

2005

Sulliden Exploration Inc.

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*Second Quarter
Interim Report
October 31, 2005*

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President's Message

In the First Quarter Report, Sulliden had announced that the Superior Court of Lima unanimously voted to revoke the precautionary measure (injunction) initiated by the District Court of Villa Maria del Triunfo that temporarily suspended the Arbitration Process over the ownership of our Shahuindo property challenge by Algamarca. Moreover, after a review of additional evidence presented, the same District Court decided to reject Algamarca's Petition to have the Arbitration Process declared inapplicable and of no judicial effect.

As a result, on September 29, 2005 Sulliden announced that it was notified through its wholly-owned subsidiary, Minera Sulliden Shahuindo S.A.C., of the Arbitration Tribunal's decision to continue with the remaining stage of the Arbitration Process. A date for the final closing arguments was given following which, according to the guidelines of the Arbitration Rules, a final decision can be expected to be rendered within thirty days thereafter.

Subsequently, on November 17, 2005, Sulliden was notified through its subsidiary that the Arbitration Tribunal has had to once again reject a request by Algamarca to suspend the Arbitration Process. The Arbitrators have notified the parties of a new date for the closing arguments to take place in early December which remains in effect, to be followed by a final decision. Sulliden remains hopeful that the Arbitration Process will be brought to its rightful conclusion in accordance with the Peruvian Constitution and the Directive of the Supreme Court which recognize Arbitration as autonomous in its procedural regulations and free from outside intervention.

The exploration program at Torrine is well underway with the near completion of the geophysics program. A 3-D IP/Resistivity and Magnetometry survey have been performed using expert satellite imagery. A large textbook NE/SW cross-cutting structure has been identified, the chargeability anomaly assuming a pipe-shaped, elongated mushroom structure near surface as expected. A hydrothermal system underlies the late-phase caprock of less than 10 metres overlying the system which explains why it had not been previously detected.

A geological team is currently onsite to map and collect samples. Sulliden has a commitment under the option agreement with Aruntani S.A.C. to drill 1,500 metres initially. Several potential targets have been identified to date.

The Scoping Study of the Shahuindo project have been completed by Aruntani S.A.C. and is currently being assessed by our geologists.

Jacques Trottier
President and Chief Executive Officer
November 22nd, 2005

Sulliden Exploration Inc.

Consolidated Balance Sheets

	October 31, 2005 (unaudited)	April 30, 2005 (audited)
Assets		
Current assets		
Cash	\$ 214,432	\$ 347,746
Guaranteed investment certificates	3,205,911	5,309,984
Accounts receivable	62,659	97,618
	<hr/>	<hr/>
	3,483,002	5,755,348
Mining properties	23,716,924	23,517,769
Deferred exploration costs	15,452,015	13,583,101
	<hr/>	<hr/>
	\$ 42,651,941	\$ 42,856,218
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Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 394,206	\$ 331,200
Shareholders' Equity		
Share capital (Note 2)	65,687,397	65,522,397
Warrants (Note 2)	995,485	995,485
Options (Note 2)	2,122,113	2,021,867
Deficit	(26,547,260)	(26,014,731)
	<hr/>	<hr/>
	42,257,735	42,525,018
	<hr/>	<hr/>
	\$ 42,651,941	\$ 42,856,218
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See accompanying notes

On behalf of the Board (signed) Jacques Trottier, Director (signed) Charles Rondeau, Director

Sulliden Exploration Inc.

Consolidated Statements of Operations and Deficit

(unaudited)

	Three-month period ended October 31,		Six-month period ended October 31,	
	2005	2004	2005	2004
Interest income and other	\$ 22,107	\$ 46,145	\$ 48,480	\$ 101,001
Administrative expenses				
Professional fees	73,789	214,110	208,448	450,054
Stock-based compensation cost (Note 2)	-	-	100,246	164,430
Salaries and fringe benefits	45,066	55,049	98,868	100,099
General administrative expenses	20,416	50,549	74,476	107,137
Travel and entertainment	11,903	43,172	42,322	87,888
Shareholders' information	14,429	41,886	26,006	103,631
Exchange loss	16,604	54,232	30,643	112,438
	<u>182,207</u>	<u>458,998</u>	<u>581,009</u>	<u>1,125,677</u>
Net loss	160,100	412,853	532,529	1,024,676
Deficit at beginning	<u>26,387,160</u>	<u>23,934,807</u>	<u>26,014,731</u>	<u>23,322,984</u>
Deficit at end	<u>\$ 26,547,260</u>	<u>\$ 24,347,660</u>	<u>\$ 26,547,260</u>	<u>\$ 24,347,660</u>
Basic and diluted net loss per share	<u>\$ 0.01</u>	<u>\$ 0.01</u>	<u>\$ 0.01</u>	<u>\$ 0.02</u>

See accompanying notes

Sulliden Exploration Inc.

Consolidated Statements of Cash Flows

(unaudited)

	Three-month period ended October 31		Six-month period ended October 31	
	2005	2004	2005	2004
Operating activities				
Net loss	\$ (160,100)	\$ (412,853)	\$ (532,529)	\$ (1,024,676)
Adjustments for:				
Stock-based compensation cost	-	-	100,246	164,430
Professional fees	-	-	-	54,812
	<u>(160,100)</u>	<u>(412,853)</u>	<u>(432,283)</u>	<u>(805,434)</u>
Net change in non-cash working capital items				
Accounts receivable	66,032	48,669	34,959	13,246
Accounts payable and accrued liabilities	(2,167)	302,426	63,006	58,146
	<u>63,865</u>	<u>351,095</u>	<u>97,965</u>	<u>71,392</u>
	<u>(96,235)</u>	<u>(61,758)</u>	<u>(334,318)</u>	<u>(734,042)</u>
Investing activities				
Deferred exploration costs	(960,951)	(2,086,130)	(1,868,914)	(4,326,243)
Redeemable guaranteed investment certificates	1,075,073	977,034	2,104,073	5,868,734
Mining properties	-	-	(34,155)	-
Business acquisition	-	-	-	(4,000,000)
	<u>114,122</u>	<u>(1,109,096)</u>	<u>201,004</u>	<u>(2,457,509)</u>
Financing activity				
Share capital	-	378,500	-	2,874,118
	<u>-</u>	<u>378,500</u>	<u>-</u>	<u>2,874,118</u>
Net change in cash	17,887	(792,354)	(133,314)	(317,433)
Cash at beginning	196,545	892,715	347,746	417,794
Cash at end (1)	\$ 214,432	\$ 100,361	\$ 214,432	\$ 100,361

See accompanying notes

Additional information

Items not affecting cash related to financing and investing activities

Warrants exercised - shares issue expenses	\$ -	\$ -	\$ -	\$ 36,492
Options exercised	\$ -	\$ 49,300	\$ -	\$ 49,300
Shares issued - acquisition of mining properties	\$ -	\$ -	\$ 165,000	\$ -
Shares issued - business acquisition	\$ -	\$ -	\$ -	\$ 15,600,000
Warrants issued - business acquisition	\$ -	\$ -	\$ -	\$ 713,398

(1) Cash at end excludes the guaranteed investment certificates for which maturities are greater than three months.

Sulliden Exploration Inc.

Notes to Consolidated Financial Statements

(unaudited)

October 31, 2005 and 2004

1. General

The accompanying unaudited consolidated financial statements do not include all the disclosure required by generally accepted accounting principles for annual statements and should be read in conjunction with the notes to the Company's audited consolidated financial statements for the year ended April 30, 2005, specifically the Note 1 on the Description of Business and Continuation of the Business and Note 4 on the Summary of Significant Accounting Policies.

2. Share capital

Authorized

Unlimited number of voting common shares, without par value

Issued

Changes in the Company's share capital were as follows:

	2005		2004	
	Number of Shares	Amount	Number of Shares	Amount
Balance at beginning (May 1)	60,792,231	\$ 65,522,397	44,342,831	\$ 46,605,866
Issued following the exercise of options	-	-	200,000	165,300
Issued following the acquisition of mining properties	300,000	165,000	-	-
Issued following the exercise of warrants	-	-	3,809,400	2,794,610
Issued following a business acquisition	-	-	12,000,000	15,600,000
Balance at end (October 31)	61,092,231	\$ 65,687,397	60,352,231	\$ 65,165,776

Options

The Company has a fixed-price share option plan. Under the Employee, Director and Consultant Share Option Plan, the Company may grant options to its employees, directors and consultants for up to 10,000,000 common shares. Under the plan, the exercise price of each option equals the market price of the Company's shares on the date of grant and an option's maximum term is ten years. The number of share options granted is determined by the Board of Directors and the aggregate number of share options granted to any one individual cannot exceed 5% of the issued and outstanding common shares of the Company. Options terminate 90 days following the optionee's date of departure, except in the case of retirement, death or disability, in which case they terminate one year after the event. The options are exercisable at any time, unless otherwise specified.

Sulliden Exploration Inc.

Notes to Consolidated Financial Statements

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October 31, 2005 and 2004

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2. Share capital (cont'd)

The status of the Company's fixed-price share option plan as at October 31, 2005 and 2004, and changes during the period then ended are summarized as follows:

	2005		2004	
	Number of common share purchase options	Weighted- Average Exercise Price	Number of common share purchase options	Weighted- Average Exercise Price
Outstanding at beginning (May 1)	3,942,950	\$ 0.89	2,837,950	\$ 0.64
Granted	350,000	\$ 0.68	400,000	\$ 1.30
Exercised	-	-	(200,000)	\$ 0.58
Cancelled or expired	(380,000)	\$ 1.30	(400,000)	\$ 0.58
Outstanding at end (October 31)	<u>3,912,950</u>	<u>\$ 0.82</u>	<u>2,637,950</u>	<u>\$ 0.75</u>
Options outstanding and exercisable	<u>3,912,950</u>		<u>2,637,950</u>	

The following table summarizes information on fixed-price share options outstanding as at October 31, 2005:

Exercise Price	Options Outstanding			Options Exercisable	
	Number Outstanding as at 10/31/05	Weighted- Average Remaining Contractual Life	Weighted- Average Exercise Price	Number Exercisable as at 10/31/05	Weighted- Average Exercise Price
\$0.29	395,000	1.25 years	\$0.29	395,000	\$0.29
\$0.39	350,000	5.10 years	\$0.39	350,000	\$0.39
\$0.40	217,950	0.16 year	\$0.40	217,950	\$0.40
\$0.84	250,000	2.80 years	\$0.84	250,000	\$0.84
\$1.00	2,150,000	4.07 years	\$1.00	2,150,000	\$1.00
\$1.30	200,000	0.67 year	\$1.30	200,000	\$1.30
\$0.68	350,000	1.58 years	\$0.68	350,000	\$0.68
	<u>3,912,950</u>	<u>3.18 years</u>	<u>\$0.82</u>	<u>3,912,950</u>	<u>\$0.82</u>

Sulliden Exploration Inc.

Notes to Consolidated Financial Statements

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October 31, 2005 and 2004

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2. Share capital (cont'd)

The fair value of options granted was estimated using the Black-Scholes options pricing model with the following weighted average assumptions :

Period ending October 31	2005	2004
Weighted risk-free interest rate	2.86%	2.93%
Expected volatility	75%	75%
Dividend yield	Nil	Nil
Weighted average expected life	2 years	2 years
Weighted average cost of option granted	\$0.29	\$0.55

The cost recorded for the options granted to directors, officers and consultants during the six-month period ended October 31, 2005 is \$100,246 as Stock-based compensation cost (\$164,430 and \$54,812 as professional fees in 2004) as Stock-based compensation cost and the counterpart \$100,246 (\$219,242 in 2004) has been credited to the Options account

As at October 31, 2005, the cost of the cancelled or expired options is \$526,366.

Warrants

The status of the warrants as at October 31, 2005 and 2004 and changes during the periods then ended are summarized as follows:

	2005		2004	
	Numbers of warrants	Weighted- Average Exercise Price	Numbers of warrants	Weighted- Average Exercise Price
Outstanding at beginning	8,176,000	\$ 2.92	10,468,350	\$ 1.75
Issued	-	-	4,000,000	\$ 3.00
Exercised	-	-	(3,809,400)	\$ 0.72
Cancelled or expired	(3,875,000)	\$ 3.00	(1,849,100)	\$ 1.26
Outstanding at end	4,301,000	\$ 2.84	8,809,850	\$ 2.84

Sulliden Exploration Inc.

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October 31, 2005 and 2004

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2. Share capital (cont'd)

The following table summarizes information on warrants outstanding as at October 31, 2005:

Exercise Price	Warrants Outstanding			Warrants Exercisable	
	Number Outstanding as at 10/31/05	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable as at 10/31/05	Weighted-Average Exercise Price
\$0.75	301,000	0.43 year	\$0.75	301,000	\$0.75
\$3.00	4,000,000	0.13 year	\$3.00	4,000,000	\$3.00
	4,301,000	0.15 year	\$2.84	4,301,000	\$2.84

As at October 31, 2005, the cost of the cancelled or expired warrants is \$282,087.

3. Related party transactions

During the period ended October 31, 2005, the Company agreed to pay \$202,266 (\$201,120 in 2004), of which \$202,266 (\$193,620 in 2004) was professional fees and general administration expenses and none (\$7,500 in 2004) was deferred exploration costs, to companies whose shareholders are related to the Company's officers and directors. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

4. Contingencies

(a) Environmental

The Company's operations are subject to governmental laws and regulations regarding environmental protection. Environmental consequences, their impact and their duration are difficult to determine. To the best of its knowledge, management believes that the Company's operations are in compliance with all applicable laws and regulations. Any payment resulting from site restoration costs will be charged to operations in the year in which it can be reasonably estimated.

(b) Litigation Uncertainty With Respect to the Shahuindo Property

The rights of the Company to develop the Shahuindo property in Peru are derived from the following agreements entered into between Sulliden and Compania Minera Algamarca S.A. and its subsidiary, Compania de Exploraciones Algamarca S.A. ("Algamarca") to purchase 100% of the interest in the concessions and superficial lands of the Shahuindo property. An initial Letter of Intent dated October 25, 2002, and Final Letter of Intent dated August 15, 2002, were formalized in a Transfer Agreement (the "Agreement") dated November 6, 2002 between Sulliden and Algamarca (See Note 7 to the annual financial statements) pursuant to which Algamarca sold and transferred the Shahuindo property to Sulliden for a purchase price of US\$4.13 million. The amount was payable in installments and bearing interest of 5% annually.

Sulliden Exploration Inc.

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October 31, 2005 and 2004

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4. Contingencies (cont'd)

(b) Litigation Uncertainty With Respect to the Shahuindo Property (cont'd)

Following the execution of the Agreement, the shareholders of Algamarca sold their shares to a third party, Alta Tecnologia e Inversion Minera y Metalurgica S.A. ("Atimmsa"). The new shareholder Atimmsa claimed that the Transfer Agreement was invalid and commenced legal actions in Peru to have the Agreement declared invalid and obtained an illegal injunction to suspend the transfer of the mining claims to the Company by the Judge of the District of La Esperanza in Trujillo. Sulliden challenged the competence (jurisdiction) of the Judge of the District of La Esperanza in an application brought to the Supreme Court in Lima which decided in favor of Sulliden and ruled that the Judge lacked competency. The case was then referred to the Tenth District Civil Court in Lima. In June 2004, the Tenth District Civil Court of Lima declared the injunction previously granted to Atimmsa invalid and dismissed Atimmsa's litigation. This decision was subsequently confirmed by the Fifth Civil Chamber of the Superior Court of Lima in September 2004.

The Transfer Agreement between the Company and Algamarca provides for the resolution of disputes by arbitration and, consequently, Sulliden invoked the arbitration clause in September 2003 and referred the dispute to arbitration. An Arbitration Tribunal was established in January 2004 and had completed its evidentiary stage by May 2005. Algamarca had objected to the Arbitration process and, although it is actively participating in the Arbitration, has attempted in various Courts in different locations and in different jurisdictions to have the Arbitration Proceedings suspended. In May 2005, Algamarca obtained an injunction from the First Mixed Court of the Villa Maria del Triunfo ordering the suspension of the arbitration proceedings pending a court hearing on the Algamarcas objection. Following the injunction, the arbitration tribunal resolved (by a majority decision) dated May 31, 2005, to suspend the proceedings. This suspension order is subject to an appeal by Sulliden, and by the tribunal itself, to the Supreme Court of Lima.

As a result of the legal actions, the transfer of the Shahuindo mining claims to Sulliden had not been completed. Following the decision of the Fifth Civil Chamber of the Superior Court of Lima in September 2004 to remove the injunction and dismiss Atimmsa's litigation, six of the claims which are registered in the National Public Registry at Lima ("SUNARP") were transferred and registered in Sulliden's name on February 22, 2005. Sulliden has demanded the registration of the transfer of the remaining twenty claims, which are registered in the District Public Registry at Trujillo, but this registration has not yet taken place. In September 2005 the Superior Court of Lima unanimously rendered its judgment dated September 2, 2005 to revoke the precautionary measure (injunction) that had temporarily suspended the Arbitration Process. In November 2005 the Arbitration Tribunal once again rejected a request by Algamarca to suspend the Arbitration Process. Whilst this latest measure has caused a delay in the timing of the closing arguments and the Arbitrators decision, the Arbitrators have notified the parties that they intend to hear the Closing Arguments in early December.

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4. Contingencies (cont'd)

(b) Litigation Uncertainty With Respect to the Shahuindo Property (cont'd)

In the opinion of management, the claims of Atimmsa and Algamarca are made in bad faith and without merit and will be defended. The Company has paid the full purchase price of US \$4.13 million, including US\$10,000 accepted by the shareholders of Algamarca upon signing the Final Letter of Intent on August 15, 2002, as well as \$320,000 paid to Algamarca upon execution of the Transfer Agreement on November 11, 2002. Of this latter amount and in fulfillment of Algamarca's instructions, US \$107,244 was in favour of Compania de Minas Buenaventura S.A.A. to release Algamarca from a previous option obligation, with the remaining US \$212,756 having been accepted by the Algamarca shareholders. The balance of the total purchase price plus the interest was paid to the Court.

The Company will seek by every means possible to have its ownership of the Shahuindo property confirmed and the claims registered in its name. The Company cannot predict with certainty the outcome of the various legal actions in Peru or the impact of these actions on the Company's rights to the Shahuindo property.