

Sulliden Exploration Inc.

Consolidated Financial Statements

July 31, 2007 and 2006

*First Quarter
Interim Report
July 31, 2007*

Not reviewed by Auditor

Sulliden Exploration Inc.

Consolidated Statements of Operations and Deficit for the quarter ended July 31, 2007 and 2006

	July 31, 2007	July 31, 2006
Income		
Interest income	\$ 30,420	\$ 14,093
Administrative expenses		
Stock-based compensation cost	27,118	-
Corporate and financial advisory fees	80,000	-
Professional fees	104,558	73,595
Salaries and consulting fees	24,000	45,056
General and administrative	23,954	(294)
Travel and accommodation	12,853	12,238
Shareholders' information	7,484	6,544
Exchange loss	2,247	1,886
	<u>282,214</u>	<u>139,025</u>
Net loss	251,794	124,932
Deficit at beginning	29,731,366	27,161,440
Deficit at end	<u>\$ 29,983,160</u>	<u>\$ 27,286,372</u>
Basic and diluted net loss per share	<u>\$ 0.01</u>	<u>\$ 0.01</u>

See accompanying notes

Sulliden Exploration Inc.

Consolidated Statements of Cash Flows for the quarter ended July 31, 2007 and 2006

	July 31, 2007	July 31, 2006
Operating activities		
Net loss	\$ (251,794)	\$ (124,932)
Adjustments for:		
Stock-based compensation cost	32,934	-
	<hr/>	<hr/>
	(218,860)	(124,932)
	<hr/>	<hr/>
Net change in non-cash working capital items		
Accounts receivable	12,514	19,208
Accounts payable and accrued liabilities	37,587	287,814
	<hr/>	<hr/>
	50,101	307,022
	<hr/>	<hr/>
Cash flows used in operating activities	(168,759)	182,090
	<hr/>	<hr/>
Investing activities		
Redemption of Guaranteed investment certificates	937,000	1,004,000
Deferred exploration costs, net	(730,031)	(1,126,799)
	<hr/>	<hr/>
	206,969	(122,799)
	<hr/>	<hr/>
	<hr/>	<hr/>
Net change in cash	38,210	(122,799)
Cash at beginning	214,954	240,682
Cash at end	\$ 253,164	\$ 299,973

See accompanying notes

Sulliden Exploration Inc.
Notes to Consolidated Financial Statements
for the quarter ended July 31, 2007 and 2006

1. General

The Company, 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 process of exploring mineral properties in Peru. The exploration and development of mineral deposits involves significant financial risk. The success of the Company will be influenced by a number of factors, including risks associated with exploration and extraction, regulatory issues and environmental and other regulations.

The Company's title rights to the Shahuindo property have been challenged in various legal proceedings in Peru - See Note 9 for more details.

For the three month period ended July 31, 2007, the Company recorded a loss of \$251,794. In addition to ongoing working capital requirements, the Company must secure sufficient funding in order to meet its existing commitments for exploration and development programs and general and administration costs.

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, 2007, specifically the Note 1 on the Description of Business and Continuation of the Business and Note 2 on the Summary of Significant Accounting Policies.

2. Mining Properties

	%	Balance as at April 30, 2007	Acquisition	Balance as at July 31, 2007
Peru				
Shahuindo (Note 6)	100	\$ 23,391,470	\$ -	\$ 23,391,470
Vikingo (option) (Note 5)	66	138,792	-	138,792
Torrine (option) (Note 5)	50	1,093,005	-	1,093,005
		<u>\$ 24,623,267</u>	<u>\$ -</u>	<u>\$ 24,623,267</u>

Deferred Exploration Costs

	Balance as at April 30, 2007	Exploration Costs	Balance as at July 31, 2007
Peru			
Shahuindo (Note 6)	\$ 19,372,320	\$ 730,031	\$ 20,102,351
Vikingo (option) (Note 5)	74,555	-	74,555
Torrine (option) (Note 5)	422,528	-	422,528
	<u>\$ 19,869,403</u>	<u>\$ 730,031</u>	<u>\$ 20,599,434</u>

Sulliden Exploration Inc.
Notes to Consolidated Financial Statements
for the quarter ended July 31, 2007 and 2006

3. Share Capital

Authorized

Unlimited number of voting common shares, without par value

Issued

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

	2007		2006	
	Number of Shares	Amount	Number of Shares	Amount
Balance at April 30	72,522,144	\$ 73,669,837	61,458,522	\$ 65,914,794
Balance at July 31,	72,522,144	\$ 73,669,837	61,458,522	\$ 65,914,794

Share Purchase Options

Under the Company's Share Option Plan, the Company may grant options to its employees, directors and consultants for up to 10,000,000 common shares. 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.

The status of the Company's share option plan as at July 31, 2007 and 2006, and changes during the periods then ended, are summarized as follows:

	2007		2006	
	Number of Share Purchase Options	Weighted Average Exercise Price	Number of Share Purchase Options	Weighted Average Exercise Price
Outstanding at April 30	4,700,000	\$ 0.82	3,095,000	\$ 0.82
Cancelled or expired			(300,000)	\$ 1.10
Outstanding at July 31	4,700,000	\$ 0.80	2,795,000	\$ 0.79
Exercisable at July 31	4,700,000	\$ 0.80	2,795,000	\$ 0.79

Sulliden Exploration Inc.
Notes to Consolidated Financial Statements
for the quarter ended July 31, 2007 and 2006

The following table summarizes information on share purchase options outstanding as at July 31, 2007:

Options Outstanding and Exercisable		
Exercise Price	Number Outstanding as at 07/31/07	Weighted Average Remaining Contractual Life
\$ 0.29	85,000	0.10 years
\$ 0.39	350,000	3.3 years
\$ 0.50	400,000 *	4.3 years
\$ 0.68	200,000	0.06 years
\$ 0.80	1,815,000	4.20 years
\$ 0.84	250,000	1.0 years
\$ 1.00	1,600,000	2.2 years
	4,700,000	

*175,000 options vested on December 18, 2006, 200,000 options vested on June 18, 2007 and 25,000 options vest on December 18, 2007. A charge of \$27,118 in respect of stock-based compensation was recorded as an administrative expense and \$5,816 was capitalized to deferred exploration costs in respect of options which vested in the three months ended July 31, 2007.

Warrants

The status of the warrants outstanding as at April 30, 2007 and 2006 and changes during the years then ended are summarized as follows:

	2007		2006	
	Number of Warrants	Weighted Average Exercise Price	Number of Warrants	Weighted Average Exercise Price
Outstanding at beginning	5,906,250	\$ 1.00	-	-
Issued	-	-	-	-
Exercised	-	-	-	-
Cancelled or expired	-	-	-	-
Outstanding at end	5,906,250	\$ 1.00	-	-

4. Related Party Transactions

During the quarter, the Company agreed to pay \$56,500 (\$57,110 in 2006) in professional fees and general administrative expenses to companies with shareholders related to the Company's officers and directors. During the quarter ended July 31, 2007, an amount of \$35,458 was paid to a legal firm in which an officer of the Company is a partner. 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.

5. Commitments

(a) Option Agreement – Vikingo Property

Pursuant to an agreement entered into with a third party dated January 13, 2004, and a transfer contract dated February 23, 2005 (recorded at the Mining Rights Register June 28, 2005) the Company has the option to acquire an undivided interest of 66% in 2000 hectares forming the Vikingo property located in Peru. To acquire this interest, the Company may expend up to US\$350,000 on exploration work on this property over a period of two years from the date of registration and pay US\$120,000 and issue 90,000 common shares

On June 27, 2007 the Company served notice of exercise of the option. The Company is presently renegotiating the terms of the agreement with the other party. If such renegotiation cannot be achieved the investment in the Vikingo Property in the amount of \$213,347 (mining properties of \$138,792, deferred exploration of \$74,555) will be written off.

(b) Option Agreement – Torrine Property

Pursuant to a Letter of Intent for the Torrine project with Aruntani S.A.C. dated October 14, 2004 as amended, the parties have agreed to establish a Joint Venture Company under the name of Torrine S.A.C. The shareholders of Torrine S.A.C are Livia S.A.C. at 45% and Muruhuay S.A.C at 5%, with Sulliden having a 50% interest. Aruntani S.A.C. is a major shareholder of Livia S.A.C. and Muruhuay S.A.C. Aruntani S.A.C., the manager of Torrine S.A.C., will receive a 2% NSR on the Torrine project.

The Torrine project was transferred to Torrine SAC by Livia S.A.C. with the understanding that the consideration of US\$300,000 in cash and the issuance of 3,000,000 shares of Sulliden provided for under the Letter of Intent, shall be remitted to Livia SAC in three installments:

- (i) US\$25,000 and 300,000 shares of Sulliden upon closing of the option agreement and subject to regulatory authorities' approval;
- (ii) US\$75,000 and 900,000 shares of Sulliden upon the second anniversary (October 2006) of the option's closing; and
- (iii) US\$200,000 and 1,800,000 shares of Sulliden upon the third anniversary (October 2007) of the option's closing.

As at July 31, 2007, the Company had paid US \$100,000 and issued 1,200,000 common shares.

Under the Agreement, Sulliden is obliged to contribute a total of US\$800,000 in exploration work during the option period over three years, i.e. US\$350,000 during the first two years and US\$450,000 during the third year. As at July 31, 2007 the Company had expended \$422,528.

In the event that Sulliden defaults on any of its obligations or commitments set out above, its shares of Torrine S.A.C. may be redeemed by Livia S.A.C. for a nominal consideration of US\$1.00.

6. Litigation Uncertainty With Respect to the Shahuindo Property - Legal Proceedings

Sulliden's rights to the Shahuindo property are in dispute and have been challenged in various legal proceedings in Peru.

The following is a summary only of the principal aspects of the dispute and ongoing litigation. Further details may be found in Sulliden's Annual Information Form, for the year ended April 30, 2007.

Background:

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 Sulliden's proposal by a majority vote and authorized the General Manager of Algamarca to sign the Final Letter of Intent dated August 15, 2002. The signature of the Final Letter of Intent was accompanied by an initial cash payment by Sulliden of US\$10,000 to Algamarca.

Following due diligence, Sulliden, through a newly incorporated wholly-owned subsidiary, Minera Sulliden Shahuindo S.A.C., 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, which was signed by the General Manager of Algamarca, contains an arbitration clause which provides that any dispute arising from the Contract would be resolved by arbitration.

Upon the signing of the Transfer Contract Sulliden Inc. paid a further US\$320,000 to Algamarca of which US\$103,000 was paid to Compañía de Minas Buenaventura S.A.A., as directed by Algamarca in order to release a mortgage lien on the property held by Buenaventura.

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 Sanchez 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 Sanchez family, has sought to rescind the Transfer Contract or to frustrate its terms. Algamarca commenced numerous legal actions against Sulliden in Peru including:

- (a) Four civil actions in Lima questioning the Transfer Contract;
- (b) A Constitutional Action in Trujillo seeking the registration of eight mining concessions in Attimmsa's name;
- (c) Four criminal procedures in Cajamarca against Sulliden officers (and employees);
- (d) Four constitutional actions in Lima and two in Cajamarca challenging the Arbitration;

- (e) Four criminal procedures in Lima against the Arbitrators personally; and
- (f) Four civil actions in 2006/2007 challenging the registration of the Shahuindo mining concessions in Sulliden's name.

Permits/Work Orders

In 2003 and 2004, Sulliden conducted field work, surveys, soil sampling, geophysics and two drilling programs on the property. In 2003, the drilling program consisted of twenty-seven (27) diamond drill holes totaling 3,388 metres. In 2004, drilling consisted of fifty-six (56) diamond drill holes totaling 8,504 metres.

Arbitration Process:

In July 2003, Sulliden proposed to Algamarca that the dispute be referred to arbitration. Algamarca did not respond. In September 2003, Sulliden invoked the arbitration clause in the Transfer Agreement which provided that any dispute between the parties would be settled by arbitration in Peru.

Algamarca rejected the demand for Arbitration and refused to nominate an Arbitrator. In December 2003, at Sulliden's request, a second Arbitrator was appointed by the National Institute of Mining, Petroleum and Energy Law. On January 21, 2004, at Sulliden's petition, the Arbitration Tribunal was formally installed with three Arbitrators, one proposed by Sulliden, a second proposed by the Institute of Mining, Petroleum and Energy Law, with these two nominating the President of the Tribunal. Thereafter, the Arbitration Proceedings continued with the active involvement of representatives of both Sulliden and Algamarca, despite the repeated objections of Algamarca to submit itself to Arbitration.

In the arbitration proceedings Sulliden sought a declaration that Algamarca are compelled to fulfill the Transfer Contract and the obligations contained therein. Algamarca challenged the effectiveness of the Transfer Contract and the validity of the arbitration clause and the competence of the Arbitration Tribunal. Algamarca argued that in executing the Transfer Contract the General Manager of Algamarca exceeded the authority of the Power of Attorney conferred on him by the shareholders meeting of Algamarca held in July 2002, which approved the purchase by the Canadian company Sulliden Exploration Inc. which is a different legal entity than the purchaser, Minera Sulliden Shahuindo S.A.C., and by agreeing to the arbitration provisions.

Attempts to Suspend Arbitration:

As part of its objection and opposition to the Arbitration Process, Algamarca initiated several legal actions including civil actions, constitutional proceedings and criminal proceedings. In addition, Algamarca sought various injunctions in an effort to prevent the Arbitration Tribunal from issuing a Decision.

Arbitration Award:

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 Agreement 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 Agreement, 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 Agreement dated November 11, 2002.
- Orders the registration of the Transfer Agreement 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.

Registration of Concessions and Grant of Permit:

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. In compliance with the Injunction of the 55th Civil Court of Lima, the twenty mining concessions were re-registered in the name of Sulliden, effective November 2002. 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.

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.

In April 2007, the Ministry of Energy & Mines issued an exploration permit to Sulliden Shahuindo. The permit is valid for a period of nine months and authorizes Sulliden to conduct an exploration program on the Shahuindo Property, specifically on the mining concessions identified as "Acumulacion Algamarca"; Perdida 1; Malvas; and Malvas 92.

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 has refused to recognize the Arbitration Decision and Award and continue to try to ignore and frustrate the Transfer Agreement. 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:

(i) Filing a petition in the Commercial Chamber of the Superior Court in Lima seeking a declaration of nullity of the Arbitration Award. (See Nullity Petition below)

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

(iii) Reactivating a claim filed in the 64th Civil Court of Lima in November 2004 seeking a declaration of nullity of the Transfer Contract and damages of \$5 million.

Sulliden is aware that Algamarca had purported to try 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 Sanchez family.

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. Sulliden has filed an appeal against the decision of the Commercial Chamber not to accept Sulliden's Motion of Recusation against one member of that judicial panel and has also filed a Nullity Petition to the Superior Court seeking to set aside the public hearing of June 27, 2007.

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 referring the matter back to the Courts (the Judicial Power). The Superior Court of Lima set aside the Arbitration Decision on the grounds that, in signing the Transfer Agreement 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 of its decision to declare null and void the Arbitration, the Superior Court declared that it was not necessary to deal with the other points of appeal which had been argued by Algamarca, for example, the alleged conflicts of the Arbitration Panel, and did not rule on these points.

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.

The effect of the appeal is to suspend the ruling of the Commercial Chamber and, pending the decision of the Supreme Court, the ruling will have no force or effect. Sulliden expects that the decision will be overturned by the Supreme Court.

If the nullity is confirmed, the effect will only be to set aside the arbitration process and nullify the Arbitration Award based on a legal procedure technicality, which was previously considered and rejected by a majority of the Arbitration panel. The decision does not address and will 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.

However, if the nullity decision of the Commercial Chamber is not overturned by the Supreme Court and the arbitration process is set aside, the legal dispute would then have to be determined by the Courts.

Sale of Algamarca

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.

The Peruvian shareholders accepted Century's offer for an initial installment of US\$1 million to be paid immediately and Century will continue payments of US\$1 million each quarter for the remaining 7 quarters during the 2-year post closing period. At any time up to the end of the two-year post closing period, Century will effect a payment of US\$20 million, with the balance payable 18 months later.

Concurrent with this transaction, Century acquired an option to purchase the mining concessions and surface rights surrounding Shahuindo, called the "Atimmsa Project" for US\$21 million. This property totals 10,000 hectares of mining concessions. As already known, the entitlement to the Shahuindo mining concessions is actually involved in an extensive litigation in Peru that it sold to Century Mining.”

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.

“These companies own 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 US\$31 million, which is being financed by the sellers over a 2-year period”...”The financing is non-recourse to Century Mining, or any of its subsidiaries and in certain circumstances the payments can be accelerated.”

In a Material Change Report (Form 51-102F3) filed with the Ontario Securities Commission dated May 16, 2007 (filed on SEDAR May 16, 2007) Century stated that “completion of the purchase of the Shahuindo Property is conditional upon the purchase by a subsidiary of Century of the Atimmsa Property.”

In its financial statements for the quarter ended May 31, 2007, (filed on SEDAR August 30, 2007) Century reported that:

“The purchase price for 100% ownership of these companies was US\$31 million, which is being financed by the seller’s over a two year period. An initial installment by the Company of US\$1 million was paid on signing and a further US\$1 million was paid August 6, 2007” “Additional consideration in the form of a 2% NSR royalty is also payable” “As part of the terms of the transaction, the sellers of the property have agreed to maintain carriage of the litigation in Peru”.

“Although the shares... have been purchased and are officially recorded in the Company’s name, the Company has recorded the transaction as an option because of the payment provisions ...”

Sulliden Files Law Suits in Canada

On June 21, 2007 Sulliden filed two lawsuits in the Canadian courts seeking to enforce Sulliden’s rights to the Shahuindo property.

Sulliden filed a Notice of Application in the Superior Court of Justice of Ontario in the matter of the *International Commercial Arbitration Act* and the *Model Law on International Commercial Arbitration*, adopted by the United Nations Commission on International Trade Law, seeking an Order pursuant to Article 35 of the *Model Law* recognizing the Arbitration Award made in Sulliden’s favor, an Order recognizing the Arbitration Award as binding upon Algamarca and Century Mining Corporation and an Order enforcing the Arbitration Award against Algamarca and Century.

Sulliden also commenced an action in the Superior Court of Justice of Ontario against Algamarca, Century Mining Corporation, Orlando Sanchez Paredes 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, as well as conspiracy and other claims. Sulliden is also claiming punitive damages of an additional \$10 million, together with prejudgment interest, legal costs and other relief.

The lawyers for Century and the lawyers for Algamarca and Sanchez have indicated to Sulliden that they intend to bring a Motion in the Supreme Court of Justice of Ontario seeking to have Sulliden’s Statement of Claim stayed or dismissed on the basis of jurisdiction, on the grounds 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. Sulliden intends to vigorously defend that Motion and will seek to have the claim heard by the Ontario Courts in Canada.

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 favourable to Sulliden. 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. The decision of the Superior Court to grant Algamarca’s Nullity Petition was a set back. Although disappointed, Sulliden was not totally surprised by the decision. Sulliden had been uncomfortable with the process and objected to the composition of the particular judicial panel appointed to hear the Petition and Sulliden had declined to participate in the public hearing held by the Superior Court of Lima on June 27, 2007.

Sulliden has filed an appeal to the Supreme Court of Peru against the decisions of the Commercial Chamber of the Superior Court of Lima. The effect of the appeal is to suspend the decision of the Superior Court and, pending the appeal, the decision will have force or effect.

The legal and judicial system in Peru is complex, with overlapping and often conflicting court jurisdictions. The Peruvian legal, judicial and court system is unpredictable and significantly different than the Canadian legal system.

The Company will seek by every means possible to have its ownership of the Shahuindo property confirmed and the mining concessions and surface lands registered or re-registered in its name. Sulliden has filed the appropriate appeals, review requests and nullity applications against all the interceding injunctions and will continue where appropriate to seek whatever legal redress is necessary secure full ownership of the Shahuindo property in Sulliden's name.

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

7. Subsequent Events

1. On July 26, 2007 the Board of Directors approved an extension of the 5,906,250 outstanding share purchase warrants exercisable at \$1.00 per share to August 31, 2008 and this extension was ratified by shareholders at the Annual and Special Meeting of shareholders held on August 29, 2007.
2. On July 26, 2007 the Board of Directors adopted a Shareholder Rights Plan which was ratified and approved by the shareholders at the Annual and Special Meeting of Shareholders held on August 29, 2007.
3. On August 9, 2007 the Superior Court of Lima declared null and void the Arbitration Decision and Award granted in Sulliden's favour in July 2006. Sulliden has appealed that decision to the Supreme Court of Peru (see Note 6 above).
4. On August 28, 2007, 85,000 stock options were exercised at a price of \$0.29 per share.