

SULLIDEN EXPLORATION INC

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE QUARTER ENDED JULY 31, 2008

Date: September 11, 2008

GENERAL

The following discussion of financial condition, results of operations and future prospects should be read in conjunction with the Unaudited Consolidated Financial Statements for the three months ended July 31, 2008 and 2007 and the Audited Consolidated Financial Statements of Sulliden Exploration Inc. ("Sulliden" or the "Company") for the fiscal year ended April 30, 2008 (the "Financial Statements"), which have been prepared in accordance with Canadian generally accepted accounting principles. This discussion covers the most recently completed financial quarter of the Company and the subsequent period up to the date of the filing of this Management's Discussion and Analysis ("MD&A"). The MD&A was prepared in accordance with the requirements set out in Multilateral Instrument 51-102 of the Canadian Securities Administrators Continuous Disclosure Obligations. All dollar amounts are stated in Canadian dollars, unless otherwise noted.

For purposes of this document, Sulliden Exploration Inc., and its wholly owned subsidiaries Minera Sulliden Peru S.A. and Minera Sulliden Shahuindo S.A.C. are collectively referred to as the "Company" or "Sulliden".

This discussion contains forward-looking statements that involve risks and uncertainties.

DESCRIPTION OF BUSINESS AND CONTINUATION OF THE BUSINESS

Sulliden Exploration Inc., incorporated under the *Companies Act* (Québec), and its wholly-owned subsidiaries, Minera Sulliden Peru, S.A. and Minera Sulliden Shahuindo S.A.C., are in the business of exploring mineral properties in Peru.

Sulliden is focused on the development of its **Shahuindo gold-silver project** located in northern Peru, in one of the world's most prospective gold and silver regions, sitting approximately 25 km north of Barrick's Laguanas Norte-Alto Chicama 1,100,000 oz/gold per year mine; 70km south of Newmont's multi-million oz/gold Yanacocha district and 200 km north of Barrick's Pierina 650,000 oz/gold per year mine.

The Shahuindo resource currently stands at 38 million tonnes grading 0.95 g/t Au and 22.99 g/t Ag, containing 1.2 million oz of gold and 28 million oz of silver (equivalent to 1.6 million oz of gold at a gold to silver ratio of 1:60) in the Indicated Category; and 17.2 million tonnes grading 0.62 g/t Au and 12.83 g/t Ag, containing 342,000 oz of gold and 7 million oz of silver (equivalent to 460,000 oz of gold at a gold to silver ratio of 1:60) in the Inferred Category - (Resource Estimation – Guy Saucier, Eng., General Manager, Corporate Development, Met-Chem Canada Inc., Qualified Person for the purposes of NI 43-101 - April 2005 filed on www.sedar.com).

The Financial Statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern, and do not reflect the adjustments to the carrying value of assets and liabilities, reported revenue and expenses and the balance sheet classifications that would be necessary were the going concern assumption inappropriate. These adjustments could be material.

The Company's rights to the Shahuindo property in Peru are in dispute and are the subject of extensive litigation in Peru, (see Litigation Proceedings discussed below). The Company cannot predict the eventual outcome of the various legal actions or the impact of the litigation on the Company's rights and entitlements to the Shahuindo property. This is a material uncertainty on the Company's ability to continue as a going concern.

The exploration and development of mineral deposits involves significant risks. The success of the Company will be influenced by a number of factors, including risks associated with exploration and extraction, regulatory issues, environmental and other regulations and, in particular, the ongoing litigation with regard to the Shahuindo property.

Jacques Trotter, Ph. D., Geol, a director of the Company and Stéphane Amireault, Eng (B.Eng; MscA), Vice-President of Exploration, are the Company's in-house Qualified Persons for the purposes of NI 43-101.

OVERALL PERFORMANCE

During the quarter ended July 31, 2008, Sulliden and AlgamarcA agreed, with the approval of the Supreme Court of Peru, to temporarily suspend the appeal proceedings before the Supreme Court of Peru pending further negotiations between the parties on a possible settlement of the Shahuindo litigation and dispute. These negotiations are continuing.

Subsequent to July 31, 2008 the Company settled the legal actions commenced in Canada in June 2007 against Century Mining Corporation, AlgamarcA and others.

On the Shahuindo property, Sulliden continued with the ground work in preparation for the next phase of the planned drilling program. A detailed mapping and sampling phase was conducted following completion of the 2007 drilling program. The objective was to fill-in gaps in the 2003, 2004 and 2007 mapping programs to generate a detailed geological map covering the entire mineralized trend (an area of approximately 8.5 km per 1.5 km) hosting the various resource Zones.

For detailed results of the 2007 Shahuindo exploration program please refer to Sulliden's Press Releases dated November 27, 2007 and January 2, 2008, and the Technical Report dated April 2008 and filed on SEDAR on June 2, 2008 entitled "*Shahuindo Property - Report on the 2007 Exploration Campaign*".

Planned Exploration Program

Sulliden has three main objectives for the next stages of exploration work at Shahuindo for the next phase Drilling Program:

1. Bring the Main Zone to the feasibility study stage by implementing a detailed in-fill drilling program that should lead to a more accurate resource calculation and at the same time potentially increase the contained gold and silver. After this work is completed a feasibility study of the Main Zone as a "stand alone" mining operation would be undertaken by a recognized independent consulting firm, which study would form the basis for project financing to facilitate the construction of a mine and the commencement of gold and silver production from Shahuindo.
2. Undertake a systematic drilling campaign in the new NW extension that was identified during the 2007 program. This next stage drilling program would have the objective to add additional gold and silver resources outside the Main Zone. If successful the discovery and identification of additional potential ounces would increase and enhance the "stand -alone" Main Zone mine.
3. Undertake an aggressive follow up exploration program of the new geochemical and geophysical targets that were identified during the 2007 program and which are located outside the Main Zone. This program would consist of systematic trench sampling, detailed geological and geochemical surveys and reconnaissance drilling.

Execution of this three-part program, which will require further financing, could open new potential ore zones that would bring Shahuindo project towards or into "world class" status and closer to production which, subject to completion or resolution of the litigation surrounding the Shahuindo property, should significantly enhance the value of Sulliden Shares.

Shahuindo Litigation – Recent Events

A detailed review of the dispute and ongoing litigation concerning the Shahuindo property may be found in Sulliden's Annual Information Form for the year ended April 30th, 2008 filed on SEDAR at www.sedar.com.

In early 2008, AlgamarcA re-activated a civil action in the 64th Civil Court of Lima, originally filed in 2004, seeking a declaration of nullity of the Transfer Contract. This action was transferred to the 10th Civil Court of Lima. On June 19, 2008 the 10th Civil Court of Lima issued its decision declaring the nullity of the Transfer Contract. Sulliden has filed an appeal against this decision to the Superior Court of Lima.

In June 2007, Sulliden filed a legal action in Canada against Century Mining, Algamarca and others claiming damages of \$200M for breach of contract, slander of title and other claims. On May 30, 2008 Century announced that it had terminated its agreement to purchase the shares of Algamarca and had ended its business association with all the various sellers in the Algamarca transactions. On September 5, 2008 Sulliden settled the legal actions commenced in Canada against Century Mining, Algamarca and others.

In July 2008, Sulliden and Algamarca agreed, with the approval of the Supreme Court, to temporarily suspend the appeal proceedings before the Supreme Court of Peru pending further negotiations between the parties on a possible settlement of the litigation and dispute. These negotiations are continuing.

Financial Position

At July 31, 2008 the Company held cash and guaranteed investment certificates totaling approximately \$2,100,000. Sulliden has sufficient cash to continue funding its legal, property maintenance and administrative costs but will need to raise further funds to undertake its planned exploration programs and settlement costs should a settlement of the Shahuindo litigation be completed.

RESULTS OF OPERATIONS

For the three months ended July 31, 2008, the Company reported a net loss of \$191,115 (\$0.01 per share) compared to \$251,794 (\$0.01 per share) for the same period in the prior year. The decrease is mainly attributable to lower stock-based compensation charges and lower professional and advisory fees. There was no cost of options granted during the three months ended July 31, 2008 compared to a cost of \$27,118 in the first quarter of 2007.

Interest income of \$14,008 and \$30,420 in the three months ended July 31, 2008 and 2007 respectively comes mainly from the guaranteed investment certificates held by a Canadian bank, with the decrease being attributable to lower cash balances available for investment.

Administrative expenses (excluding stock-based compensation) were \$205,123 for the quarter ended July 31, 2008 compared to \$255,096 in 2007, with the decrease being attributable to lower professional and advisory fees.

Salaries and consulting fees are mainly comprised of remuneration paid to officers. Shareholders' information expense principally comprise filing costs, press releases, publicity costs, trustee fees and fees paid to regulatory authorities.

SUMMARY OF QUARTERLY RESULTS

	For the Three-month Period Ended			
	April 30	January 31	October 31	July 31
Fiscal 2009				
Interest income				\$ 14,008
Net loss and comprehensive loss				\$ 191,115
Basic and diluted net loss per share				\$ 0.01

	For the Three-month Period Ended			
	April 30	January 31	October 31	July 31
Fiscal 2008				
Interest income	\$ 9,266	\$ 25,033	\$ 32,425	\$ 30,420
Net loss and comprehensive loss*	\$ 2,465,720	\$ 420,837	\$ 294,956	\$ 251,794
Basic and diluted net loss per share	\$ 0.03	\$ 0.01	\$ 0.01	\$ 0.01

	For the Three-month Period Ended		
	April 30	January 31	October 31
Fiscal 2007			
Interest income	\$ 51,865	\$ 59,951	\$ 45,085
Net loss**	\$ 250,556	\$ 236,568	\$ 926,290
Basic and diluted net loss per share	\$ 0.01	\$ 0.01	\$ 0.01

* The loss in the quarter ended April 30, 2008 includes a write down of minerals properties and deferred exploration costs of \$1,777,522.

** The loss in the quarter ended October 31, 2007 includes stock-based compensation costs of \$740,679.

LIQUIDITY AND CAPITAL RESOURCES

Operating

Operating activities, including net change in non-cash working capital items, resulted in negative cash flows of \$307,264 in the period ended July 31, 2008 compared to negative cash flows of \$168,759 in the period ended July 31, 2007. Changes in working capital items utilized \$116,149 in the first quarter ended July 31, 2008 compared to \$50,101 generated in the same period ended July 31, 2007.

Investing

During the quarter ended July 31, 2008, the Company invested a total of \$742,979 in exploration and development, and all the costs incurred in Peru including exploration, payroll, corporate expenses and litigation, compared to \$730,031 in the same period ended July 31, 2007.

Financing

In April, 2008, the Company completed a non-brokered private placement with third party investors and issued 5,714,286 units, at a price of \$0.35 per unit, comprising one share and one share purchase warrant exercisable at \$0.45 per share for eighteen months subject to an accelerated maturity right (the "2008 Warrants"). Gross proceeds from the private placement were \$2,000,000.

During the quarter, 1,106,089 share purchase warrants were exercised at \$1.00 per common share for total proceeds of \$1,106,089.

At July 31, 2008, the Company held cash of \$668,360 and \$1,423,956 in guaranteed investment certificates, compared to \$253,164 and \$3,837,235 respectively, as of July 31, 2007. The guaranteed investment certificates are held in Canada and bear interest at a weighted average rate of approximately 3.5%. The decrease in amounts held in investment certificates is a result of net funds invested during the quarter of \$735,972 off-set by the addition of \$1,106,089 in new funding from the exercise of warrants.

Accounts receivable of \$151,410 is comprised principally of recoverable federal and provincial sales taxes. Accounts payable and accrued liabilities are comprised of amounts due on the Peruvian operations and costs related to the audit fees, work-in-progress legal and professional bills, and directors fees.

Subsequent to July 31, 2008, a total of 65,000 warrants were exercised at \$1.00 per share for gross proceeds of \$65,000, and 100,000 stock options were exercised at \$0.84 per share for gross proceeds of \$84,000. As of August 31, 2008 the remaining 4,800,161 warrants expired.

Sulliden has sufficient cash to continue funding its legal, property maintenance and administrative costs but will need to raise further funds to undertake its planned exploration programs and any costs related to a settlement of the outstanding litigation on Sulliden's Shahuindo property. The Company must seek additional forms of financing through the issuance of new equity instruments, the exercise of existing warrants for the purchase of common shares and the exercise of stock options to continue its activities as a going concern, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. Without new funding being available, the Company may be unable to continue its operations, and amounts realized for assets may be less than amounts reflected in the financial statements.

CAPITAL STRUCTURE

As at September 11th, 2008 the Company had an authorized capital of an unlimited number of common shares on which the following were outstanding:

Common Shares	80,307,519
Options	4,765,000
Warrants	5,714,286

OFF-BALANCE SHEET TRANSACTIONS

The Company has no off-balance sheet transactions.

RELATED PARTY TRANSACTIONS

During the quarter, the Company paid \$111,998 (\$56,500 in 2007) in professional fees and general administrative expenses to companies related to the Company's officers and directors. Additionally, during the quarter ended July 31, 2008, amounts totaling \$53,185 were paid to legal firms in Canada and Peru in which an officer or director of the Company were partners (\$35,458 in 2007). The accounts payable and accrued liabilities include amounts due to these companies in an amount of \$32,884. These transactions are in the normal course of operations.

CONTRACTUAL COMMITMENTS

The Company has no contractual commitments, other than rentals on offices and office equipment entered into in the ordinary course of business. All mineral property agreements contain some terms which are at the option of the Company. The Company is currently at the exploration stage and management is not aware of any significant asset retirement obligation of the Company.

SIGNIFICANT ACCOUNTING POLICIES

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 Company's recoverability of the recorded value of its mining properties and associated deferred exploration costs is based on the successful conclusion or resolution of the Shahuindo litigation, market conditions for metals, 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 subject to a number of risks including the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development and future profitable production or the proceeds of disposal thereof and environmental, legal and political risk.

Factors affecting the value of stock-based compensation include estimates as to the timing of the exercise of stock options and compensation warrants as well as 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 shares and financial objectives of the option holders. The Company has used historical data and market liquidity to determine volatility in accordance with the Black-Scholes model; however, the future volatility is uncertain. The Black-Scholes model has its limitations.

CHANGES IN ACCOUNTING POLICIES

New Accounting Standards

On May 1, 2007, the Company adopted four new accounting standards related to accounting changes, financial instruments, comprehensive income and hedges that were issued by the Canadian Institute of Chartered Accountants ("CICA"). The new CICA standards are as follows.

Section 1506, *Accounting Changes*

This Section establishes criteria for changes in accounting policies, accounting treatment and disclosure regarding changes in accounting policies, estimates and corrections of errors. In particular, this Section allows for voluntary changes in accounting policy only when they result in the financial statements providing reliable and more relevant information. Furthermore, this Section requires disclosure of when an entity has not applied a new source of GAAP that has been issued but is not yet effective. Such disclosures are provided below. The adoption of this Section had no further effects on the financial statements for the year ended April 30, 2008 and first quarter ended July 31, 2008.

Section 3855, *Financial Instruments – Recognition and Measurement*

This Section establishes standards for recognizing and measuring financial assets and financial liabilities and non-financial derivatives. All financial instruments are required to be measured at fair value on initial recognition, except for certain related party transactions. Measurement in subsequent periods depends on whether the financial instrument has been classified as held for trading, available for sale, held to maturity, loans and receivables, or other liabilities.

Financial assets and financial liabilities classified as held for trading are required to be measured at fair value, with gains and losses recognized in net earnings.

Financial assets classified as held to maturity, loans and receivables and financial liabilities (other than those held for trading) are required to be measured at amortized cost using the effective interest method of amortization.

Available for sale financial assets are required to be measured at fair value, with unrealized gains and losses recognized in *other comprehensive income*. Investments in equity instruments classified as available for sale that do not have a quoted market price in an active market should be measured at cost.

The Company has implemented the following classification:

- *Cash* is classified as held for trading.
- The Company's *Guaranteed investment certificates* and *Accounts receivable* are classified as loans and receivables. *Short-term investments* and *Cash collateral investments* are currently invested in guaranteed investment certificates.
- *Accounts payable and accrued liabilities* are classified as other liabilities.

Section 1530, *Comprehensive Income*

This Section established standards for reporting and presenting comprehensive income which is defined as the change in equity from transactions and other events from non-owner sources. Other comprehensive income refers to items recognized in comprehensive income that are excluded from net earnings.

The classification of the Company's financial instruments as at May 1, 2007 and their subsequent changes to April 30, 2008 have resulted in no gains or losses that require separate presentation in *Other comprehensive income*. There was no effect on opening equity as of May 1, 2008 or on subsequent measurements in the first quarter ended July 31, 2008 as a result of applying this new standard.

Section 3865, *Hedges*

This Section establishes the standard how hedge accounting may be applied. The Company currently does not have any hedges in place, and therefore this standard has no impact on its consolidated financial statements.

Section 1400, *General Standards of Financial Statement Presentation*

In June 2007, the CICA amended Section 1400 to include requirements to assess an entity's ability to continue as a going concern and disclose any material uncertainties that cast doubt on its ability to continue as a going concern. This new requirement was effective May 1, 2008.

On May 1, 2008 the Company adopted new accounting standards relating to capital disclosures and financial instruments disclosure and presentation.

Section 1535, *Capital Disclosures*

Section 1535 specifies the disclosure of information that enables users of an entity's financial statements to evaluate its objectives, policies and processes for managing capital such as qualitative information about its objectives, policies and processes for managing capital, summary quantitative data about what the entity manages as capital, whether it has complied with any capital requirements and, if it has not complied, the consequences of non-compliance.

Section 3862, *Financial Instruments Disclosures* and Section 3863, *Financial Instruments Presentation*

These sections replace Section 3861, *Financial Instruments Disclosure and Presentation*, revising and enhancing disclosure requirements while carrying forward its presentation requirements. These new sections place increased emphasis on disclosure about the nature and extent of risk arising from financial instruments and how the entity manages those risks. The Company adopted these sections effective May 1, 2008.

Future Accounting Changes International Financial Reporting Standards

International Financial Reporting Standards ("IFRS")

In February 2008, the CICA Accounting Standards Board ("AcSB") confirmed that the use of IFRS will be required in 2011 for public companies in Canada (IFRS will replace Canadian GAAP for public companies). The official changeover date will apply for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The Company is currently assessing the impact of the implementation of IFRS.

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that material information is gathered and reported to senior management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to permit timely decisions regarding public disclosure.

Management, including the Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the Company's disclosure controls and procedures as of July 31st, 2008. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that as of the end of the period covered by this Management's Discussion and Analysis the Company's disclosure controls and procedures, as defined in Multilateral Instrument 52-109 – Certification of Disclosure in Company's Annual and Interim Filings, were effective to provide reasonable assurance that material information required to be disclosed in reports filed or submitted by the Company is recorded, processed, summarized and reported within the appropriate time periods.

It should be noted that while the Company's Chief Executive Officer and Chief Financial Officer believe that the Company's disclosure controls and procedures provide a reasonable level of assurance and that they are effective, they do not expect that the disclosure controls and procedures can prevent all errors or mistakes. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Company's Chief Executive Officers and Chief Financial Officer have evaluated the design and effectiveness of internal controls over financial reporting and based on this evaluation, as at July 31st, 2008, the Company believes that its internal controls over financial reporting were designed and operating effectively to provide reasonable, but not absolute, assurance that the objectives of the control system are met.

Legal Proceedings – Shahuindo Litigation

Sulliden’s ownership of the Shahuindo property is in dispute and its rights have been challenged in various legal proceedings in Peru

The following is a summary only of the certain principal aspects of the litigation. A more detailed review of the dispute and ongoing litigation may be found in Sulliden’s Annual Information Form for the year ended April 30th, 2008.

Background Summary:

On July 25, 2002 Sulliden Exploration Inc. (“Sulliden”) signed a Letter of Intent with Compañía Minera Algamarca S.A. and its subsidiary, Compañía de Exploraciones Algamarca S.A. (collectively “Algamarca”) to buy a 100% interest in the mining rights and surface lands known as the Shahuindo property located in the Department of Cajamarca, Peru, for an acquisition price of US\$4,130,000 to be paid in cash installments over a period of 24 months and bearing interest of 5% annually.

On July 31, 2002 the shareholders of Algamarca approved the proposed sale and authorized the General Manager of Algamarca to sign the Letter of Intent. Subsequently, Sulliden, through its wholly-owned subsidiary Minera Sulliden Shahuindo SAC (“Sulliden Shahuindo”) guaranteed by Sulliden, entered into a Transfer Contract with Algamarca dated November 6, 2002, which was notarized as a public deed in Lima on November 11, 2002 (the “Transfer Contract”).

During January 2003, the original shareholders of Algamarca sold their shares to a third party company Alta Tecnología e Inversión Minera y Metalúrgica S.A. (“Atimmsa”), a private Peruvian company, which was itself then immediately sold to a private Panamanian company. At a meeting of the new shareholders of Algamarca held in February 2003, new directors and a new general manager of Algamarca were appointed.

Sulliden understands that the original shareholders of Algamarca were paid by Attimmsa, in an amount which was calculated based on the purchase price provided in the Sulliden Transfer Contract, less the amount already paid by Sulliden. Sulliden further understands that the purchase price paid by Attimmsa was funded with money provided to Attimmsa by Compañía Minera Aurifera Santa Rosa S.A. (COMARSA), a private company controlled by the Sánchez Paredes family which operates a gold mine, located about 50 kilometers south of Shahuindo in Cajamarca province, Peru.

Since that time, Algamarca, under the direction of Attimmsa and its new shareholder, the Sánchez Paredes Group, has sought to rescind the Transfer Contract or to frustrate its terms. Algamarca commenced numerous legal actions against Sulliden in numerous courts and in different jurisdictions in Peru.

Sulliden has remained in possession and occupation of the Shahuindo property, despite repeated attempts by Algamarca since 2003 to challenge such occupation, and Sulliden carried out exploration programs on the property under Permits issued to Sulliden by the Ministry of Energy & Mines of Peru. In April 2007, the Ministry of Energy & Mines of Peru issued an exploration permit to Sulliden Shahuindo. The permit was valid for a period of nine months and authorized Sulliden to conduct an exploration program on the Shahuindo Property.

Sulliden Shahuindo is recorded in the SUNARP Registry as the registered owner of the 26 mining concessions that comprise the Shahuindo property and the superficial (surface) lands. Sulliden is also recorded as the owner of the 26 mining concessions in the Mining Rights System (INACC) maintained by the Ministry of Mines.

Arbitration Process:

In July 2003, Sulliden proposed to Algamarca that the dispute be referred to arbitration. Algamarca initiated several legal actions including civil actions, constitutional proceedings and criminal proceedings and sought various injunctions in an effort to prevent the Arbitration Tribunal from issuing a Decision.

In July 2006 the Arbitration Tribunal issued its Decision and Award and declared that:

- Sulliden has fully met the terms and obligations of the Transfer Contract dated November 11, 2002 between Sulliden Shahuindo and Algamarca, including fulfillment of the payment of the full purchase price; and
- Algamarca and any third party that could have acquired any rights from Algamarca must fulfill the obligations of the Transfer Contract, including the execution of any act and any required public or private document.

Court Injunction:

In order to ensure that the Arbitration Award is recognized and enforced and can be executed, in July 2006 Sulliden obtained an Injunction from the 55th Civil Court in Lima to order Algamarca to comply with the decisions rendered by the Arbitration Tribunal. In its injunction, the Court:

- Orders Algamarca or any third party that could have acquired any rights from them, to restore to Sulliden the possession of the mining concessions, the superficial lands and any other goods corresponding to the “Shahuindo Property”.
- Orders Algamarca, or any third party that could have acquired any rights from them, to abstain from carrying out any act that limits, impedes or hinders the right of Sulliden to exercise any mining activity in the Shahuindo Property, acquired under the terms of the Transfer Contract dated November 11, 2002.
- Orders the registration of the Transfer Contract in the Trujillo Mining Registry and in the Cajamarca Property Registry of the 20 mining concessions and 19 superficial lands corresponding to the “Shahuindo Property” detailed in the Resolution.

This injunction was subsequently cancelled on September 21, 2007, by a new Judge of the 55th Civil Court, following an application by Algamarca. Sulliden has appealed this decision, which appeal was accepted by the Court on September 26, 2007, and until the Superior Court of Lima hears the appeal, the cancellation decision of the 55th Civil Judge will not have any effect. The 55th Civil Judge also rejected Algamarca’s application for certified copies of its decision cancelling the injunction for transmission to the SUNARP Registry, pending Sulliden’s appeal.

Subsequent to the decision rejecting Algamarca’s application, the 55th Civil Judge was replaced by yet another Judge and Algamarca immediately submitted a nullity petition to the new Judge seeking to have the decision accepting Sulliden’s appeal set aside, but Algamarca’s nullity petition was rejected by the new Judge on November 7, 2007.

Registration of Concessions:

The Regional Registrar in Trujillo registered Sulliden as the owner of the 20 concessions on September 8, 2006 following a resolution of the Registry Tribunal of the National Superintendente of Public Registers (SUNARP), on application presented to the Registry Tribunal by Sulliden, directing the Regional Registrar at Trujillo to register the transfer into Sulliden’s name of the 20 mining concessions. The twenty mining concessions were re-registered in the name of Sulliden effective November 2002.

The Injunction in favor of Sulliden issued by the 55th Civil Court in Lima was registered in the Regional Registry at Trujillo against 20 Shahuindo mining concessions on September 5, 2006.

The Ministry of Energy and Mines on January 10, 2007 recorded Sulliden as the owner of the twenty mining concessions in the “Mining Rights System and Catastro-Sidemcat” of the National Institute of Mining Concessions and Cadastre - INACC, the official register of owners of mining concessions maintained by the Ministry of Energy and Mines and Minera Sulliden Shahuindo is now recorded in the INACC as the owner of the twenty six mining concessions.

In January 2007 the SUNARP Registry at Cajamarca registered Sulliden as the owner of the superficial (surface) lands at Shahuindo.

Sulliden Shahuindo is now recorded as the registered owner of the twenty Shahuindo mining concessions in the SUNARP Registry in Trujillo and of the other six Shahuindo mining concessions in the SUNARP Registry in Lima despite repeated attempts by Algamarca to challenge such registration (See Actions by Algamarca below), particularly following the cancellation on September 12, 2007 by the 55th Civil Judge of the Injunction previously

granted to Sulliden (See Court Injunction above). Sulliden has appealed against that decision and cancellation of the Injunction did not nullify registration of the concessions in Sulliden's name.

Nullity Petition

In October and November 2006 Algamarca filed Nullity Petitions in the Superior Court of Lima against the Arbitration Decision of July 2006. The Nullity Petition is an appeal procedure, provided under the General Arbitration Law of Peru against any Arbitration Decision or Award, and is applicable to all arbitrations and is available to all parties. The Petition deals with procedural legal process only and the merits of the case are not reconsidered. In this Petition, Algamarca argued that the Arbitration Tribunal did not have competence to hear the dispute and that the members of the Arbitration Panel were conflicted.

The hearing by the Commercial Chamber of the Superior Court of Lima of Algamarca's Nullity Petition took place on June 27, 2007 before a panel of three Superior Court Judges. Sulliden objected to the hearing on a number of legal grounds and to the composition of the particular judicial panel appointed to hear the petition and declined to participate but the hearing took place despite Sulliden's objections.

On August 9, 2007 the Superior Court of Lima issued its decision granting Algamarca's Petition and declaring null and void the Arbitration Decision awarded to Sulliden in July 2006 and reinstated the competence and jurisdiction of the judiciary to deal with the dispute on the Transfer Contract, unless otherwise agreed by the parties.

The Superior Court of Lima set aside the Arbitration Decision on the grounds that, in signing the Transfer Contract for the sale of the Shahuindo property to Sulliden in November, 2002, the then General Manager of Algamarca exceeded his authority to commit Algamarca to resolution of disputes by arbitration, because he did not sign the agreement in his capacity of General Manager.

Sulliden Appeal to Supreme Court of Peru

Sulliden has been advised by its lawyers that this decision is wrong in law. Sulliden has filed an appeal in the Supreme Court of Peru against the decision of the Commercial Chamber of the Superior Court of Lima. By unanimous decision dated December 13, 2007, the Supreme Court of Peru admitted Sulliden's Motion and agreed to hear Sulliden's appeal on all key grounds including the Nullity of the hearing by the Commercial Chamber of June 27, 2007. Sulliden expects that the decision of the Commercial Chamber will be overturned by the Supreme Court of Peru.

The effect of the appeal is to automatically suspend by operation of law (Article 393 of the Civil Procedural Code) the ruling of the Commercial Chamber and, pending the decision of the Supreme Court, the ruling will have no force or effect.

If the decision is not overturned and the nullity is confirmed, the effect will only be to set aside the Arbitration Process and nullify the Arbitration Award, based on a legal procedural technicality which was previously considered and rejected by a majority of the Arbitration panel. The decision did not address and does not affect the validity of the Transfer Contract between Algamarca and Sulliden, which will continue in full force and effect and Sulliden will remain as the lawful owner of the Shahuindo property.

If the nullity decision of the Commercial Chamber is confirmed and not overturned by the Supreme Court, and the Arbitration Process is set aside, the legal dispute on the Transfer Contract would have to be determined by the Courts.

In July 2008, with the approval of the Supreme Court of Peru, Sulliden and Algamarca agreed to temporarily suspend the appeal proceedings before the Supreme Court pending further negotiations on a possible settlement of the litigation and dispute.

Actions by Algamarca

Following receipt of the Decision of the Arbitration Tribunal in July, 2006 confirming Sulliden's full entitlement to the Shahuindo property Algamarca and its related companies have refused to recognize the Arbitration Decision and Award and continue to try to ignore and frustrate the Transfer Contract. As before, Algamarca and its related

companies initiated multiple legal claims and challenges in various courts, in different locations and often with different conflicting jurisdictions, in their attempts to stop the execution of the Arbitration Award, including (in summary):

(i) Filing a petition in the Commercial Chamber of the Superior Court in Lima seeking a declaration of nullity of the Arbitration Award, which declaration was granted on August 9, 2007. (See Nullity Petition above).

(ii) Commencing various actions against the SUNARP Registry Tribunal, seeking declarations of nullity of the registration on September 8, 2006 of the Sulliden concessions in Sulliden's name and obtaining various Court injunctions/orders suspending the registration of certificates in favor of Sulliden. (See Registration of Concessions above).

On January 7, 2008, Sulliden received notice that the Supreme Court of Peru had granted Sulliden's appeal against the decision of the Civil Court of Cajamarca granting a nullity petition and injunction to Algamarca challenging registration by the SUNARP of the Shahuindo concessions in Sulliden's name and ruled that the appropriate jurisdiction and competence to hear Algamarca's motion is the Superior Court of Lima and not the Civil Court of Cajarmca. Algamarca's petition will now be heard by the Superior Court of Lima.

(iii) Reactivating a claim seeking a declaration of nullity of the Transfer Contract. Algamarca re-activated a civil action in the 64th Civil Court of Lima, originally filed in 2004, seeking a declaration of nullity of the Transfer Contract and damages of \$5 million. This action was transferred to the 10th Civil Court of Lima. On June 19, 2008, the 10th Civil Court of Lima issued its decision declaring the nullity of the Transfer Contract. Sulliden has filed an appeal against this decision to the Superior Court of Lima.

(iv) Transfer of Mining Claims. Algamarca has purported to transfer some of the mining concessions to various associated companies, including Inversiones Mineras Sudamericanas SA and Minera Pilacones SA. These companies in turn have attempted to transfer the concessions to another Panamanian company, Andean Mining Gold Inc., which in turn has purported to grant a mortgage to yet another Panamanian company, Import & Export A.C.D. SA. All of these companies are believed to be associated directly or indirectly with Compañía Minera Aurífera Santa Rosa S.A. (COMARSA), a private company controlled by the Sánchez Paredes family.

(v) Seeking possession of Mining Concessions. In 2003 Algamarca had commenced a civil action against certain Sulliden employees seeking possession of the twenty-six mining concessions and superficial lands at Shahuindo and in 2004 obtained a temporary injunction against Sulliden and its employees from the Civil Court of San Marcos suspending any mining or drilling authorizations. Upon the hearing of the action the Court of San Marcos in its decision issued January 20, 2006 accepted the motion of Algamarca. Sulliden appealed to the Superior Court of Cajamarca which by Resolution dated March 21, 2006 confirmed the Resolution of the Judge of San Marcos. Sulliden again appealed to the Supreme Court of Peru which by Resolution dated May 8, 2007 upheld Sulliden's appeal. In May 2007, the Supreme Court of Peru allowed Sulliden's appeal and overturned the Resolution of the Superior Court of Cajamarca (March 21, 2006) and directed the Court of Cajamarca to reconsider the action taking into consideration all of the arguments and new facts presented by Sulliden.

In January 2008, the Superior Court of Cajamarca again considered the action and again granted the motion of Algamarca. Sulliden has been advised that this decision is wrong in law, and has again appealed to the Supreme Court of Peru.

(vi) Filing Criminal Complaints. On July 9, 2008 Algamarca filed criminal complaints against Javier Fernandez-Concha, Jacques Trottier, Stephane Amireault and others, all being members of Sulliden's management, for the commission of the crimes of disobedience of the temporary injunction, mentioned in (v) above. The District Prosecutor of the District of Cajabamba has presented the charges but the Criminal Judge has not yet decided to open a criminal process or dismiss the complaint.

Canadian Litigation Settled

On May 18, 2007, Algamarca announced on its website that Algamarca, Andean Mining Gold, Import & Export A.C.D. and Inversiones Sudamericanas had been sold to Century Mining Corporation. As announced by Algamarca: "Century has acquired the 26 concessions, the surface rights, the mortgages and all litigation rights in respect of the precious metal property known as "Shahuindo" in the district of Cachachi, province of Cajabamba, department of Cajamarca in northern Peru. The purchase price for 100% ownership of these companies is \$US31 million, which is

being financed by the sellers over a 2-year period.

On May 16, 2007 Century Mining Corporation announced that it had purchased 100% of the shares of Compania Minera Algamarca S.A., Compania de Explorations Algamarca S.A., Andean Mining Gold, Import & Export A.C.D., S.A., and Inversiones Mineras Sudamericanas S.A.

In June, 2007 Sulliden commenced an action in the Superior Court of Justice of Ontario against Algamarca, Century Mining Corporation, and others, claiming US\$200 million for damages for breach of contract, breach of the Arbitration Award, and breach of the injunctions obtained by Sulliden from the Civil Court of Lima, slander of title as well as conspiracy and other claims.

On November 28, 2007 Century launched a take-over bid ("Century Offer") for the shares of Sulliden on the basis of 0.72 of a common share of Century for each common share of Sulliden. The Board of Directors of Sulliden raised serious concerns with the Century Offer as set out in the Sulliden Directors Circular dated December 13, 2007 and after a detailed review of the materials available and careful consideration subsequently recommended rejection of the Century Offer as fully detailed in the Notice of Change of the Director's Circular dated January 23, 2008. The Century Offer was withdrawn on January 28, 2008.

On May 30, 2008 Century announced that it had terminated its agreement to purchase the shares of Algamarca and had ended its business association with all the various sellers in the Algamarca transactions.

Each of Century and Algamarca filed Motions in the Superior Court of Justice of Ontario seeking to have Sulliden's Statement of Claim stayed or dismissed on the basis of jurisdiction, on the grounds, in summary, that the dispute to which this action relates is subject to an agreement between the parties which provides that disputes shall be governed by the laws of Peru and shall be adjudicated by a Court in Peru, that proceedings are already pending in Peru in connection with the same subject matter and that Ontario is not an appropriate or convenient forum for the hearing of the proceedings.

On July 9, 2008 the hearing of Algamarca's Motion challenging the jurisdictions of the Superior Court of Ontario was adjourned to October 2008 by agreement between the parties pending further negotiations on the possible settlement of the litigation. Subsequently, all the parties to the Canadian litigation agreed settlement terms. Sulliden's legal actions and Century's motion challenging jurisdiction were both dismissed without costs, with the consent of all parties by the Ontario Superior Court of Justice on September 5th, 2008.

Comment

In view of its strong legal position and the bona-fides of its case, Sulliden remains confident that the outcome of all legal actions in this dispute will be favorable to Sulliden. Substantially all issues on the merits and bona fides of the case, and most of the procedural issues, have to date been decided in Sulliden's favour.

As noted above, Sulliden has filed an appeal to the Supreme Court of Peru against the decision of the Commercial Chamber of the Superior Court of Lima and on December 13, 2007 the Supreme Court of Peru unanimously agreed to hear Sulliden's appeal. The effect of the appeal is to suspend the decision of the Superior Court and, pending the appeal, the decision will have no force or effect. If the Supreme Court does not overturn the decision of the Commercial Chamber the dispute on the Transfer Contract must be determined by the judicial system in the Courts. On June 19, 2008, the 10th Civil Court of Lima issued its decision declaring the nullity of the Transfer Contract. Sulliden has filed an appeal against this decision to the Superior Court of Lima.

In July 2008, with the approval of the Supreme Court of Peru, Sulliden and Algamarca agreed to temporarily suspend the appeal proceedings before the Supreme Court of Peru pending further negotiations between the parties on a possible settlement of the litigation and dispute. These negotiations are continuing.

As in any litigation where there is a dispute, Sulliden cannot predict with certainty the outcome of the various legal actions or negotiations of a potential settlement or the impact of these actions on Sulliden's rights and entitlements to the Shahuindo property.

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 that should be considered:

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 revenue 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, labour disruptions, flooding, explosions, tailings impoundment failures, cave-ins, landslides and the inability to obtain adequate machinery, equipment or labour 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. Sulliden does not maintain liability insurance with respect to its exploration activities in Peru.

No assurance can be given that minerals of sufficient quantity, quality, size and grade will be discovered or developed on any of the Company's properties to justify commercial operation.

Uncertainty of mineral reserve and resource estimates

The mining business relies upon the accuracy of determinations as to whether a given deposit has significant mineral reserves or resources. 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 new or reinterpreted information or 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, result in failure to develop a significant deposit. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

Sulliden faces potential risks and uncertainties resulting from the location of its properties in Peru

Political and related legal and economic uncertainty exists in Peru where Sulliden operates. Risks to foreign operations may include political unrest, corruption, war, civil disturbances and terrorist actions, arbitrary changes in law or policies, changes to government regulation, unreliable or unpredictable legal or judicial systems, 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 and other risks not specified here.

Sulliden requires additional funding to develop its properties

Development of the Shahuindo or other properties will require significant financial resources. Sulliden will need to raise significant project financing, debt and additional equity. Failure to obtain such additional funding at critical times could lead to a delay or cause an 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 most of its current operations. Any adverse development, including any adverse legal ruling, 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, including legal costs, related to continued exploration and development of its mineral resource properties. As at April 30, 2008, Sulliden had an accumulated deficit of \$33,072,986. It is anticipated that the Company will continue to experience operating losses for the foreseeable future. There can be no assurance that Sulliden will ever achieve significant revenue or profitable operations.

Dependence on key personnel and Conflicts of Interest

The management and 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 is dependent on the services of key executives, including the President and Chief Executive Officer and the President of Sulliden's subsidiary Minera Sulliden Shahuindo, and a small number of other skilled and experienced executives and personnel. Due to the relatively small size of the Company, the loss of these persons or Sulliden's inability to attract and retain additional highly skilled or experienced employees may adversely affect its business and future operations.

Certain of the directors and officers of the Company also serve as directors and/or officers of, or have significant shareholdings in, other companies involved in natural resource exploration and development and consequently there exists the possibility for such directors and officers to be in a position of conflict. Any decision made by any of such directors and officers involving Sulliden Exploration will be made in accordance with their duties and obligations to deal fairly and in good faith with a view to the best interests of the Corporation and its shareholders. In addition, each of the directors is required to declare and refrain from voting on any matter in which such directors may have a conflict of interest in accordance with the procedures set forth in the *Business Corporations Act (Quebec)* and other applicable laws.

To the extent that such other companies may participate in ventures in which the Company may participate, the directors of the Company may have a conflict of interest in negotiating and concluding terms respecting the extent of such participation. In the event that such a conflict of interest arises at a meeting of the Company's directors, a director who has such a conflict will abstain from voting for the approval of such participation or such terms.

From time to time several companies may collectively participate in the acquisition, exploration and development of natural resource properties thereby allowing for their participation in larger programs, permitting involvement in a greater number of programs and reducing financial exposure in respect of any one program. It may also occur that a particular company will assign all or a portion of its interest in a particular program to another of these companies due to the financial position of the company making the assignment. Under the laws of the Province of Quebec, the directors of the Company are required to act honestly, in good faith and in the best interests of the Company. In determining whether or not the Company will participate in a particular program and the interest therein to be acquired by it, the directors will primarily consider the degree of risk to which the Company may be exposed and its financial position at that time.

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

Government regulations may 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 or 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 prices of precious metals can fluctuate widely and are affected by numerous factors, outside the Company's control, including demand, inflation, strength of the U.S. dollar and other currencies, interest rates, 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 carried out in Peru and is expected to be carried on outside of Canada in the future. Such activities are subject to risks associated with fluctuations in the rate of exchange of the Canadian dollar and foreign currencies.

OUTLOOK

Execution of the planned drilling program, which will require further financing, could open new potential ore zones that would bring Shahuindo project towards or into "world class" status and closer to production which, subject to completion or resolution of the litigation surrounding the Shahuindo property, should significantly enhance the value of Sulliden Shares.

The success of the foregoing, and completion or resolution of the Shahuindo litigation, will determine the timing of the activities for the remainder of the year.

ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE

This MD&A has been prepared as at September 11th, 2008. Additional information on the Company is available through regular filings of press releases, annual and quarterly financial statements and the Annual Information Form on SEDAR (www.sedar.com), or by visiting the Company's website at www.sulliden.com.

Caution Regarding Forward-Looking Information

Statements contained in this document that 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: the outcome of litigation; political risks arising from operating in certain developing countries; changes in government regulations and policies, including laws and policies; failure to obtain necessary permits and approvals from government authorities, volatility and sensitivity to metal prices, impact of change in foreign currency exchange rates and interest rates; inaccuracy in reserve estimates; environmental risks including increased regulatory burdens; unexpected geological conditions; adverse mining conditions; 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 revise any forward-looking statement, whether as a result of new information, future events or otherwise.