

Chariot Resources Limited

(a development stage company)

Management Discussion and Analysis
Three Month Period Ended July 31, 2009

September 11, 2009

Management's Discussion and Analysis

This Management and Discussion Analysis ("MD&A") of the activities and liquidity of Chariot Resources Limited ("Chariot" or the "Company") for the three months ended July 31, 2009 and 2008 is prepared as of September 11, 2009 and should be read in conjunction with the Company's audited consolidated financial statements, the related notes thereto and the Company's Annual Information Form for the year ended April 30, 2009. All dollar amounts referred to in this discussion and analysis are expressed in Canadian dollars except where indicated otherwise. The accounting principles followed in the preparation of the accounts of the Company are generally accepted accounting principles in Canada (Canadian GAAP) and are described in the notes to the annual audited consolidated financial statements for the year ended April 30, 2009.

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, 2009 Annual Information Form and audited consolidated financial statements at <http://www.sedar.com> or at the Company's website at <http://www.chariotresources.com>.

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

Marcona is owned by Marcobre, S. A. C. ("Marcobre") a Peruvian limited liability company. The Company indirectly owns 70% of Marcobre and Korea Resources Corporation and LS-Nikko Copper Inc. (jointly the "Korean Partners") own 30%.

Business Overview

In April, 2009, Chariot announced the results of the Feasibility Study for the Mina Justa Project. At US\$ 2.00/lb for copper and a discount rate of 8%, the pre-tax NPV of the project is US\$616.2 million on a 100% equity basis, with an IRR of 19.9%. The weighted average cash operating cost over the life of the mine is US 88.5 cents per pound placing it into the lower half of world copper production costs.

The after-tax NPV at 8% of the Project is US\$326.3 million, with an IRR of 15.0%. Chariot's 70% share of the NPV of Mina Justa is Cdn\$280.7 million. Chariot has estimated that its interest would be valued at Cdn 86 cents per fully diluted Chariot share.

During the 11.5 year operating life of the mine, vat leaching will produce approximately 1.06 billion pounds of copper in cathodes (481,596 tonnes) and the concentrator will produce approximately 1.64 million tonnes of concentrates containing 1.32 billion pounds of payable copper (598,801 tonnes), 16.0 million ounces of payable silver plus a minor amount of payable gold. Average annual production is 244.5 million pounds of copper per year (111,000 tonnes).

The total development cost of the facilities is US\$743.5 million, of which US\$ 576 million is the initial start-up capital. Sustaining and deferred capital and closure costs amount to \$32.8 million and \$15.6 million respectively, resulting in a cash break-even cost of US\$1.04 per pound, suggesting that Mina Justa can operate in almost any copper environment.

A more comprehensive report may be obtained by referencing the "Highlights" section of the Company's Annual Report and accompanying Management Information Analysis as at April 30, 2009 which documents may be viewed on the Company's abovementioned web site.

The Company has been engaged in a process of reviewing strategic alternatives with the assistance of RBC Capital. A preliminary conclusion of this review is:

- It is in the best interests of Chariot's shareholders to maintain independence and to launch a formal sales process at the appropriate time; and
- That likely the best prospects for a formal sales process is linked to general improvements in overall environment expected in the near-term; and that

in the meantime the Company will also focus on adding value to Mina Justa project. During the period leading up to Annual and Special General Meeting, a number of key shareholders stressed the importance to the Company of launching a formal sales process in the very near future. The Board and Management of the Company are committed to getting the best possible price from a sale of the Company and will be reviewing the time table for launching a formal sales process with a view to meeting the expectations of all shareholders.

Exploration and Development of the Project

During the three months ended July 31, 2009 the Company expended US\$1.7 million, being its pro rata share of the exploration and development work plan. The following table provides an analysis of these expenditures:

	\$
Exploration & development	
Resource Development	29,547
Metallurgical test work	16,856
Feasibility Study	570,851
Environmental Health, Safety and Community Relations	110,023
Senior Loan financing negotiations	99,611
Project support costs	<u>874,642</u>
	<u>\$ 1,701,530</u>

The work plan for the calendar year 2009 has been set at US \$8.0 million with the Company's portion being US \$5.6 million. The following table sets out details of this plan.

	US\$
Exploration & development	
Resource Development	267,700
Metallurgical test work	100,000
Feasibility Study	1,207,000
Environmental Health, Safety and Community Relations	704,402
Senior Loan financing negotiations	673,558
Project support costs	<u>5,040,207</u>
	<u>\$ 7,992,867</u>

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:

An amount of US \$3.0 million will be payable to Rio Tinto Mining and Exploration, Sucursal del Peru and Shougang Hierro Peru S.A.A. (the "Vendors") if the total mineral resource on the TA1 concession (which includes the Mina Justa deposit and the Magnetite Manto deposit) is greater than the equivalent of 2.58 million tonnes of contained copper metal using a copper equivalent cut-off grade of 0.3%.

An additional amount of US \$7.0 million will be payable to the Vendors if the total mineral resource on the TA1 concession is greater than the equivalent of 3.44 million tonnes of contained copper metal using a copper equivalent cut-off grade of 0.3%.

These contingent payments to the Vendors will not exceed US \$10.0 million and the amounts of such payments will be determined by whether Marcobre approves commencing the construction of mine and processing facilities on the TA1 concession and the amount of copper equivalent contained in the mineral resource on the TA1 concession.

The Company has agreed to guarantee the payment obligations of Marcobre to the Vendors under the terms of the Marcona purchase agreement. The Company 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 the Company's and the Korean Partners' guarantees and pledges are limited to their respective pro rata share ownership of Marcobre. In addition, Marcobre has granted a security interest with respect to the Marcona property as security in respect of the contingent payments described above.

Share Capital

As at July 31, 2009 the Company had 328,762,101 (2008 – 328,695,501) shares issued and outstanding. As at the date of this report the Company has 329,177,101 shares issued and outstanding.

Financial Summary for the three months ended July 31, 2009

Salaries and consulting expenses for the period amounted to \$149,889 compared to \$68,606 in 2008. The increase results, in part, from the relocation of the Company's Chief Financial Officer from Peru to Canada.

The Company's employee roster is presently comprised of three personnel in Canada and a further twenty two in its operation in Peru. The cost of the labour force in Peru is capitalized to mineral property interests.

General and administration expenses of \$151,514 incurred in the three months ended July 31, 2008 increased to \$211,558 in the current period.

Legal expenditures of \$89,823 in the current period were a decrease from \$124,773 for the comparable period in 2008.

Stock-based compensation expensed in the three months ended July 31, 2009 was \$27,675 compared to \$54,576 in the comparable period in 2008. Stock-based compensation expenses will vary from period to period depending upon the fair value and the amortization of current and previous stock option grants.

Interest income received in the current period was \$76,754 compared to \$231,902 received in the same period in 2008. The Company's guaranteed bank certificates matured in June 2009 and the resultant funds were placed in call accounts with an assortment of prominent Canadian financial institutions with lower interest returns.

The Company recorded a foreign exchange gain of \$118,615 in the period compared to a gain of \$340,289 in the previous year. The continued volatility between the United States and Canadian currencies has played a part in these results.

Quarterly Results of Operations

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

	July 31 2009	April 30 2009	January 31 2009	October 31 2008	July 31 2008	April 30 2008	January 31 2008	October 31 2007
	\$	\$	\$	\$	\$	\$	\$	\$
Net (profit) loss for the period	292,189	(818,139)	227,884	897,757	(166,896)	38,107	581,065	260,652
Net loss (gain) per share (basic and diluted)	0.0009	(0.0025)	0.0007	0.0027	(0.0005)	0.0001	0.0019	0.001

The favourable result which occurred in the fourth quarter of 2009 is attributable to the foreign exchange gains and adjustments to the amortization of the year's stock based compensation charge.

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 exploration of the Mina Justa project. The most significant charges to the Company's operations result from salary expense, general and administration expenses, legal expenses and the recording of non-cash stock-based compensation expense as stock options are granted.

Selected annual information

	For the years ended April 30,		
	2009	2008	2007
Net loss for the year	\$ 694,603	\$ 1,248,640	\$ 1,435,050
Net loss per share	\$0.0021	\$0.0042	\$0.0064
Total assets	100,642,785	101,362,918	77,980,827

Liquidity and Capital Resources

Operating Activities

Operating cash flows in the three months ended July 31, 2009 resulted in an increase in cash of \$195,521 compared to the increase of \$646,829 cash in the comparable period in 2008. The increase in the current period was primarily as a result of a decrease in the current period's accounts receivables.

Investing Activities

With the completion of the Definitive Feasibility Study, exploration and development expenditures have decreased considerably with cash expenditures of \$2,171,024 being incurred in the three months ended July 31, 2009. Cash expenditures of \$4,569,819 were incurred for the three months ended July 31, 2008. This

decrease in exploration costs has resulted in a corresponding decrease in the Peruvian sales tax paid, \$111,051 in the current period compared to \$879,429 in the three months ended July 31, 2008.

In the three months ended July 31, 2008, funds of \$17,530,407 were placed in short term investments. On the maturity of these instruments in June 2009, the interest returns offered by the Company's financial institution necessitated placing the Company's funds with alternate banking institutions and accordingly \$15,937,002 was placed in call accounts yielding more advantageous returns. The Company does not believe that there is any material measurement, liquidity, convertibility, interest rate or credit risk associated with such practice.

Financing Activities

Stock options exercised in the period realized \$9,990 (2008 - \$260,356).

The Company has no long-term debt or other long-term financial obligations and no off- balance sheet commitments. The Company does have the option to make its portion of the pre construction payments totalling US \$7.0 million, the annual requirement to pay the Peruvian Government land taxes and to make capital and other lease payments and honor certain contractual work program obligations as described in the 2009 Work Plan.

During recent months, the financial strength of exploration-stage resource companies has become a concern for many shareholders. As at September 11, 2009, the Company has approximately \$13.5 million in cash, cash equivalents and a short term bank deposit and no debt. With the 43-101 Technical Report now completed the Company has estimated that based on the 2009 work plan it will utilize less than 50% of its cash to carry on with its activities to the end of the 2009 calendar year. Management is giving consideration to means under which Marcobre could be capitalized in order to continue with its current programs without drawing from the Company's cash resources.

Management Fees and Consulting Services

The Company had no contracts with officers or directors for any consulting services during the period.

Related Party Transactions

There have been no related party transactions during the three months ended July 31, 2009.

Risks and Uncertainties

Chariot has no history of profitable operations and is in the 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 the Company 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.

Risks typical of exploration, development and mining companies, such as the Company, 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 the Company in evaluating past financial results and when attempting to assess potential future financial results of the Company.

Critical Accounting Estimates

The Company's accounting policies are presented in notes 2 and 3 of the Company's audited consolidated financial statements at April 30, 2009. The preparation of consolidated financial statements in accordance with Canadian GAAP requires management to select accounting policies and make estimates. Such estimates may have a significant impact on the financial statements.

Mineral resources and reserves, and the carrying values of mineral properties

The Company's principal assets consist of property acquisition and 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 interests 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.

Asset retirement obligations

Upon the completion of any mining activities, the Company will ordinarily be required to undertake environmental reclamation activities in accordance with local and/or industry standards. The estimated costs of these reclamation activities are dependent on labour costs, the environmental impacts of the Company's operations, the effectiveness of the chosen reclamation techniques, and on applicable government environmental standards.

Stock-based compensation expense

From time to time, the Company may grant share purchase options to directors, employees, and service providers. The Company uses the Black-Scholes option pricing model to estimate a value for these options. This model, and other models which are used to value options, require inputs such as expected volatility, expected life to exercise, and interest rates. Changes in any of these inputs could cause a significant change in the stock-based compensation expense charged in a period.

Changes in Accounting Policies

Effective May 1, 2008, the Company adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants.

Section 1535 - Capital Disclosures.

This Section establishes standards for disclosing information about an entity's capital and how it is managed. Under this standard the Company is required to disclose information that enables the users of its financial statements to evaluate the Company's objectives, policies and processes for managing capital. Disclosures required by this standard are included in Note 9 to the consolidated financial statements.

Section 3862 - Financial Instruments – Disclosures.

This Section requires entities to provide disclosures in their financial statements that enable users to evaluate (a) the significance of financial instruments for the entity's financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which the entity is exposed during the period and at the balance sheet date, and how the entity manages those risks. Disclosures required by this standard are included in Notes 3 and 10 to the consolidated financial statements.

Section 3863 - Financial Instruments – Presentation.

This Section replaces existing requirements for presentation of financial instruments and non-financial derivatives. The purpose of this section is to enhance financial statement users' understanding of the significance of financial instruments to an entity's financial position, performance and cash flows.

Section 1400 - General Standards of Financial Statement Presentation.

An Amendment to this Section requires that management make an assessment of the Company's ability to continue as a going concern. The Company's adoption of the modifications of this Section had no effect on the reported consolidated financial results.

International Financial Reporting Standards (“IFRS”)

In 2006, the Canadian Accounting Standards Board (“AcSB”) published a new strategic plan that outlines the convergence of Canadian GAAP with IFRS over an expected five year transitional period. In February 2008, the AcSB announced that beginning in 2011 publicly listed companies will be required to use IFRS. The transition will be applied retroactively and will require the restatement of amounts reported during the year ended December 31, 2010. While the Company has begun assessing and planning for the adoption of IFRS, the financial impact of the transition to IFRS cannot be reasonably estimated at this time.

Forward –Looking Statements

This Report contains “forward-looking statements”. These forward looking statements include, but are not limited to, statements regarding the business of the Company, its future intentions, budget targets and financial condition. Forward-looking statements express, as at the date of this Report, the Company's plans, estimates, forecasts, projections, expectations, or beliefs as to future events or results and the Company does not intend, and does not assume any obligation, to update these forward-looking statements. In certain cases, forward-looking statements can be identified by the use of words such as “plans”, “expects”, or “does not expect”, “is expected”, “budget”, “schedule”, “estimates” “intends”, “anticipates”, or “does not anticipate”, “believes”, or variations of such words and phrases or statements that certain actions, events or results “may”, “could”, “would”, “might”, or “will be taken”, “occur”, or “be achieved”. We caution that forward-looking statements involve a number of risks and uncertainties, and there can be no assurance that such statements will prove to be accurate. Therefore, actual results and future events may 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 <http://www.sedar.com>

Outlook

The Company's current policy is to continue with essential activities related to the Mina Justa project while at the same time conserving cash. In order to accomplish these objectives the following critical activities are currently being undertaken:

- Complete the final documentation of the DFS which is expected to be in eleven volumes plus appendices.
- Completion of an Environmental and Social Impact Assessment for submission to regulatory authorities
- Initiating permit applications and review project debt financing on completion of the Feasibility Study

The company continues to consider strategic alternatives for maximizing the value of Mina Justa.

Disclosure Controls and Internal Controls over Financial Reporting

Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian Generally Accepted Accounting Principles. Management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. Any system of internal controls over financial reporting, no matter how well designed, has inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Management has assessed the effectiveness of the Company's disclosure controls and procedures used for the interim financial statements and MD&A as at April 30, 2009. Due to the lack of segregation of duties that result from small office operations, management has implemented a policy of frequent reviews of all activities to ensure there are no material irregularities in its operations. Management has concluded that its disclosure controls are effective in ensuring that all material information required to be filed has been made known to them in a timely manner and has been effectively recorded, processed, summarized and reported within the time period necessary to prepare the interim and annual filings. The disclosure controls and procedures are designed to ensure all information required to be disclosed pursuant to applicable securities laws has been communicated to management to allow timely decisions to be made regarding corporate disclosures.

There were no changes in the Company's internal control over financial reporting during the year ended April 30, 2009 that have materially affected, or are reasonably likely to affect, the Company's internal control over financial reporting.