Chariot Resources Limited

Annual
Management Discussion and Analysis
Year Ended April 30, 2006

July 28, 2006

This Management Discussion and Analysis is at April 30, 2006 and is for the year then ended. It has been prepared as of July 28, 2006 and should be read in conjunction with the Company's annual audited consolidated financial statements and notes thereto as at and for the years ended April 30, 2006 and 2005 and the Company's Annual Information Form for the year ended April 30, 2006. The Company's reporting currency is the Canadian dollar. The accounting principles followed in the preparation of the accounts of the Company are generally accepted in Canada and are described in the notes to the annual audited consolidated financial statements.

Additional information about the Company as well as the risks and uncertainties related to the Company's business may be viewed in the Company's April 30, 2006 Annual Information Form and audited consolidated financial statements at www.sedar.com or at Chariot's website at www.chariotresources.com.

Introduction

Chariot Resources Limited ("Chariot" or the "Company") is a Canadian junior resource company focused on the acquisition, exploration and development of natural resource properties located in the Andean region of Latin America, principally Peru. Chariot has no producing properties. The Company's principal asset is a 70 per cent interest in the assets comprising the Marcona Copper Project ("Marcona") in southern Peru.

There are five copper prospects forming the Marcona Project. The main focus of the Company for the year ended April 30, 2006 has been on the Mina Justa ("Mina Justa") project. A comprehensive report regarding the exploration results on the Marcona project during the year ended April 30, 2006 is described in the Company's Annual Information Form available on Sedar at www.sedar.com

During the year ended April 30, 2006 Chariot determined that it would discontinue its exploration efforts on the Antash and Bambas Este copper gold projects in Peru in order to consolidate its resources and focus on the development of Marcona. As a result of this decision, the Company wrote off the residual carrying values of these properties representing $70,061 and $47,345 respectively.

Equity Financing and Marcona Acquisition

In fiscal 2005, Chariot closed a $27.5 million equity financing and with a portion of the net proceeds acquired a 70 per cent interest in Marcona. Concurrent with the closing of the financing and the acquisition of its 70 per cent interest Chariot entered into a Shareholders Agreement that created certain joint venture arrangements with Korea Resources Corporation and LS-Nikko Copper Inc. (the "Korean Partners") who together acquired 30 per cent of Marcona. Each of Chariot and the Korean Partners hold their interests in Marcona through ownership of a Peruvian company, Marcobre S.A.C. (“Marcobre”). The joint venture arrangements establish the rights and responsibilities of Chariot and the Korean Partners with respect to the ownership, development and operation of Marcona.

Under the terms of the equity financing above, the Company issued 110,000,000 units at a price of $0.25 per unit. Each unit consisted of one common share in the capital of the Company and one-half of a common share purchase warrant (a “Unit”). Each whole common share purchase warrant entitles the holder on exercise to purchase one common share in the capital of the Company at a price of $0.35 per common share on or before the close of business on December 22, 2006. Immediately upon issue the Units separated into tradable common shares and warrants.

On January 17, 2005 the Company announced that pursuant to an over-allotment option granted to the underwriters of the $27.5 million equity financing it had issued an additional 7,200,000 Units for gross proceeds of $1.8 million bringing the gross proceeds of the financing to $29.3 million. In addition to the warrants issued as part of the Units, the Company issued, to the underwriters 5,860,000 non-transferable warrants (“underwriters warrants). Each non-transferable underwriter warrant entitles the holder on exercise to purchase one Unit at a price of $0.25 per Unit on or before the close of business on December 22, 2006.

On July 13, 2005, the Company completed a brokered private placement of 16,644,000 units at $0.32 per unit for gross proceeds of $5.3 million. The units issued consisted of one common share in the capital of the Company and one-half of a common share purchase warrant. Each whole common share purchase warrant entitles the holder on exercise to purchase one common share in the capital of the Company at a price of $0.35 per common share on or before the close of business on December 22, 2006.

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. 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.

	Units	Price per Unit/share	Proceeds	Shares Issued	Whole warrants	Warrant Exercise Price	Warrant Expiry
		$	$			$	
December 30, 2004	110,000,000	0.25	27,500,000	110,000,000	55,000,000	0.35	December 22, 2006
January 17, 2005	7,200,000	0.25	1,800,000	7,200,000	3,600,000	0.35	December 22, 2006
Gross proceeds			29,300,000				
Underwriter's fees			(1,758,000)				
Expenses			(1,010,450)				
Net proceeds			26,531,550				
July 13, 2005	16,644,000	0.32	5,326,080	16,664,000	8,322,000	0.35	December 22, 2006
Agents' fees			(319,565)				
Expenses			(100,000)				
Net proceeds			4,906,515				
March 21, 2006							
Public offering	-	0.43	17,200,000	40,000,000			
Underwriter's option	-	0.43	1,075,000	2,500,000			
Gross proceeds			18,275,000				
Underwriters' fees			(913,750)				
Expenses			(334,211)				
Net proceeds	-		17,027,039				
Total	133,844,000		48,465,104	176,364,000			

The cash consideration paid on December 30, 2004 for a 70 per cent interest in Marcona was $18.7 million consisting of a $17.0 million payment to the former owners of Marcona and $1.7 million paid in respect of Peruvian General Sales Tax ("IGV"). The amount paid in respect of IGV is expected to be eventually refundable as a credit against future sales tax otherwise payable on production from Marcona. Consequently, it is recorded as a non-current asset on the Company's balance sheet.

On February 21, 2006 Chariot and its Korean Partners agreed upon a U.S. $10.5 million (Cdn $12.0 million) calendar 2006 Work Plan for the exploration and development of Marcona. Chariot will fund Cdn $8.4 million and the Korean Partners will fund Cdn $3.6 million of the 2006 Work Plan. As of July 28, 2006 Chariot had funded U.S.$ 4.9 million (approximately Cdn $5.7 million) of the agreed Work Plan.

As a part of the preparation of a Feasibility Study it was determined that additional drilling on the Mina Justa project was required . Consequently, an additional drilling budget was tabled by Chariot and presented to the Korean Partners on July 13, 2006. These costs are budgeted at US $3.0 million (Cdn$3.4) of which Cdn$2.4 million will be borne by Chariot.

The Company has retained a consultant to prepare and present a financial model, information memorandum and term sheet to be utilized for the raising of the debt portion of the project financing necessary to proceed to construction and development of the Mina Justa project. The cost of this consultancy, also approved on July 13, 2006, is estimated to be US$200,000.

The acquisition cost of Marcona consists of two payments and certain contingent payments. The first payment was made on December 30, 2004 as described above. The second payment is due on January 3, 2007 and amounts to U.S. $13.0 million of which Chariot is required to fund U.S. $9.1 million in order to maintain its 70 per cent interest. As a result of the financings described above, the Company has the necessary funds in place to make the required payment.

If Marcobre decides to start construction of mine and processing facilities an amount of U.S. $3.0 million is payable if the total mineral resource at Mina Justa is greater than 300 million tonnes at a 0.80 per cent copper equivalent grade, which is approximately 2.58 million tonnes of contained copper metal. An additional amount of U.S. $7.0 million is payable if the total mineral resource at Mina Justa is greater than 400 million tonnes at a 0.80 per cent copper equivalent grade, which is approximately 3.44 million tonnes of contained copper metal. These contingent payments will not exceed U.S. $10.0 million and the amounts of such payments will be determined by whether Marcobre approves commencing the construction of mine and processing facilities and the amount of copper contained in mineral resource at Mina Justa.

The following table sets out the potential proceeds with respect to the warrants outstanding on July 28, 2006.There is no guarantee that warrant holders will exercise their warrants.

	Number	Number of shares Reserved	Exercise price	Expiry Date	Number of Months to Expiry	Potential Cash Receipts
			$			$
Whole warrants	61,553,160	61,553,160	0.35	December 22, 2006	5	21,543,606
Underwriters warrants	1,078,648	1,078,648	0.35	December 22, 2006	5	377,527
	62,631,808	62,631,808				21,921,133

Chariot has agreed to guarantee the payment obligations of Marcobre under the terms of the Marcona purchase agreement. Chariot has also agreed to pledge the shares that it holds indirectly in Marcobre as security for the payment obligations. A similar guarantee and share pledge was provided by the Korean Partners. Each of Chariot's and the Korean Partners' guarantees and pledges are limited to their respective pro rata share ownership of Marcobre.

Granting of Stock Options

On February 7, 2006 the Board of Directors approved the grant of 2,602,500 options to purchase common shares in the capital of the Company. These options were granted to directors, officers, consultants and to eleven employees in Peru. The options are exercisable until February 7, 2016 at an exercise price of $0.436 per common share and they 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 second anniversary of the grant.

The following tables summarize the options granted during the 2006 and 2005 financial years to directors, officers, employees and consultants. Shares reserved for issuance under the Company's stock option plan represented 5.0 per cent of the shares issued and outstanding at April 30, 2006 (4.4 per cent at July 28, 2006).

Number of Options	**Exercise Price**	**Date of Grant**	**Expiry Date**
	$		
2,900,000	0.2650	December 21, 2004	January 3, 2015
385,000	0.2650	January 26, 2005	January 26, 2015
350,000	0.2783	March 10, 2005	March 10, 2015
3,235,000	0.3360	April 5, 2005	April 5, 2015
2,602,500	0.4358	February 7, 2006	February 7, 2016
9,472,500			

As at April 30, 2006 the Company had 227,838,267 (2005-159,830,636) common shares outstanding. At the date of this discussion and analysis the Company has 232,430,540 common shares issued and outstanding.

The following table sets out the potential proceeds with respect to the options outstanding on July 28, 2006.

Number of Options	**Number of Options vested**	**Exercise Price**	**Expiry Date**	**Number of months To Expiry**	**Potential Cash Receipts**
		$			$
475,000	475,000	0.1600	March 6, 2008	23	76,000
1,100,000	1,100,000	0.4500	December 4, 2008	32	495,000
41,333	41,333	0.4500	April 23, 2009	36	18,600
2,535,000	1,601,668	0.2650	January 3, 2015	104	424,442
385,000	256,666	0.2650	January 26, 2015	105	68,016
200,000	133,333	0.2783	March 10, 2015	107	37,107
2,985,000	1,989,998	0.3360	April 5, 2015	108	668,639
2,602,500	867,113	0.4358	February 7, 2016	118	377,844
10,323,833	6,465,111				2,165,649

General Activities and Overall Performance

During the year ended April 30, 2006 the Company focused its efforts on the exploration and development of the Mina Justa project.

Included in the results of operations is a charge amounting to $0.58 million (2005-$0.55 million) in respect of stock-based compensation. There were a total of 2,602,500 stock options granted over the 2006 financial year, of which 2,250,000 were granted to officers and directors and 352,500 to employees of the Company. The weighted average fair value of the options granted was $0.25 per option resulting in an estimated fair value of options granted during financial 2006 of $0.66 million. One-third or ($0.22 million) of the fair value of these options was charged to operations, The remaining two thirds will be charged equally to the operations of the next two financial years. Of the stock based compensation costs $0.63 million was charged to the Marcona project.

Salaries, consulting and management expenses for the current year amounted to $0.71 million a decrease of $0.19 million when compared to the year ended April 30, 2005. General and administration expense increased from $0.55 million in financial 2005 to $0.77 million in financial 2006. Legal expense increased by approximately $76,000 to $167,400 from financial 2005. These increases are directly attributable to the increasing requirements for legal representation regarding commercial activities in Peru. As the Company progresses to the construction stage management and consulting costs, general and administrative costs and legal costs will increase again in financial 2007.

The Company's employee roster is comprised of two personnel in Canada and a further seventeen in its offices in Peru.

Selected Annual Information

	2006	2005	2004
	$	$	$
Net loss	2,227,778	3,594,346	2,114,285
Basic and diluted loss per share	0.01	0.05	0.08
Total assets	51,165,578	28,546,684	2,744,969
Long-term financial liabilities	323,542	366,301	-
Shareholders' equity	50,177,266	27,583,750	2,566,995
Cash dividends	-	-	-

The net losses and changes in total assets and shareholders' equity are due to the fact that Chariot has no source of revenue and depends on its ability to attract capital from investors. The Company's operating results are driven by the level of the activities, which depend on the working capital available to fund activities, non cash charges such as stock-based compensation expense and write downs of mineral property costs previously deferred. The Company's assets and shareholders' equity are a function of the funds raised from the issuance of capital stock.

As described herein, efforts during the 2006 year focused on the exploration and development of the Mina Justa project. These efforts were largely successful and resulted in a higher level of activity and a commensurate increase in the level of spending and expenses. Also as described herein, stock purchase options were granted during the year which resulted in a charge to the current year's operations. The next two years' operations will be charged with the residual amount of stock option benefits resulting from the grant of options during the course of the 2006 financial year. All of these items have been discussed above.

Quarterly Results of Operations

The table below sets out the Company's selected unaudited quarterly information for the most recent eight quarters.

	April 30 2006	January 31 2006	October 31 2005	July 31 2005	April 30 2005	January 31 2005	October 31 2004	July 31 2004	April 30 2004
	$	$	$	$	$	$	$	$	$
Loss (profit) before property write downs	(652,969)	724,638	940,498	1,098,204	102,031	1,078,806	399,541	323,608	302,922
Mineral property write downs	(17,177)	-	134,583	-	1,057,482	-	632,878	-	72,482
Net (profit) loss for the period	(670,146)	724,638	1,075,081	1,098,204	1,159,513	1,078,806	1,032,419	323,608	375,404
Net loss (gain) per share (basic and diluted)	(0.01)	-	0.01	0.01	0.01	0.01	0.02	0.01	0.01

The Company's quarterly results vary depending on the amount of property exploration activity and the results of such activity.
The activities of the Company have been principally directed to the development of the Mina Justa project. The most significant charges to the Company's operations result from the increased general and administration expenses, legal expenses and the recording of non-cash stock-based compensation expense as stock options are granted.

Liquidity and Capital Resources

The Company has no long-term debt or other long-term financial obligations and no off balance sheet commitments other than under agreements to make payments to acquire or maintain mineral property interests, make certain capital lease payments and certain contractual obligations as described herein.

In connection with the 2006 Initial and Supplementary Work Plans for Mina Justa project the Company has entered into agreements to acquire services or equipment and has committed to make certain other expenditures expected to total $10.8 million of which $5.7 million has been paid. It is expected that all of these commitments will be discharged during calendar 2006.

Chariot's financial instruments include term deposits, accounts receivable and accounts payable. Due to the short-term nature of these financial instruments the Company does not believe that there is any material measurement, liquidity, convertibility, interest rate or credit risk associated with such instruments.

Under the property agreement on the Marcona property, Chariot may decline to make further payments or exploration expenditures and suffer no financial penalty, but would be required to surrender its property interest rights. The following table as at July 28, 2006, sets out the Company's future property payment plans, the future Mina Justa work program obligations, the obligations under its Lima and Toronto office leases and capital leases. Chariot has the right to accelerate or in some cases make additional payments to acquire increased interests in certain properties.

	Total	Less than One year	One to Three years	Fourth and Fifth Years
	$	$	$	$
Marcona Copper Project				
Second property payment				
US$9,100,000	10,192,000	10,192,000	-	-
Mina Justa				
Phase I work plan	2,700,000	2,700,000	-	-
Supplementary work plan	2,400,000	2,400,000	-	-
	5,100,000	5,100,000	-	-
Marcona Copper Project				
Surface rights	216,260	-	108,130	108,130
Leases				
Lima				
Office	112,610	54,053	58,557	-
Staff accomodations	94,374	58,984	35,390	-
Storage facility	11,235	11,235	-	-
Toronto Office	23,995	14,766	9229	-
	242,214	139,038	103,176	-
Capital leases	48,316	38,999	9,317	-
	15,798,790	15,470,037	220,623	108,130

Working capital at April 30, 2006 amounted to $21.2 million. This compares to working capital of $7.2 million at April 30, 2005. The increase in working capital is due to the equity financings previously discussed. Working capital was supplemented by $4.9 million from the July 13, 2005 and by $17.0 million from the March 21, 2006 financings and is sufficient to fund operations and commitments for the 2006 financial year. As discussed above, financing to ensure the Company will make the second payment for Marcona has already been obtained but additional financing may be required to make any contingent payments for Marcona.

Management Fees and Consulting Services

The Company contracts with certain officers and directors or with private companies controlled by officers and directors for the performance of managerial services instead of directly employing these individuals. These contacts are at normal commercial terms. For the year ended April 30, 2006 charges to the Company from related parties for management services from six individuals or their controlled companies amounted to $787,509. For the year ended April 30, 2005 the Company was charged $647,244 by six individuals or their controlled companies. Charges for services during the years ended April 30, 2006 and 2005 were performed by and amounted to:

	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

Related Party Transactions

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.

Risks and Uncertainties

Chariot has no history of profitable operations and is at an early development stage. As such, the Company is subject to numerous risks common to such enterprises. In addition, the Company is subject to risks typical of the exploration, development and mining business as well as general business, investment climate and economic risks.

Risks that are common to early stage development companies and that are applicable to Chariot include, among others, under-capitalization, potential cash shortages or working capital constraints, limitations with respect to the Company's ability to recruit and retain qualified personnel, reliance on relatively few directors and officers and limited access to capital markets. These risks were alleviated, to a large extent, with the closing of the aforementioned financings.

Risks typical of exploration, development and mining companies, such as Chariot, include various operating hazards such as unpredictable ground conditions; ground failures; weather related events or other acts of nature; complex and changing legal and regulatory, licensing, title registration and enforceability of title ownership, environmental and taxation requirements; competition from other companies with greater resources for prospective properties, personnel or equipment, services or supplies that might be in limited supply; and the potential political risk of operating in a foreign jurisdiction such as Peru.

General business, investment climate and economic risk include market prices for the Company's principal mineral asset, copper, costs to bring future production to a marketable state and location, inflation and currency fluctuations, underlying commodity and wage rates, the availability of adequate and reasonably priced insurance coverage, the rate of economic growth and expectations for future growth or lack thereof, a lack of investment market liquidity or investors or banks willing or able to provide funds to an early stage development company.

Readers should consider the potential affect of adverse changes in the circumstances or risks applicable to Chariot in evaluating past financial results and when attempting to assess potential future financial results of the Company.

Critical Accounting Estimates

The Company's principal monetary assets consist of cash and short term bank certificates. The Company's non-monetary assets consist of deferred costs related to the Marcona mineral property interest. At this time the Company's property interest contains the potential to host economically recoverable minerals. The recoverability of the carrying value of the Company's mineral property interest depends upon the ability of the Company to finance the development and future profitable production from such reserves or the Company's ability to sell such property interests and recover the associated deferred costs. Changes in future conditions or unsatisfactory exploration results could result in material write downs of the carrying value of the Marcona mineral property interest. Management conducts periodic reviews of its interest in the Marcona mineral property in order to determine whether a write down is required.

New Accounting Policies

The Company has adopted the Canadian Institute of Chartered Accountant's Handbook Section 3110 "asset retirement obligations" which establishes standards for the recognition, measurement and disclosure of liabilities for asset retirement obligations and the associated asset retirement costs. The standards apply to legal obligations associated with the retirement of long-lived tangible assets that arise from the acquisition, construction, development or normal operation of such assets. The standards require that a liability for an asset retirement obligation be recognized in the period in which it is incurred and when a reasonable estimate of the fair value of the liability can be made. Furthermore, a corresponding asset retirement cost should be recognized by increasing the carrying amount of the related long-lived asset. The asset retirement cost is subsequently allocated in a rational and systematic method over the underlying asset's useful life. The initial fair value of the liability is accreted, by charges to operations, to its estimated nominal future value.

Prior to development activities at Marcona the Company had no asset retirement obligations. During the last quarter of financial 2005 a camp and certain other facilities were erected at the Mina Justa project. Management estimates that the cost to remove the facilities and restore the site will amount to U.S. $250,000 (approximately $314,000). This amount is reflected as a liability and a corresponding asset in the accounts at April 30, 2006. As development activity continues the retirement obligation will increase, but it is impossible at this time to estimate the amount and the timing of any potential expected increase in obligations.

Forward-Looking Statements

This Management Discussion and Analysis contains forward-looking statements regarding the business of the Company, its future intentions, budget targets and financial condition. These statements are not guarantees of the Company’s future performance, therefore, actual results and future events could differ materially from those anticipated in such statements. Factors that could cause results or events to differ materially from current expectations expressed or implied by the forward looking statements, include, but are not limited to, factors associated with fluctuations in the market price of metals, mining industry risks and hazards, environmental risks and hazards, uncertainty as to calculation of mineral reserves and resources, requirement of additional financing, risks of delays in construction and other risks more fully described in the Company’s Annual Information Form. This document is available on Sedar at www.sedar.com.

Outlook

The Company’s target is to accelerate the development of the Mina Justa project. In order to accomplishment this the following three critical activities are currently being undertaken:

a) an Environmental and Social Impact Assessment has commenced,
b) a Feasibility Study is to commence very shortly, and
c) the sourcing of project financing

Disclosure Controls

Management of the Company has designed and supervises control procedures over financial reporting and disclosure, which it believes provide reasonable assurance that material information is properly reported or disclosed in a timely manner. Management believes that the Company’s control procedures provide reasonable assurance that the accounts of the Company and the Company’s consolidated financial statements as at April 30, 2006 and 2005 and for the years ended April 30, 2006 and 2005 were prepared in accordance with Canadian generally accepted accounting principles. Management is of the opinion that there were no changes in the most recent interim or annual period that have materially affected or are reasonably likely to materially affect the Company’s internal control over financial reporting.