the second anniversary of the closing date. In addition, Marcobre agreed, under certain circumstances, to make additional conditional payments that could amount to US \$10,000,000 (see note 4 (a)).

The Company funded its 70% share and the Korean Partners funded their 30% share of the US \$ 20,500,000 payment. Under the terms of the Marcobre Shareholders Agreement, the Company and the Korean Partners agreed to fund the second payment in proportion to their then respective holdings of shares in Marcobre.

The Company and the Korean Partners have pledged their shares in Marcobre as security to secure the second payment.

Leases

The Company has entered into operating lease contracts for office premises in Toronto, Canada and office, visiting personnel accommodation and storage facilities in Lima, Peru. The terms of the leases and expected payments under the lease contracts are tabled below:

Location and term	Expected lease payments		
	2007	2008	2009
	\$	\$	\$
Toronto office			
June 1, 2005 - May 31, 2008	54,053	54,053	4,504
Lima office			
December 1, 2005 - November 30, 2007	58,984	35,390	-
Lima accommodations			
March 15, 2006 - March 14, 2007	11,235	-	-
Lima storage facility			
December 21, 2005 - December 20, 2007	14,766	9,229	-
	139,038	98,672	4,504

In April 2005 the Company entered into capital leases for three trucks. The monthly payments under these leases, for the first twenty-three months of the contracts are \$2,946. The final monthly payment, including the bargain purchase options, is \$3,928. The interest rate implicit in the leases is 3.53%. Equipment under capital leases is amortized over either two or three years and the amortization expense will amount to \$32,300 per year for the year ended April 30, 2007 and \$17,300 for the year ended April 30, 2008.

13. SUBSEQUENT EVENTS

CHARIOT RESOURCES LIMITED
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As at July 25, 2006:

- (a) The Company issued 615,000 shares for cash of \$174,925 upon the exercise of stock options.
- (b) The Company issued 3,185,543 shares for cash of \$1,114,940 upon the exercise of warrants.
- (c) The Company realized proceeds of \$197,933 upon the exercise of underwriter warrants granted as partial compensation to the underwriters in connection with the December 30, 2004 public offering of units. The exercise of these underwriter warrants resulted in the issuance of 791,730 shares and 395,865 share purchase warrants. A warrant entitles the holder to purchase one common share for \$0.35 until December 22, 2006.