

Exploration Sulliden Inc.

Statement concerning the interim financial statements

The interim financial statements for the period ended January 31, 2005 have not been reviewed by the auditors of the Company.

Management's Discussion and Analysis of Operating Results and Financial Position

Caution regarding forward-looking information

Statements contained in this document which are not historical facts are forward-looking statements that involve risk, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. Factors that could cause such differences, without limiting the generality of the following, include: volatility and sensitivity to market metal prices impact of change in foreign currency exchange rates and interest rates; imprecision in reserves estimates; environmental risks including increased regulatory burdens; unexpected geological conditions; adverse mining conditions; political risks arising from operating in certain developing countries; legal title to properties, outcome of arbitration, changes in government regulations and policies, including laws and policies; and failure to obtain necessary permits and approvals from government authorities; and other development and operating risks.

Although the Company believes that the assumptions inherent in the forward-looking statements are reasonable, undue reliance should not be placed on these statements, which only apply as of the date of this document. The Company disclaims any intention or obligation to update or revised any forward-looking statement, whether as a result of new information, future events or otherwise.

Description of business and continuation of the business

The Company, incorporated under Part 1A of the *Companies Act* (Québec), and its wholly-owned subsidiaries, Minera Sulliden Peru S.A. and Minera Sulliden Shahuindo S.A.C. and 9129 – 8398 Québec Inc. (see Note 2 to the consolidated financial statements) are in the process of exploring mineral properties in Québec and Peru. The exploration and development of mineral deposits involve significant financial risk. The success of the Company will be influenced by a number of factors, including risks associated with exploration and extraction, regulatory issues, environmental, title issues and other regulations.

While the financial statements have been prepared on the basis of accounting principles applicable to a going concern, several adverse conditions and events cast substantial doubt upon the validity of this assumption.

The Company has incurred significant operating losses over the past years (\$2,833,641) for the year ended April 30, 2004). The Company's continued existence is dependent upon its ability to obtain additional financing.

If the going concern assumption were not appropriate for these financial statements, then adjustments would be necessary in the carrying values of assets and liabilities and the reported net loss.

Selected Annual Information

See 2004 Annual Report filed on the website of SEDAR (www.sedar.com).

Quarterly Financial Information

	For the Three-month Period Ended		
	January 31	October 31	July 31
2005			
Management fees and other income	\$ 45,572	\$ 46,145	\$ 54,856
Net loss	\$ 731,541	\$ 412,853	\$ 611,823
Basic and diluted net loss per share	\$ 0.01	\$ 0.01	\$ 0.01

	For the Three-month Period Ended			
	April 30	January 31	October 31	July 31
2004				
Management fees and other income	\$ 119,085	\$ 8,711	\$ 21,458	\$ 118,168
Net loss (restated)	\$ 1,744,423	\$ 536,461	\$ 308,693	\$ 244,064
Basic and diluted net loss per share (restated)	\$ 0.04	\$ 0.01	\$ 0.01	\$ 0.01

See New Accounting policy.

	For the Three-month Period Ended			
	April 30	January 31	October 31	July 31
2003				
Management fees and other income	\$ 157,764	\$ 70,197	\$ -	\$ -
Net loss	\$ 222,451	\$ 139,562	\$ 157,954	\$ 119,753
Basic and diluted net loss per share	\$ 0.01	\$ 0.01	\$ 0.01	\$ 0.01

See New Accounting policy.

Critical Accounting Estimates

Critical accounting estimates used in the preparation of the consolidated financial statements include the Company's estimate of recoverable value of its mining properties and related deferred exploration costs as well as the value of stock-based compensation.

Both of these estimates involve considerable judgement and are, or could be, affected by significant factors that are out of the Company's control.

The factors affecting stock-based compensation include estimates as to when stock options and compensation warrants might be exercised and the stock price volatility. The timing for exercise of options is out of the Company's control and will depend upon a variety of factors including the market value of the Company's share and financial objectives of the stock-based instrument holders. The Company used historical data to determine volatility in accordance with the Black-Scholes model, however the future volatility is uncertain and the model has its limitations.

The Company's recoverability of its recorded value of its mining properties and associated deferred exploration costs is based on market conditions for minerals, underlying mineral resources associated with the properties and future costs that may be required for ultimate realization through mining operations or by sale.

The Company is in an industry that is dependent on a number of factors including environmental, legal and political risk, the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete development and future profitable production or the proceeds of disposition thereof.

New Accounting Policy

On May 1, 2003, the Company adopted retroactively with a restatement for 2004 the new recommendations of Section 3870 of the CICA Handbook entitled "Stock-Based Compensation and Other Stock-Based Payments" under which the cost of options granted to key employees, officers and directors is accounted for as compensation cost under operations. The effect of these new amendments is an increase in the deficit as at April 30, 2003 by \$342,254 and an increase in the compensation cost-options as at January 31, 2004 by \$224,813.

Operating results

During the three-month period ended January 31, 2005, the Company reported a net loss of \$731,541 (\$0.01 per share) compared to a restated net loss of \$536,461 (\$0.01 per share) for the three-month period ended January 31, 2004. For the three-month period ended January 31, 2005 and 2004, the management fees and other income include mainly the interest income from the guaranteed investment certificates.

The professional fees are comprised of fees paid to related parties for services rendered such as investor relations, accounting, consulting and general administrative expenses (See Note 4 to the consolidated financial statements for more details). The increase is due to the vice-president of investor relations having started in September 2003 and that no directors fees were paid in 2004 compared to \$11,257 for the three-month period ended January 31, 2005. The professional fees also include fees paid in Peru for corporate purposes. Under the new accounting policy, the costs for the options granted during the three-month period is \$425,578 compared to none in 2004. The change in salaries and fringe benefits, which refer to the remuneration paid to the president, is due to the remuneration increase effective January 1st, 2004.

The increase in general administrative expenses is due to publicity and conference costs as well as costs relating to the website. In addition, during the same period, the Company participated in three mining conferences (none in 2003). The cost to rent the offices in Montreal did not change from 2003 and since September 2003, the Company has maintained an office in Toronto for the vice-president of investor relations.

During the nine-month period ended January 31, 2005, the Company reported a net loss of \$1,756,217 (\$0.03 per share) compared to a restated net loss of \$1,089,218 (\$0.01 per share) for the nine-month period ended January 31, 2004. The 2004 net loss has been restated by \$224,813 (option granted) to reflect the accounting for compensation cost pursuant to the new section (See Note 1b to the consolidated financial statements). In 2005, the management fees and other income includes mainly the interest income from the guaranteed investment certificates. In 2004, the amount is comprised of the interest income and the management fees of \$105,266 (as per the agreement with Socrate Capital Inc. for the financing of the Shahuindo property). The agreement with Socrate Capital Inc. was terminated at the end of July 2003.

The professional fees are comprised of fees paid to related parties for services rendered such as investor relations, accounting, consulting and general administrative expenses for an amount of \$314,867 (\$207,585 in 2004). (See Note 4 to the consolidated financial statements for more details). The increase is due to the vice-president of investor relations having started in September 2003 and that no directors fees were paid in 2004 compared to \$30,292 for the nine-month period ended January 31, 2005. In addition, during the nine-month period ended January 31, 2005, the Company hired a consultant for an amount of \$18,900 (none in 2004) for a research report and for which options have been granted for compensation costs of \$54,812 (none in 2004). The professional fees also include fees paid in Peru for corporate purposes and legal fees paid in Canada to finalize the acquisition of the 30% interest in the Shahuindo property held by Socrate Capital Inc.

Under the new accounting policy, the cost for the options granted during the nine-month period ended January 31, 2005 is \$590,008 compared to \$224,813 in 2004. Shareholders' information increased mainly due to listing fees of \$50,920 paid to the regulatory authorities concerning the acquisition of the 30% interest in the Shahuindo property held by Socrate Capital Inc. and trustee fees.

The change in salaries and fringe benefits, which refer to the remuneration paid to the president, is due to the remuneration increase effective as at January 1st, 2004.

The increase in general administrative expenses is due to publicity costs and the conference costs as well as costs to redesign the website. The cost of the annual report was almost \$25,000 more than the previous year. In addition, during the same period, the Company participated in three mining conferences (none in 2004). The rent costs of the offices in Montreal did not change from 2004 and since September 2003, the Company has maintained an office in Toronto for the vice-president of investor relations.

The travel and entertainment expenses increased mainly due to the high level of activities (participation in mining conferences) during the period ended January 31, 2005 and the initiatives of the vice president of investor relations.

Liquidity and capital resources

During the nine-month period ended January 31, 2005, the Company didn't issue common shares (7,077,000 in 2004) for a total amount of nil (\$6,790,100 in 2004) from private placements and issued 245,000 (1,015,000 in 2004) common shares following the exercise of options for a consideration of \$190,936 (\$430,952 in 2004). In addition, the Company issued 3,809,400 (2,212,667 in 2004) common shares following the exercise of warrants for a consideration of \$2,794,610 (\$1,085,784 in 2004) and 100,000 common shares were issued in 2003 to Falconbridge Limited to modify the agreement with the latter. In addition, during the period ended October 31, 2004, the Company issued 12,000,000 common shares for the acquisition of the 30% participation of Socrate Capital Inc. in the Shahuindo property (See Note 2 to the consolidated financial statements).

During the nine-month period ended January 31, 2005, the Company incurred \$6,101,213 mainly on the Shahuindo property (2004 - \$2,095,777 on the Mario and Shahuindo property) in exploration and corporate expenses (See press releases filed on the website of SEDAR (www.sedar.com) for more details on the results) on the properties in Peru, of which \$341,413 has been reimbursed in 2003 by Socrate Capital Inc. The payment due on May 2003 of \$512,500 US has been made and an amount of \$500,000 US has been reimbursed by Socrate Capital Inc. as per the agreement in 2003. In addition, the payment due on November 2003 has been made by the Company for an amount of \$840,000 US (\$1,112,328 CA). During the period ended July 31, 2003, Socrate Capital Inc. acquired a 30% interest in the Shahuindo Property and 100% of the interest that the Company may acquire in the Mario property.

As at January 31, 2005, the working capital on the Company was \$6,660,018 compared to \$14,976,880 as at April 30, 2004.

Related party transactions

During the period ended January 31, 2005, the Company agreed to pay \$314,867 (\$207,585 in 2004), of which \$307,367 (\$141,335 in 2003) was professional fees and general administration expenses and \$7,500 (\$66,250 in 2004) was deferred exploration costs, to companies whose shareholders are related to the Company's officers and directors. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

Capital Structure as at March 14, 2005

Shares	60,692,231
Options	4,054,950
Warrants	<u>8,253,600</u>
	<u>73,000,781</u>

(See Note 3 to the Consolidated Financial Statements for more details).

Risk Factors

An investment in the Common Shares of Sulliden should be considered highly speculative for a variety of reasons. The following is a general description of certain significant risk factors which should be considered:

Uncertainty with respect to title to properties may result in loss of mining rights

The rights of Sulliden to develop its Shahuindo Property in Peru are founded on an agreement dated November 6, 2002 (the "Agreement"), between Sulliden and Compania Minera Algamarca S.A., ("Algamarca"), pursuant to which Algamarca sold its rights in the Shahuindo Property to Sulliden.

Algamarca and its new shareholders have since claimed that the Agreement was invalid and has commenced legal action in Peru disputing its own act of entering into the Agreement. Although it is the opinion of management and its legal advisors that these claims are without legal merit, Sulliden cannot predict with certainty the outcome of the Algamarca legal actions or the impact of these actions on its rights under the Agreement.

Acquisition of title to mineral properties is a very detailed and time-consuming process. Title to mineral claims may be disputed. Transfers under foreign laws are often complex. Sulliden could potentially lose its rights to a property as a result of successful claims by a third party.

Arbitration

As previously disclosed in May and July of last year, the arbitration process which Sulliden initiated is, in management's view, the most appropriate procedure to bring a final resolution to certain outstanding issues such as mineral and surface rights. The arbitration having been deemed competent, is recognized by the Peruvian Constitution. The decision of the arbitration is expected to be announced by the end of May 2005 and management is optimistic its result will be favourable to Sulliden.

Sulliden faces significant risks, inherent in the nature of mineral exploration, in the exploration and development of its mining properties

Mineral exploration and development involve several risks which experience, knowledge and careful evaluation may not be sufficient to overcome. Large capital expenditures are required in advance of anticipated revenues from operations. Many exploration programs do not result in the discovery of mineralization; moreover, mineralization discovered may not be of sufficient quantity or quality to be profitably mined. Unusual or unexpected formations, formation pressures, fires, power outages, labor disruptions, flooding, explosions, tailings impoundment failures, cave-ins, landslides and the inability to obtain adequate machinery, equipment or labor are some of the risks involved in the conduct of exploration programs and the operation of mines.

The commercial viability of exploiting any precious metal deposit is dependent on a number of factors including infrastructure and governmental regulations, in particular those respecting the environment, price, taxes, and royalties. No assurance can be given that minerals will be discovered of sufficient quantity, quality, size and grade on any of the Corporation's properties to justify commercial operation.

Sulliden does not maintain liability insurance with respect to its exploration activities in Peru.

Uncertainty of ore reserve and resource estimates could lead Sulliden to allocate its capital to deposits which may ultimately prove uneconomic

The mining business relies upon the accuracy of determinations as to whether a given deposit has significant mineable reserves. This reliance is important in that reported mineral reserves and resources are only estimates and do not represent with certainty that estimated mineral reserves and resources will be recovered or that they will be recovered at the rates estimated. Mineral reserve and resource estimates are based on limited sampling, and inherently carry the uncertainty that samples may not be representative. Mineral reserve and resource estimates may require revision (either upward or downward) based on actual production experience. Market fluctuations in the price of metals, as well as increased production costs or reduced recovery rates, may render certain mineral reserves and resources uneconomic. Inaccurate estimates may result in a misallocation of resources such that an excess amount could be allocated to a less than economic deposit or, conversely, failure to develop a significant deposit.

Sulliden faces potential risks and uncertainties resulting from the location of its properties and operations in countries where political, governmental or other activities may disrupt its business

Political and related legal and economic uncertainty exists in countries where Sulliden operates. Risks of foreign operations in these countries may include political unrest, corruption, war, civil disturbances and terrorist actions, arbitrary changes in law or policies, changes to government regulation, foreign taxation, price and currency controls, delays in obtaining, or the inability to obtain, necessary governmental permits, opposition to mining from environmental or other non-governmental organizations, limitations on foreign ownership, limitations on the repatriation of earnings, limitations on gold exports and increased financing costs. These risks may limit or disrupt Sulliden's activities.

Sulliden requires additional funding to develop its properties

Development of the Shahuindo Property will require significant financial resources. As a result, Sulliden will need to raise significant project financing, debt and additional equity.

Failure to obtain such additional funding at critical times could lead to delay or indefinite postponement in the exploration and development of the project. There is no assurance that such funding will be available or that it will be obtained on favourable terms.

Sulliden's business depends upon a limited number of properties, the loss of any of which will negatively impact its operations

Sulliden's operations at the Shahuindo Property in Peru, account for essentially all of its current operations. Any adverse development affecting its Shahuindo Property could significantly impact the Company.

Lack of Operating Profits

Sulliden has incurred operating losses on an annual basis for a number of years arising out of the costs related to continued exploration and development of mineral resource properties. As of April 30, 2004, Sulliden had a restated deficit of \$23,322,984. It is anticipated that it will continue to experience operating losses for the foreseeable future. There can be no assurance that Sulliden will ever achieve significant revenues or profitable operations.

Dependence on Key Personnel

The development of Sulliden's business is and will continue to be dependent on its ability to attract and retain highly qualified management and mining personnel. Sulliden faces competition for personnel from other employers.

Sulliden's operations require environmental and other permits and are subject to extensive regulations

Government regulations significantly affect Sulliden's operations. Sulliden's exploration and development activities are subject to extensive laws and regulations governing protection of the environment, health and worker safety, waste disposal and other matters. Sulliden generally requires permits from authorities that relate to virtually every aspect of Sulliden's activities. It is possible that future changes in applicable laws, regulations or changes in their enforcement or regulatory interpretation could result in changes in legal requirements or in the terms of permits applicable to Sulliden, which could significantly impact the Company's current operations or projects. Obtaining necessary permits to place a deposit into commercial production can be a complex, time-consuming and expensive process.

Sulliden cannot assure whether necessary permits will be obtainable on acceptable terms and in a timely manner. The costs and delays associated with obtaining necessary permits and complying with these permits and applicable laws and regulations could stop, materially delay or restrict Sulliden from proceeding with the development of a project or the placing into commercial production of a mine. Any failure to comply with applicable laws and regulations or permits, even if inadvertent, could result in interruption or closure of operations or material fines, penalties or other liabilities.

Precious metal price volatility may negatively impact Sulliden

The price of precious metals can fluctuate widely and is affected by numerous factors including demand, inflation, strength of the U.S. dollar and other currencies, interest rates, gold sales by central banks, forward sales by producers, global or regional political or financial events, and production and cost levels in major producing regions. In addition, the gold price is sometimes subject to rapid short-term changes because of speculative activities.

Even if Sulliden discovers commercial amounts of precious metals on the Shahuindo Property, it may not be able to place the property into commercial production if precious metal prices are not at sufficient levels.

Currency Risk

A substantial portion of Sulliden's activities is expected to be carried on outside of Canada. Such activities are subject to risks associated with fluctuations in the rate of exchange of the Canadian dollar and foreign currencies.

Outlook

During the year, the Company will focus its work in Peru (Shahuindo and Torrine property) and results from exploration will determine Sulliden's financial commitment for the rest of the year. The Company will finance its exploration activities directly with its working capital and appropriate financings.

Additional Information and Continuous Disclosure

This management's discussion and analysis has been prepared as at March 14, 2005. Additional information on the Company is available through regular filings of press releases, quarterly financial statements and annual information form on SEDAR (www.sedar.com).

March 14, 2005

(Signed) Jacques Trottier

Jacques Trottier
President

(Signed) Michel Rathé

Michel Rathé
Vice President, Finance