

SULLIDEN EXPLORATION INC

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

Date: December 12, 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 and six months ended October 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 and the ability to attract new capital.

Jacques Trottier, 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

On November 13, 2008 the Supreme Court of Peru heard Sulliden's appeals in three separate proceedings in the legal dispute relating to Sulliden's ownership of the Shahuindo gold/silver property in Peru.

The hearing took place in Lima, before a panel of five Supreme Court Judges and was completed in one day. The Court did not indicate when it would issue its rulings but Sulliden expects that a decision in one or more of the proceedings may be issued before year end.

The most significant part of the hearing before the Supreme Court was the appeal taken by Sulliden against the decision of the Commercial Chamber of the Superior Court of Lima dated August 9, 2007, granting Algamarca's Nullity Petition against the Arbitration Decision of July 2006, which had declared that Sulliden had fully met the terms and obligations of the Shahuindo Transfer Contract dated November 6, 2002 and had properly acquired the property, and declaring null and void the Arbitration on the technicality that Algamarca had not properly agreed to arbitration.

The Supreme Court also heard Sulliden's appeal against the decision of the Superior Court of Cajamarca dated January 18, 2008, confirming the decision of the Civil Judge of San Marcos dated January 20, 2006 granting an injunction against certain officers of Sulliden from entering the Shahuindo property. On December 2nd, 2008 the Supreme Court announced that it had allowed Sulliden's appeal on this matter.

The Supreme Court also heard Sulliden's appeal against the decision of the Superior Court of Lima dated May 9, 2007, which refused Sulliden's appeal against a resolution of the Registry Tribunal of the National Superintendente of Public Registers SUNARP (Peruvian Title Registry) rejecting the original registration of twenty of the Shahuindo mining concessions in Sulliden's name. All mining concessions were subsequently registered, and remain registered, in Sulliden's name.

Sulliden remains confident that the outcome of the appeals will be favorable to Sulliden. However, notwithstanding the hearing of the appeal by the Supreme Court, Sulliden is continuing in negotiations with Algamarca on a possible settlement of the Shahuindo litigation and dispute. These negotiations have not yet resulted in a resolution and there can be no assurance that the negotiations will reach a satisfactory conclusion.

Shahuindo Exploration

During the quarter, a limited program of surface exploration was undertaken on the Shahuindo property. Follow-up ground work, consisting of detailed mapping and sampling, was carried out in the gaps along the "main mineralized corridor" and northwest of the Main or East Zone. In addition, a preliminary program was initiated to accumulate data and assess key technical features to input in a future feasibility and environmental impact study. This assessment included setting up a meteorological station, measurement of key river and creek flows and assessment of key mining features, including electrical availability, water availability and land requirements.

On June 2, 2008 a Technical Report entitled "*Shahuindo Property – Report on the 2007 Exploration Campaign*" dated April 2008 was filed on SEDAR and contains the detailed results of the 2007 exploration program and identify future work.

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

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.

Financial Position

At October 31, 2008 the Company held cash and guaranteed investment certificates totaling approximately \$3,749,886. 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 settlement costs should a settlement of the Shahuindo litigation be completed.

RESULTS OF OPERATIONS

For the six months ended October 31, 2008, the Company reported a net loss of \$322,870 (\$0.01 per share) compared to a net loss of \$546,750 (\$0.01 per share) for the same period in the prior year. The decrease is mainly attributable to lower stock-based compensation charges, lower professional and advisory fees and an exchange gain of \$93,007 in the six month period ended October 31, 2008 versus an exchange loss of \$47,603 for the same period in 2007. There was no cost of options granted during the six months ended October 31, 2008 compared to a cost of \$32,934 (\$27,118 was expensed and the balance of \$5,816 was capitalized) for the six month period ended October 31, 2007.

For the three months ended October 31, 2008, the Company reported a net loss of \$131,754 (\$0.01 per share) compared to a loss of \$294,956 (\$0.01 per share) for the same period in the prior year. There was no cost of options granted during the three months ended October 31, 2008 or three month period ended October 31, 2007.

Interest income of \$28,077 and \$62,845 in the six months ended October 31, 2008 and 2007 respectively comes mainly from the guaranteed investment certificates held by a Canadian bank, with the decrease being attributable to lower average cash balances available for investment over the period and lower interest rates earned on the guaranteed investment certificates.

Interest income for the quarter ending October 31, 2008 was \$14,069 versus \$32,425 for the same quarter of 2007.

Administrative expenses (excluding stock-based compensation) were \$350,947 for the six months ended October 31, 2008 compared to \$582,477 for the six month period ended October 31, 2007, with the decrease primarily attributable to lower professional & advisory fees and an exchange gain of \$93,007 in the six months ended October 31, 2008, versus an exchange loss of \$47,603 in the same period ended October 31, 2007. The overall decrease was off-set partially by higher salaries and administrative expenses of \$160,400 for the six month period ended October 31, 2008, versus \$88,143 in six months ended October 31, 2007 reflecting increased staffing, partially offset by lower consulting fees.

For the quarter ended October 31, 2008 the total administrative expenses (excluding stock-based compensation) were \$145,823, compared to \$327,381 for the same period ended October 31, 2007, largely due to an exchange gain of \$86,497 in the quarter ended October 31, 2008, versus an exchange loss of \$45,356 for the same period in 2007. Excluding the foreign exchange gain (loss), the overall administrative expenses were 18% lower in the quarter ended October 31, 2008 compared to the same period in 2007 reflecting lower professional fees, travel accommodation and shareholder expenses, off-set by higher salaries and fringe benefits and higher general administrative expenses.

Shareholders’ information expense principally comprise filing costs, press releases, publicity costs, trustee fees and fees paid to regulatory authorities. General administrative expenses include rent, telephone, insurance and general office expenses.

SUMMARY OF QUARTERLY RESULTS

	For the Three-month Period Ended			
	April 30	January 31	October 31	July 31
Fiscal 2009				
Interest income			\$ 14,069	\$ 14,008
Net loss and comprehensive loss			\$ 131,754	\$ 191,115
Basic and diluted net loss per share			\$ 0.01	\$ 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
Fiscal 2007		
Interest income	\$ 51,865	\$ 59,951
Net loss	\$ 250,556	\$ 236,568
Basic and diluted net loss per share	\$ 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.

LIQUIDITY AND CAPITAL RESOURCES

Operating

Operating activities, including net change in non-cash working capital items, resulted in negative cash flows of \$732,084 in the six months ended October 31, 2008 compared to positive cash flows of \$80,083 in the period ended October 31, 2007.

Changes in working capital items utilized \$291,878 in the quarter ended October 31, 2008 compared to \$543,753 generated in the same period ended October 31, 2007.

Investing

During the quarter ended October 31, 2008, the Company invested a total of \$812,484 in exploration and development which includes all the costs incurred in Peru including exploration, payroll, corporate expenses and litigation, compared to \$1,740,490 in the same period ended October 31, 2007. The higher investment in 2007 was primarily a result of the drilling program on the Shahuindo property. There was no drilling in the quarter ended October 31, 2008.

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. As part of the private placement the third party investors were issued 5,714,286 2008 Warrants to purchase shares of the Company at an exercise price of \$0.45 per share, which warrants were exercised in September, 2008.

During the quarter ended October 31, 2008, an aggregate of 65,000 common shares were issued upon the exercise of warrants at a price of \$1.00 per warrant, an aggregate of 5,714,286 common shares were issued upon the exercise of warrants at a price of \$0.45 per warrant and an aggregate of 100,000 common shares were issued upon the exercise of stock options at a price of \$0.84 per option, for total proceeds of \$2,720,429.

The remaining balance of warrants outstanding (4,735,161) that were issued in connection with a private placement in August of 2006 with an exercise price of \$1.00 per share and maturity date of August 31, 2008 expired and currently there are no warrants outstanding.

At October 31, 2008, the Company held \$19,927 in cash and \$3,555,515 in guaranteed investment certificates, compared to \$272,385 and \$2,350,991 respectively, at October 31, 2007. The guaranteed investment certificates are held in Canada and bear interest at a weighted average rate of approximately 3.5% subject to the penalty of lower rates for early withdrawals to fund ongoing operations. The increase in amounts held in investment certificates is a result of the addition of \$2,720,429 in new funding from the exercise of warrants and options, off-set by the net funds invested during the quarter of \$812,484 and cash used in operating activities of \$423,633.

Accounts receivable of \$174,444 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 work-in-progress legal and professional bills and directors fees.

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 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 December 12th, 2008 the Company had an authorized capital of an unlimited number of common shares on which the following were outstanding:

Common Shares	86,021,805
Options	4,765,000
Warrants	0

OFF-BALANCE SHEET TRANSACTIONS

The Company has no off-balance sheet transactions.

RELATED PARTY TRANSACTIONS

During the quarter, the Company paid \$83,482 (\$102,610 in 2007) in professional fees and general administrative expenses to companies related to the Company's officers and directors. Additionally, amounts totaling \$46,162 were paid to legal firms in Canada and Peru in which an officer or director of the Company were partners for the same period (\$127,548 in 2007). The accounts payable and accrued liabilities include amounts due to these companies and legal firms in an amount of \$16,701. 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

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 second quarter ended October 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, 2007 or on subsequent measurements in the second quarter ended October 31, 2008 as a result of applying this 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.

New Accounting Standards

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 October 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 October 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 PROCEEDING – 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 available on SEDAR at www.sedar.com and the Company website at www.sulliden.com.

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 Attimsa, 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 Attimsa was funded with money provided to Attimsa by Compañía Minera Aurífera 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 Attimsa 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 Shahuindo 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.

Following the Decision of August 9, 2007 by the Commercial Chamber of the Superior Court of Lima nullifying the Arbitration Decision and Award (see below), this Injunction was subsequently cancelled on September 21, 2007, by a new Judge of the 55th Civil Court, upon an application by Algamarca. Sulliden appealed this decision to the Superior Court of Lima, which appeal was accepted by the Civil Court on September 26, 2007, and until the Superior

Court 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, and Algamarca crossed appealed that rejection.

Subsequent to the decision rejecting Algamarca's application referred to above, 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.

By resolution dated October 15, 2007 the Civil Chamber of the Superior Court of Lima declared that it was not competent to hear the appeals and sent the appeals to the Commercial Chamber of the Superior Court of Lima.

By resolutions dated October 16 and October 20, 2008 the Commercial Chamber of the Superior Court of Lima decided that it did not have the competency to resolve the appeals and ordered that the files be referred to the Supreme Court of Peru to resolve the conflict of jurisdiction between the Civil and Commercial Courts and to decide if the Civil Court or the Commercial Chamber is the proper court of competency. The reference of this conflict to the Supreme Court of Peru is still pending.

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 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.

On November 13, 2008 the Supreme Court of Peru heard Sulliden's appeal against the decision of the Superior Court of Lima dated May 9, 2007, which refused Sulliden's appeal against an earlier resolution of the Registry Tribunal of the National Superintendente of Public Registers SUNARP rejecting the original registration of 20 of the Shahuindo mining concessions in Sulliden's name. Although all mining concessions at Shahuindo were all subsequently registered in Sulliden's name, Sulliden is maintaining this appeal against the earlier decisions of the Superior Court of Lima and the SUNARP as a technical matter in order to protect the priority of its original registration. A ruling in this appeal is expected before the end of 2008.

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 filed an appeal in the Supreme Court of Peru against the decision of the Commercial Chamber of the Superior Court of Lima. 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 has no force or effect.

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.

In July 2008, 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 and by resolution dated July 24, 2008, the Supreme Court ordered the suspension of the hearing of the appeal for a period of 60 days.

On November 13, 2008 the Supreme Court of Peru heard the appeal taken by Sulliden against the decision of the Commercial Chamber of the Superior Court of Lima dated August 9, 2007, granting Algamarca's Nullity Petition against the Arbitration Decision of July 2006, which had declared that Sulliden had fully met the terms and obligations of the Shahuindo Transfer Contract dated November 6, 2002 and had properly acquired the property, and declaring null and void the Arbitration on the technicality that Algamarca had not properly agreed to arbitration.

The hearing on November 13, 2008 took place in Lima, before a panel of five Supreme Court Judges and was completed in one day. The Court did not indicate when it would issue its rulings but Sulliden expects that a decision may be issued before the end of 2008.

Sulliden expects that the decision of the Commercial Chamber will be overturned by the Supreme Court of Peru. 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 nullity 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.

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 Cajamarca. 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 and this appeal is still pending. In addition, at the same time, Sulliden also filed a formal complaint against the Judge of the 10th Civil Court. That complaint has now been reviewed by the ODICMA (Supervisor of Judges), and by resolution dated September 18, 2008, (notified October 17, 2008) the ODICMA opened an investigation against the 10th Civil Judge. If the ODICMA investigation results in an adverse finding against the 10th Civil Judge her decision of June 19, 2008 will be nullified. The results of the investigation will also be utilized in Sulliden's appeal of that decision to the Superior Court.

(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 was advised that this decision is wrong in law, and again appealed to the Supreme Court of Peru. The appeal was heard by the Supreme Court of Peru on November 13, 2008 and on December 2, 2008 the Supreme Court again allowed Sulliden's appeal.

(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's appeal to the Supreme Court of Peru against the decision of the Commercial Chamber of the Superior Court of Lima nullifying the Arbitration Award was heard by the Supreme Court on November 13, 2008, and a ruling is expected before the end of 2008. 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 and an official investigation was initiated on September 18, 2008 against the Judge of the 10th Civil Court of Lima who issued that decision.

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. Sulliden remains confident that the outcome of the Supreme Court appeals will be favorable to Sulliden. However, notwithstanding the hearing of the appeal by the Supreme Court on November 13, 2008, Sulliden is continuing in negotiations with Algamarca on a possible settlement of the Shahuindo litigation and dispute. These negotiations have not yet resulted in a resolution and there can be no assurance that the negotiations will reach a satisfactory conclusion.

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 October 31, 2008, Sulliden had an accumulated deficit of \$33,395,856. 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.

Share price volatility may negatively impact Sulliden and Investors

Shares of public companies, particularly mineral exploration and resource companies, have historically experienced substantial volatility, including significantly in the recent past, often based on factors unrelated to the prospects of the companies involved. These factors include macroeconomic developments in North America, Asia and globally, and market perceptions of the state of the economy and relative attractiveness of particular industries. Other factors unrelated to the Company's performance that may have an effect on the price of the Company's Shares include:

- the limited trading volume and general market interest in the Company's Shares which may affect an investor's ability to trade the Company's Shares;
- the relatively small size of the Company's market capitalization which may limit the ability of some institutions to invest in the Company's Shares; and
- a substantial decline in the Company's share price that persists for a significant period of time could cause its Shares to be de-listed from the stock exchange which may further reduce market liquidity.

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 at Shahuindo, which will require further financing, could open new potential ore zones that would bring the 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 December 12th, 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.