

Sulliden Exploration Inc.

Consolidated Financial Statements

October 31, 2007 and 2006

*Second Quarter
Interim Report
October 31, 2007*

These Financial Statements have not been reviewed by the Company's Auditor

Sulliden Exploration Inc.

Consolidated Balance Sheets

	Oct 31, 2007 (unaudited)	April 30, 2007 (audited)
Assets		
Current assets		
Cash	\$ 272,385	\$ 214,954
Guaranteed investment certificates	2,350,991	4,774,235
Accounts receivable	166,973	187,990
	<u>2,790,349</u>	<u>5,177,179</u>
Fixed Assets		
Mining properties	24,623,267	24,623,267
Deferred exploration costs	22,339,924	19,869,403
	<u>\$ 49,753,540</u>	<u>\$ 49,669,849</u>
Liabilities		
Current liabilities		
Accounts payable and accrued liabilities	\$ 865,894	\$ 293,057
Shareholders' Equity		
Share capital	73,579,643	73,669,837
Warrants	1,433,930	1,289,227
Options	2,083,087	2,108,153
Contributed Surplus	2,098,941	2,040,941
Deficit	(30,307,955)	(29,731,366)
	<u>48,887,646</u>	<u>49,376,792</u>
	<u>\$ 49,753,540</u>	<u>\$ 49,669,849</u>

Sulliden Exploration Inc.

Consolidated Statements of Operations, Comprehensive Income and Deficit

unaudited

	Three month period ended Oct 31,		Six month period ended Oct 31,	
	2007	2006	2007	2006
Interest income, net	\$ 32,425	\$ 45,085	\$ 62,845	\$ 59,178
Comprehensive Income (Loss)	-	-	-	-
Interest and Comprehensive Income	32,425	45,085	62,845	59,178
Administrative expenses				
Legal & Professional fees	156,490	85,991	341,048	159,586
Salaries and consulting fees	64,143	110,690	88,143	155,746
Travel and entertainment	11,156	15,976	24,009	28,214
Shareholders' information	28,493	7,494	35,978	14,028
Exchange loss	45,356	4,337	47,603	6,223
General administrative expenses	21,742	6,208	45,696	5,914
Stock-based compensation cost	-	740,679	27,118	740,679
	<u>327,381</u>	<u>971,375</u>	<u>609,595</u>	<u>1,110,390</u>
Net loss	294,956	926,290	546,750	1,051,212
Comprehensive Income (Loss)	-	-	-	-
Net loss and comprehensive loss	\$ 294,956	\$ 926,290	\$ 546,750	\$ 1,051,212
Deficit at beginning	29,983,160	27,286,372	29,731,366	27,161,440
Share issue expenses	29,859	1,026,776	29,859	1,026,776
Deficit at end	\$ 30,307,975	\$ 29,239,438	\$ 30,307,975	\$ 29,239,428
Fully diluted net loss and comprehensive loss per share	<u>\$ 0.004</u>	<u>\$ 0.011</u>	<u>\$ 0.007</u>	<u>\$ 0.013</u>
<i>Fully Diluted Shares</i>	<i>83,693,394</i>	<i>82,249,772</i>	<i>83,693,394</i>	<i>82,249,772</i>

Sulliden Exploration Inc.**Consolidated Statements of Cash Flows**
(unaudited)

	Three month period ended Oct 31,		Six month period ended Oct 31,	
	2007	2006	2007	2006
Operating activities				
Net loss and comprehensive loss	\$ (294,956)	\$ (926,290)	\$ (546,750)	\$ (1,051,222)
Adjustment for:				
Stock-based compensation cost	-	740,679	32,934	740,679
	<u>(294,956)</u>	<u>(185,611)</u>	<u>(513,816)</u>	<u>(310,543)</u>
Net change in non-cash working capital items				
Accounts receivable	8,502	(32,956)	21,017	(13,748)
Accounts payable and accrued liabilities	535,251	(144,202)	572,837	143,612
	<u>543,753</u>	<u>(177,158)</u>	<u>593,854</u>	<u>129,864</u>
	<u>248,798</u>	<u>(362,769)</u>	<u>80,038</u>	<u>(180,679)</u>
Investing activities				
Deferred exploration costs	(1,740,490)	(818,799)	(2,470,521)	(1,945,598)
Redeemable guaranteed investment certificates	1,486,244	(5,532,424)	2,423,244	(4,528,424)
Mining properties	-	(83,850)	-	(83,850)
	<u>(254,246)</u>	<u>(6,435,073)</u>	<u>(47,277)</u>	<u>(6,557,872)</u>
Financing Activity				
Share Capital	24,650	7,500,000	24,650	7,500,000
Share issue expense	-	(760,745)	-	(760,745)
	<u>24,650</u>	<u>6,739,255</u>	<u>24,650</u>	<u>6,739,255</u>
Net change in cash	19,201	(58,587)	57,411	704
Cash at beginning	<u>253,164</u>	<u>299,973</u>	<u>214,954</u>	<u>240,682</u>
Cash at end	<u>\$ 272,365</u>	<u>\$ 241,386</u>	<u>\$ 272,365</u>	<u>\$ 241,386</u>

Sulliden Exploration Inc.
Notes to Consolidated Financial Statements
For the quarter ended October 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 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.

The Company's title rights to the Shahuindo property have been challenged in various legal proceedings in Peru - See Note 6 for more details.

For the three and six month periods ended October 31, 2007, the Company recorded a net loss of \$294,956 and \$546,750 respectively. The primary activity of the Company in the second quarter was the drilling work undertaken in the 2007 exploration program at Shahuindo. The Company incurred \$1,740,490 of deferred exploration and development costs in the second quarter and a combined investment of \$2,470,521 over the first six months of the current fiscal year, increasing the Deferred Exploration Cost balance to \$22,339,924 as of October 31st, 2007. In addition to utilizing existing investment funds to meet 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.

2. Mining Properties

	%	Balance as at April 30 th , 2007	Acquisition	Balance as at October 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 th , 2007	Exploration Costs	Balance as at October 31, 2007
Peru			
Shahuindo (Note 6)	\$ 19,372,320	\$ 2,451,637	\$ 21,823,957
Vikingo (option) (Note 5)	74,555	-	74,555
Torrine (option) (Note 5)	422,528	18,884	441,412
	<u>\$ 19,869,403</u>	<u>\$ 2,470,521</u>	<u>\$ 22,339,924</u>

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
Shares issued – Option Exercise	85,000	\$ 24,650		
Balance at October 31,	72,607,144	\$ 73,694,487	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 the 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. During the period 85,000 options priced at \$0.29 were exercised and 200,000 options priced at \$0.68 expired.

The status of the Company's share option plan as at October 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
Exercised	(85,000)	\$ 0.29		
Cancelled or expired	(200,000)	\$ 0.68	(300,000)	\$ 1.10
Outstanding at October 31	4,415,000	\$ 0.82	2,795,000	\$ 0.79
Exercisable at October 31	4,390,000	\$ 0.82	2,795,000	\$ 0.79

Sulliden Exploration Inc.
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The following table summarizes information on share purchase options outstanding as at October 31, 2007:

Options Outstanding and Exercisable		
Exercise Price & Weighted Average Exercise Price	Number Outstanding as at Oct 31st, 2007	Weighted Average Remaining Contractual Life
\$ 0.39	350,000	3.14 years
\$ 0.50	400,000 *	4.13 years
\$ 0.80	1,815,000	3.99 years
\$ 0.84	250,000	0.8 years
\$ 1.00	1,600,000	2.07 years
\$0.82	4,415,000	3.06

*175,000 options vested on December 18, 2006: 200,000 options vested on June 18, 2007 and 25,000 options will vest on December 18, 2007.

There were no charges incurred for stock-based compensation as no options vested during the period.

The cost of the cancelled or expired options during the 2nd quarter of 2007 was \$58,000 (\$181,915 in October 31, 2006) and was transferred to Contributed Surplus.

Warrants

The status of the warrants outstanding as at October 31, 2007 and 2006 and changes during the periods 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	-	-	5,906,259	\$ 1.00
Exercised	-	-	-	-
Cancelled or expired*	-	-	-	-
Outstanding at end	5,906,250	\$ 1.00	5,906,250	\$ 1.00

*At the Annual and Special Meeting of the Shareholders of the Company held on August 29th, 2007 a resolution was passed to extend the maturity of the outstanding Warrants by one year to August 31, 2008. The additional warrant value of \$114,703 was credited to the Warrant Account and charged to share capital. The additional warrant value of the Broker Warrants of \$29,859 was credited to the Warrant Account and charged to share issue expense.

4. Related Party Transactions

During the period, the Company agreed to pay \$102,610 (\$193,429 in 2006) in professional fees and general administrative expenses to companies with shareholders related to the Company's officers and directors. In addition an amount of \$113,819 was paid to a legal firm in which a director of the Company is a partner and an amount of \$13,729 was paid to a legal firm in which an officer of the Company is associated. 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 October 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 October 31, 2007 the Company had expended \$441,412.

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.

The Company has not made the payments due upon the third anniversary (October 2007) and is presently renegotiating the terms of the agreement with the other party. If said negotiation cannot be achieved, the agreement will be terminated and the investment in the Torrine Property in the amount of \$1,534,417 will be written off.

Sulliden has not carried out any significant work on either of these properties in the period under review. The planned drilling on Torrine has not commenced, primarily because of Sulliden's wish to concentrate its efforts on the Shahuindo Property. Sulliden's continued involvement in both of these properties will require renegotiation of the underlying agreements and while such renegotiations have commenced there is no guarantee that such renegotiations will be successful. If Sulliden cannot renegotiate the agreements Sulliden will terminate its involvement in both properties and will write off the investment of date totalling approximately \$1,534,417.

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

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 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 Parades 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 Sanchez Parades 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 challenging the Transfer Contract;
- (b) A Constitutional Action in Trujillo seeking the registration of eight mining concessions in the name of Minera Pilacones SA. (an associated company);
- (c) Four criminal procedures in Cajamarca and Cajabamba 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;
- (f) Five civil actions in 2006/2007 challenging the registration of the Shahuindo mining concessions in Sulliden's name, and
- (g) A nullity petition in the Superior Court of Lima challenging the Arbitration Decision

Permits/Work Orders

In 2003, 2004 and 2007, Sulliden conducted field work, surveys, soil sampling, geophysics and three drilling programs on the property under exploration permits issued to Sulliden by the Ministry of Energy and Mines of Peru.

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. In 2007, the drilling program totaled approximately 3,710 metres of diamond drilling in 14 drill holes.

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 its efforts to delay and prevent (unsuccessfully) 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.

This injunction was subsequently cancelled on September 12, 2007, by a new Judge of the 55th Civil Court, following an application by Algamarca.

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

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

Registration of Concessions:

The Regional Registrar in Trujillo registered Sulliden as the owner of the 20 concessions on September 8, 2006 following a resolution of the Third Superior Registry Tribunal of the National Superintendent of Public Registers (SUNARP) dated August 2, 2006, on application presented to the Registry Tribunal by Sulliden. The twenty mining concessions were re-registered in the name of Sulliden on September 8, 2006 but with such registration effective November 2002.

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

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

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

Sulliden Shahuindo is now recorded as the registered owner of the twenty Shahuindo mining concessions in the SUNARP Registry in Trujillo and of the other six Shahuindo mining concessions in the SUNARP Registry in Lima despite repeated attempts by Algamarca to challenge such registration (See Actions by Algamarca below), particularly following the cancellation on September 12, 2007 by the 55th Civil Judge of the Injunction previously granted to Sulliden (See Court Injunction above). Sulliden has appealed against that decision and cancellation of the Injunction did not nullify registration of the concessions in Sulliden's name.

Grant of Exploration Permit:

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.

In October 2006, the Ministry rejected an application by Minera Pilacones SA, a company associated with Algamarca, for an exploration permit.

From May to December 2007 Sulliden successfully carried out a detailed exploration program on the Shahuindo property, including drilling approximately 3,000 metres of diamond drilling in 13 drill holes, testing the potential north westerly extension of the San Jose of Principal Zone in a previously un-drilled area that appears to extend up to an additional four kilometers within the Shahuindo Property.

Sulliden remains in possession and occupation of the Shahuindo property, despite repeated attempts by Algamarca since 2004 to challenge such occupation, and Sulliden has since May 2007 been carrying out an exploration program on the property under the Permit issued to Sulliden by the Ministry of Energy & Mines of Peru.

There is no valid order or injunction from any Court in Peru currently preventing Sulliden from entering the Shahuindo Property.

When the Shahuindo dispute first arose in 2003 Algamarca 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 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.

In a decision dated May 8, 2007 (notified May 25, 2007) the Supreme Court of Peru (File No. 3146-2006) has 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.

On August 27, 2007, the Civil Judge of Cajabamba accepted Algamarca's petition and directed the Environmental Branch of the Ministry of Energy and Mines to respect the injunction dated February 26, 2004 which ordered the Ministry to suspend or cancel the 2003 permit issued to Sulliden and ordered certain Sulliden employees to suspend work on the Shahuindo property. On September 12, 2007 the Civil Judge of Cajabamba accepted Sulliden's appeal against the ruling of August 27 and referred the case to the Superior Court of Cajamarca. On November 26, 2007 the Civil Judge of Cajabamba issued a further request to the Director General to confirm that the Ministry had complied with the terms of the February 26, 2004 injunction.

The Environmental Branch of the Ministry of Energy and Mines does not have the competence to deal with the direction because the validity of Sulliden's 2007 permit has already been referred to the Superior Mining Council on a petition, also submitted by Algamarca, challenging the issue of the Permit to Sulliden In April 2007.

The Exploration Permit was properly issued to Sulliden by the Ministry of Energy and Mines of Peru in April 2007 and has not been rescinded. Sulliden has been carrying out its exploration program on the Shahuindo property since May 2007 in accordance with all legal requirements and with the authorizations of the relevant surface owners. There is no valid injunction against Sulliden from any court in Peru currently restricting Sulliden from entering the Shahuindo Property or from lawfully carrying out its exploration programs. The 2004 injunction is directed to the Director General Environmental Branch of the Ministry of Energy and Mines and is not directed to Sulliden.

Criminal Complaints Filed

In March 2007 criminal complaints were filed in Peru against Orlando Sanchez Paredes, Orlando Sanchez Miranda, Jose Abanto Verastegui, Walter Valdez, Victor Raul Eyzaguirre and others, being all members of the so-called "Sanchez Paredes Group", for the commission of the crimes of aggravated dispossession, procedural fraud, ideological fraud and fraud in an administrative procedure, against Minera Sulliden Shahuindo and its estate, all in contravention of Articles: 197, 202, 204, 411, 416, and 428 of the Criminal Code of Peru and of illicit association to commit a crime in contravention of Article 317 of the Criminal Code of Peru.

The complaints, which are being investigated by the Fraud Division of the Special Police Operations of Criminal Investigations and Protection of Justice of Peru, and which have not yet been proven, relate to transactions involving the transfer of properties, the granting and foreclosure of mortgages, the payments and movement of money and an alleged conspiracy to commit a crime in relation to Sulliden's Shahuindo Property in Peru.

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 Agreement for the sale of the Shahuindo property to Sulliden in November, 2002, Miguel de Orbegoso, the then General Manager of Algamarca, exceeded his authority from the Shareholders to commit Algamarca to resolution of disputes by arbitration, because he did not sign the agreement in his capacity of General Manager.

Sulliden Appeal to Supreme Court of Peru

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

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

If the decision is not overturned and the nullity is confirmed, the effect will only be to set aside the Arbitration Process and nullify the Arbitration Award, based on a legal procedural technicality which was previously considered and rejected by a majority of the Arbitration panel. The decision did not address and does not affect the validity of the Transfer Contract between Algamarca and Sulliden, which will continue in full force and effect and Sulliden will remain as the lawful owner of the Shahuindo property. Further, the decision did not address or consider either Sulliden's presence or occupation of the Shahuindo property or the judicial basis for Sulliden's presence on the 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 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 above)
- (ii) Commencing various actions against the SUNARP Registry Tribunal, seeking 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 Paredes family.

Algamarca Court actions against SUNARP: Actions Dismissed:

Following the registration in Sulliden's name of the twenty mining concessions at Shahuindo on September 8, 2006, Algamarca and its associated companies commenced various legal actions against the Registry Tribunal of the National Superintendent of Public Registers (SUNARP) (the official Peruvian Government State Registry) seeking declarations of nullity of Sulliden's registration and attempting to obtain various Court injunctions / orders suspending the registration including seeking orders directing the Registrar to record the ownership of five concessions in the name of Minera Sudamericanas S.A. and eight concessions in the name of Minera Pilacones S.A..

In reply Sulliden presented several constitutional and civil petitions in Lima seeking declarations of nullity of process against Pilacones and Sudamericanas, the purpose of the petitions is to declare invalid all the court orders that ordered the transfer of title of the five concessions to Sudamericanas and the eight concessions to Pilacones. In addition the SUNARP challenged the motion of Minera Sudamericana and the competence of the Court of Huamachuco.

The various legal actions filed by Algamarca and its associated companies, challenging the registration of the Shahuindo mining concessions in Sulliden's name have been rejected by the Courts in Peru.

The Superior Court of Cajamarca rejected Algamarca's petition (Accion de Amparo) by Resolution dated April 23, 2007 (File No. 111-2006). Similarly, a petition (Accion de Amparo) by Minera Sudamericanas was rejected by the Court of Sanchez Carrion (Huamachuco) by Resolution dated March 26, 2007 (File No. 169-2206). A similar petition (Accion de Amparo) presented by Minera Pilacones to the Court in Trujillo (File No. 8050-06) has not been accepted.

Another contentious administrative action filed by Algamarca against the SUNARP challenging the registrations was by order of the Superior Court of Cajamarca (File No. 008-2006), combined with a similar action by Sudamericanas in the Superior Court of Sanchez Carrion (Huamachuco) (File No. 001-2006). The two actions were accumulated in to one process in the Court of Sanchez Carrion (File No 001-2006).

By Resolution dated September 24, 2007, the Superior Court of Sanchez Carrion Trujillo declared the nullity of all processes and by resolution #46 dated November 12, 2007 dismissed the action of Sudamericanas and cancelled related injunctions. In the same decision the Court ordered that the action presented by Algamarca in Cajamarca (File No 008-2006) be referred to the Superior Court of Huamachuco.

Separately as part of its own defense, the SUNARP challenged the competence of the Superior Court of the District of Sanchez Carrion (Huamachuco) and on October 20, 2007 the Supreme Court of Peru (File #685-2007) accepted the motion presented by SUNARP and declared the competence of the Superior Court of Lima. The decision of the Supreme Court will have precedent application to the motions against the SUNARP, including the motion presented by Algamarca in the Courts of Cajamarca. Algamarca's motion in file No 008-2006 in the Superior Court of Cajamarca, will be sent to the Superior Court of Lima, in compliance with the ruling by the Supreme Court.

The net effect of the foregoing is that of the five various legal actions filed by Algamarca and its associated companies challenging the registration of the Shahuindo mining concessions in Sulliden's name three have been rejected by two courts in Peru, one has been withdrawn and one remains outstanding. The only process remaining against the SUNARP decision of September 8, 2006 is the Motion of Algamarca file 008-2006, which will be resolved by the Superior Court of Lima.

Algamarca Nullity Action in Civil Court of Lima:

Algamarca has re-activated a civil action in the 64th Civil Court of Lima, originally filed in 2004, seeking a declaration of Nullity of the Transfer Contract. This action is at the evidentiary stage. This action has recently been transferred to the 10th Civil Court of Lima and combined with an earlier action commenced by Algamarca in the 12th Civil Court of Lima challenging the assignment of the letter of Intent from Sulliden to Sulliden Shahuindo.

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 and management’s discussion and analysis for the Quarter ended September 30, 2007, (filed on SEDAR November 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 2 year period. An initial installment by Century Mining Finance Corp. of US\$1 million was paid on signing and two further payments of US\$1 million each were paid on August 6, 2007 and November 6, 2007”. “Additional consideration in the form of a 2% NSR on production from the Shahuindo property is also payable” “As part of the terms of the transaction with Century Mining Finance Corp., the sellers of the Shahuindo 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, Century Mining Finance Corp. has recorded the transaction as an option because of the conditions applicable to payments ...”

On November 28, 2007 Century made a hostile Take-Over Offer for all the shares of Sulliden.

Sulliden Files Law Suits in Canada

On June 15 and 20, 2007 Sulliden filed two lawsuits in the Canadian courts seeking to enforce Sulliden's rights to the Shahuindo property.

Sulliden 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, slander of title 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.

Each of Century and separately Algamarca and Sanchez have filed Motions 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, 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. Sulliden intends to vigorously defend that Motion and will seek to have the claim heard by the Ontario Courts in Canada.

Sulliden also 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.

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 decision 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 no force or effect.

By unanimous ruling dated December 13, 2007 the Supreme Court admitted Sulliden's motion and agreed to hear the appeal on all grounds submitted by Sulliden, including violation of the due process of law. It is expected that the appeal will be heard in the second quarter of 2008.

If the Supreme Court does not overturn the decision of the Commercial Chamber, and if the dispute on the Transfer Contract must be determined by the judicial system in the Courts, Sulliden expects that the litigation will ultimately be decided by the Court in Sulliden's favour, on the merits, in the same way that the Arbitration Decision was, on the merits, determined unanimously in Sulliden's favour by the Arbitration Panel, following approximately 23 days of hearings.

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

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.

Sulliden has also commenced a legal action in the Canadian Courts against Algamarca, Century Mining and Sanchez Parades and others claiming damages of \$200 million and is optimistic of the outcome in Sulliden's favour.

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

On December 13, 2007 the Board approved the grant of stock options to an officer of the Company on 250,000 shares, exercisable at a price of \$0.50 per share for a period of five years, vesting as to 125,000 after March 13, 2008 and the remaining balance after June 13, 2008.

SULLIDEN EXPLORATION INC

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE SIX MONTHS ENDED OCTOBER 31, 2007

Date: December 14, 2007

GENERAL

The following discussion of financial condition, results of operations and future prospects should be read in conjunction with the unaudited Interim Financial Statements for the three and six months ended October 31, 2007 and the Audited Consolidated Financial Statements of Sulliden Exploration Inc. ("Sulliden" or the "Company") for the fiscal year ended April 30, 2007 (the "2007 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. 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 Company's ownership of the Shahuindo property in Peru is in dispute and is 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.

In addition, Sulliden holds a 66% interest in 1,900 hectares adjacent to Shahuindo known as the **Vikingo concessions** which brings the Company's land interests in this gold district to almost 10,000 hectares. In southern Peru, Sulliden has entered into an option agreement to earn a 50% interest in the **Torrine gold project** with Aruntani SAC. The agreements in respect of both of these properties are currently subject to renegotiation.

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 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.

OVERALL PERFORMANCE

The half year ended October 31, 2007 was, in general and despite some legal and corporate distractions, a positive period for Sulliden with encouraging results from the renewed exploration drilling program at the Company's Shahuindo gold/silver project in Peru. The Shahuindo mineralized trend has been extended for another 1.3km to the north west of the Principal Zone.

Successful Exploration Program

The 2007 drilling program totaled approximately 3,710 metres of diamond drilling in 14 drill holes, testing the potential north westerly extension of the San Jose of Principal Zone in a previously undrilled area that appears to extend up to an additional four kilometers within the Shahuindo Property. The 2007 drilling program followed two earlier drilling programs conducted by Sulliden in 2003 and 2004 which consisted of 83 diamond drill holes totaling almost 12,000 metres. The drilling program has now been completed for 2007. During the program Sulliden employed up to 40 people drawn from the local communities who were engaged in road building, site maintenance camp catering and general labor.

The 2007 exploration program on the Shahuindo property was launched following the issue of the exploration permit to Sulliden by the Ministry of Energy and Resources in April 2007. Between May and December Sulliden successfully carried out its planned programs. In May and June 2007 a geochem survey outlined a new gold zone and sampling of old adits and pits returned high precious metal values in both quartz vein and breccia style mineralization. In August 2007 the Company commenced a new phase of diamond drilling at Shahuindo. This third phase program was designed to test possible satellite extensions of earlier defined zones in near-surface areas never before drilled, focussing on the north western extensions of the Principal or San José Zone.

The existing resource on Shahuindo is principally centered on the San Jose deposit (or Principal Zone), which extends within the Shahuindo property concession for more than three kilometers in strike and up to 875 metres in width and 1,000 metres in depth and is open in all directions. Gold mineralization is generally associated with brecciated quartzite and siltstone. Gold mineralization has also been located under the known oxidized San Jose zone as a large disseminated sulphide zone.

The North West extension is defined by a succession of soil anomalies, generally oriented E - W or SE – NW, and extending over an aggregate length of 2.8 km. Specifically, from SE to NW, the North West, Algamarca, Malvas and West anomalies have been separately identified, all of which are located to the north west of the Principal Zone.

The first 10 holes (for 2500m of drilling) of the 2007 program, tested the North West anomaly (8 holes) and the Malvas anomaly (one hole), with one "wild cat" hole drilled for stratigraphy information. Drilling commenced approximately 800m north west of the most westerly hole drilled in 2003 (SHO3-16) that reported mineralisation. Hole SH03-16 itself was a step out hole located about 500 meters west of the San Jose Zone and returned 0.9g/t Au and 1.7g/t Ag over 30m.

The mineralization reported to date in the drill area is silver-rich but gold intersections to date are generally either high grade but narrow or low grade over larger widths.

- Hole #87 intersected 10.45 grams per tonne gold and 140 g per tonne silver over 1.5 meters, within a larger lower grade mineralized intersection of 38.7 metres at 0.49g/t Au and 55.2 g/t Ag, including an intersection of 1.09 g/t Au and 107.7 g/t Ag over 15 meters.
- Hole #88 reported 19.45 grams per tonne gold and 8.4 g/t Ag over 1.5 meters;
- Hole #86 intersected 1.07 gram per tonne gold and 266.2 grams per tonne silver over 3 meters.

Drilling of the North West anomaly has extended the Shahuindo mineralized trend for a further 1.3 km to the north west of the San Jose Principal Zone. The host rock is the same formation that host Barrick's nearby Alto Chicama gold epithermal mine. These partial results indicate good potential for substantial additional gold-silver resources to the north west of the known Main San Jose zone that forms the core of the Shahuindo gold-silver deposit. This area

requires further detailed drilling before it can be added to the existing Shahuindo resource. There are at least four separate anomalies to the north west of the Principal Zone all of which require drilling.

Sulliden's exploration permit is valid for a period of nine months and expires on January 17, 2008. Sulliden has now completed a further four holes and has terminated its 2007 drilling program. The results for the final four holes are awaiting assay.

Qualified Person

Jacques Trottier, Ph. D., Geo, a director of the Company, is the Company's in-house Qualified Person for the purposes of NI 43-101.

Shahuindo Litigation continues

Meanwhile, the Shahuindo litigation has continued. In August 2007 the Commercial Chamber of the Superior Court of Lima accepted Algamarcas Nullity Petition and declared null and void the Arbitration Decision and Award granted to Sulliden in July 2006 on the grounds that, in signing the Transfer Agreement for the sale of the Shahuindo property to Sulliden in November 2002, Miguel de Orbegoso, the then General Manager of Algamarcas, exceeded the authority granted to him by the shareholders, to commit Algamarcas in the contract to resolution of disputes by arbitration because he did not sign the agreement in his capacity as General Manager.

Sulliden has been advised that this decision is wrong in law and has filed an appeal to the Supreme Court of Peru. On December 13, 2007, the Supreme Court of Peru in a unanimous decision, accepted Sulliden's Motion, and ordered that the appeal should proceed on all grounds pleaded by Sulliden.

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. The Commercial Chamber decision only addressed the validity of the arbitration clause in the Transfer Contract and therefore the technical validity of the arbitration process itself but the Court did not deal with any of the merits of the dispute. The Transfer Contract remains in full force and effect and Sulliden continues as the owner of the Shahuindo property.

At the same time Algamarcas has continued to challenge, without success, Sulliden's ownership of the Shahuindo property and the registration of the mining concessions in Sulliden's name. All of Algamarcas's motions and actions to date on the registrations have been denied or refused by the Courts in Peru. In an action taken by Algamarcas against the SUNARP (the official Peruvian Registry) the SUNARP, in its own defense, challenged the competence of the Court of Trujillo and in a Decision issued October 20, 2007, the Supreme Court of Peru ruled that the appropriate jurisdiction is the Superior Court of Lima and not the district courts of Trujillo or Cajamarca. Sulliden anticipates that other legal processes will continue, by Algamarcas seeking to suspend the registration of title in Sulliden's name.

At the same time, Algamarcas has purported to "transfer" or mortgage some of the mining concessions to associated companies, mostly based in Panama, in an elaborate web and complex legal scheme, culminating in the "sale" of Algamarcas and all these related companies to Century Mining Corporation, announced in May 2007, with the "sale" financed by the vendors, the Sanchez Parades Group. In June 2007 Sulliden filed two lawsuits in the Canadian Courts against Algamarcas, Century Mining, Orlando Sanchez Paredes and others seeking damages of US\$200 million for breach of contract and slander of title and seeking to have the Arbitration Decision recognized by the Canadian Courts

On October 4, 2007 Century Mining announced a Take Over Offer for all of the shares of Sulliden which Offer was made on November 28, 2007. The Directors of Sulliden have issued a Directors Circular dated December 13, 2007 in which they advised shareholders that, while the Directors are considering issuing a recommendation that shareholders do not accept the offer from Century, the Directors are not making any recommendation as this time. The Offer consists entirely of shares of Century and, if accepted, shareholders of Sulliden would become shareholders of Century and therefore an evaluation of the Offer requires an assessment of Century itself, its properties, liabilities and its prospects and of the value of Century's shares. The Board of Directors at this time, has serious concerns and questions about Century's assets, and its financial condition, as well as about Century's contractual obligations with the Sanchez Paredes Group, and with the value of Century's properties. The Directors intend issuing further information prior to the expiry of the Century Offer on January 30, 2008.

Other Properties

In addition to the Shahuindo Property, Sulliden also holds a 66% interest in 1,900 hectares adjacent to Shahuindo known as the Vikingo concessions, which bring the Company's land interests in the Shahuindo gold district to almost 10,000 hectares. In southern Peru, Sulliden has entered into an option agreement to earn a 50% interest in the Torrine gold project with Aruntani SAC. Sulliden has not carried out any work on either of these properties in the period under review. The planned drilling on Torrine has not commenced, primarily because of Sulliden's wish to concentrate its efforts on the Shahuindo Property. Sulliden's continued involvement in both of these properties will require renegotiation of the underlying agreements and while such renegotiations have commenced there is no guarantee that such re-negotiations will be successful. If Sulliden cannot renegotiate the agreements on either property, Sulliden will terminate its involvement in the properties and will write off the investment of date totalling approximately \$1,747,764.

RESULTS OF OPERATIONS

Six Months Ended October 31, 2007

For the six months ended October 31, 2007, the Company reported a net loss of \$546,750 (\$0.007 per share) compared to a net loss of \$1,051,222 (\$0.013 per share) for the same period in the prior year. The decrease is mainly attributable to the non-cash charge with respect to stock-based compensation arising on the vesting of options granted to employees in 2006 balanced by higher professional and advisory fees incurred in 2007. The cost of the options granted to directors, officers and employees which vested during the six months ended October 31, 2007 was \$32,934 compared to \$740,679 in 2006.

Interest income of \$62,845 and \$59,178 in the six months ended October 31, 2007 and 2006 respectively comes mainly from the guaranteed investment certificates held by a Canadian bank, with the increase being attributable to higher cash balances available for investment.

Administrative expenses (excluding stock-based compensation) increased by \$212,766 to \$609,595 for the six months ended October 31, 2007 compared to slightly lower expenses of \$369,711 for the same six month period in 2006 with the increase being largely attributable to an increase in legal and professional fees.

Salaries and consulting fees are mainly comprised of remuneration paid to officers. Legal and professional fees are comprised of third party financial advisory, legal and accrued audit. Travel and maintenance expenses are mainly comprised of travel to Peru by the Company's directors and officers. Shareholders' information expense principally comprise filing costs, press releases, publicity costs, trustee fees and costs paid to regulatory authorities.

Three Months Ended October 31, 2007

For the three months ended October 31, 2007, the Company reported a net loss of \$294,956 (\$0.004 per share) compared to a net loss of \$926,290 (\$0.011 per share) for the same period in the prior year. The decrease is mainly attributable to the lower non-cash charge with respect to stock-based compensation arising on options granted to employees in 2006 balanced by higher professional and advisory fees. The cost of the options previously granted to directors, officers and employees during the three months ended October 31, 2007 was \$nil compared to \$740,679 in the same period in 2006.

Interest income of \$32,425 and \$45,085 in the three months ended October 31, 2007 and 2006 respectively comes from the guaranteed investment certificates held by a Canadian bank.

Administrative expenses (excluding stock-based compensation) increased by \$96,685 to \$327,381 for the three months ended October 31, 2007 compared to slightly lower expenses of \$230,696 for the same quarter of 2006 with the increase being attributable to an increase in almost all categories of administrative expenses, with a higher exchange loss representing the largest variance due to the rising Canadian dollar (\$45,356 in the three month period in 2007 vs. \$4,337 in the same period of 2006).

SUBSEQUENT EVENTS

On December 13, 2007, the Board of Directors approved the grant of 250,000 stock options to an officer of the Company at an exercise price of \$0.50 per share for a period of five years vesting as to 125,000 after March 13, 2008 and the remaining balance after June 13, 2008.

SUMMARY OF QUARTERLY RESULTS

	Jan '06	April '06	July '06	Oct '06	Jan '07	April '07	July '07	October '07
	3 QTR	4 QTR	1 QTR	2 QTR*	3 QTR	4 QTR	1 QTR	2 QTR
	\$CDN	\$CDN	\$CDN	\$CDN	\$CDN	\$CDN	\$CDN	\$CDN
Interest Income (net)	20,817	18,449	14,093	45,085	59,951	51,865	30,420	32,425
Net Loss	176,400	437,780	124,932	926,290	236,568	250,556	251,794	294,956
Net Loss per share	0.01	0.01	0.01	0.01	0.01	0.01	0.01	0.01

*The loss in the quarter ended October 31, 2006 includes stock-based compensation costs of \$740,679.

LIQUIDITY AND CAPITAL RESOURCES

Operating

Operating activities including net change in non-cash working capital items resulted in a positive cash flow of \$74,242 in the six months ended October 31, 2007 compared to negative cash flows of \$180,679 generated in the same period in 2006. Changes in non-cash working capital items generated \$571,187 in 2007 compared to \$129,864 in 2006.

Investing

During the six months ended October 31, 2007, the Company invested a total of \$2,470,521 in exploration and development, on the Peruvian properties including all the costs incurred in Peru (payroll, corporate expenses, litigation, and others) compared to and \$1,945,598 in the same period in 2006.

Liquidity

At October 31, 2007, the Company held cash of \$272,385 and \$2,350,991 in guaranteed investment certificates compared to \$214,954 and \$4,774,235 at April 30, 2007. The decrease in amounts held in investment certificates is a result of funds expended on exploration and development in Peru and operating expenses. The guaranteed investment certificates are held in Canada and bear interest at a weighted average rate of approximately 4.0%.

Accounts receivable of \$166,973 is comprised principally of recoverable federal and provincial sales tax, interest receivable on the guaranteed investment certificates, and prepaid balances.

Accounts payable and accrued liabilities are primarily comprised of amounts due to contractors on the Peruvian operations and costs related to the legal and audit fees incurred in Canada.

The Company will require to raise additional funding to continue its operations in 2008 including corporate administration, exploration and ongoing legal fees and other expenses. Management is periodically seeking additional forms of financing through the issuance of new equity instruments, the exercise of existing warrants for the purchase of common shares and the exercise of stock options to continue its activities as a going concern, and while it has been successful in doing so in the past, there can be no assurance it will be able to do so in the future. Without new funding being available, the Company may be unable to continue its operations, and amounts realized for assets may be less than amounts reflected in these financial statements.

CAPITAL STRUCTURE

As at December 14, 2007 the Company has an authorized capital of an unlimited number of common shares or which the following are outstanding:

Common Shares	72,607,144
Options	4,665,000
Warrants	5,906,250

For a detailed breakdown, refer to Note 3 – *Share Capital* to the Consolidated Financial Statements for the year ended April 30, 2007; and Note 3 to the unaudited Consolidated Financial Statements for the six months ended October 31, 2007. See “Subsequent Events” below.

OFF-BALANCE SHEET TRANSACTIONS

There are no off-balance sheet transactions.

RELATED PARTY TRANSACTIONS

During the quarter, the Company agreed to pay \$102,610 (\$193,429 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 October 31, 2007, an amount of \$113,819 and \$13,729 was paid to two legal firms in which a director and an officer of the Company are partners of their respective firms. 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.

CONTRACTUAL COMMITMENTS

The Company has no material contractual obligations. All mineral property agreement commitments are at the option of the Company and the Company can terminate the agreements prior to being required to make payments on any underlying property.

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 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

In January 2005, the CICA issued three new accounting standards in relation to financial instruments: Section 3855, "Financial Instruments - Recognition and Measurement", Section 3865, "Hedges", and Section 1530, "Comprehensive Income".

Section 3855 expands on Section 3860, "Financial Instruments - Disclosure and Presentation", by prescribing when a financial instrument is to be recognized on the balance sheet and at what amount. It also specifies how financial instrument gains and losses are to be presented in the financial statements.

Section 3865 provides alternative treatments to Section 3855 for entities that choose to designate qualifying transactions as hedges for accounting purposes. It replaces and expands on Accounting Guideline AcG-13, "Hedging Relationships", and the hedging guidance in Section 1650, "Foreign Currency Translation", by specifying how hedge accounting is applied and what disclosures are necessary when it is applied.

Section 1530, "Comprehensive Income", introduces a new requirement to temporarily present certain gains and losses outside net income.

Sections 1530, 3855 and 3865 apply to fiscal years beginning on or after October 1, 2006. The Company has adopted these new standards on May 1, 2007 and they do not have an impact on its consolidated financial statements.

The CICA issued a new accounting standard Section 3831, in relation to “Non-monetary Transactions” initiated in periods beginning on or after January 1, 2006.

The main feature of this Section is a general requirement to measure an asset or liability exchanged or transferred in a non-monetary transaction at fair value, unchanged from the requirement in former Section 3830. However, an asset exchanged or transferred in a non-monetary transaction is measured at its carrying amount when:

- the transaction lacks commercial substance;
- the transaction is an exchange of a product or property held for sale in the ordinary course of business for a product or property to be sold in the same line of business to facilitate sales to customers other than the parties to the exchange;
- neither the fair value of the asset received nor the fair value of the asset given up is reliably measurable; or
- the transaction is a non-monetary non-reciprocal transfer to owners that represents a spin-off or other form of restructuring or liquidation.

The Company does not anticipate a significant impact on the consolidated financial statements of adopting this Section.

Section 3862 modifies the disclosure requirements of Section 3861 “Financial Instruments – Disclosure and Presentation”, including required disclosure for the assessment of the significance of financial instruments for an entity’s financial position and performance and of the extent of risks arising from financial instruments to which the Company is exposed and how the Company manages those risks, whereas Section 3863 carries forward the presentation related requirements of Section 3861. The new requirements apply to fiscal years beginning on or after October 1, 2007. The Company is currently evaluating the impact of the adoption of Section 3862 while the Company does not expect the adoption of 3863 to have a significant effect on the consolidated financial statements.

Section 1535 establishes standards for disclosing information about an entity’s capital and how it is managed. The entity’s disclosure should include information about its objectives, policies and processes for managing capital and disclose whether or not it has complied and the consequences of non-compliance with any capital requirements to which it is subject. The new requirements apply to fiscal years beginning on or after October 1, 2007. The Company is currently evaluating the impact of the adoption of this new section on the consolidated financial statements.

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 the Chief Financial Officer, have evaluated the effectiveness of the Company’s disclosure controls and procedures as of October 31, 2007. 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 Chief Executive Officer and Chief Financial Officer are responsible for designing internal controls over financial reporting, or causing them to be designed under their supervision, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

During fiscal 2007, the Company made changes to its systems of internal controls over financial reporting that did not materially affect internal controls over financial reporting. During this process, management identified certain weaknesses in internal controls over financial reporting due to the small size of the Company's management team and the location of its principal operations in Peru. The design of a control system must reflect that there are staffing and financial resource constraints, and that the benefits of controls must be considered relative to their costs to the Company. Due to the limited number of administrative and accounting staff at Sulliden and at its subsidiaries in Peru, and the remote location of the Company's operations in Peru, it is not feasible or cost effective to achieve complete segregation of duties within the internal control procedures of the Company. These matters and their related risks are not uncommon in a company of Sulliden's size. These risks are not considered to be significant. The Company's management has taken such action as it considered appropriate to minimize any potential risks from these deficiencies or weaknesses, including the requirement for senior management approval of cash disbursements and substantive review of expenditures against budgets. On December 13, 2007 the Board of Directors approved the appointment of a new Chief Financial Officer, effective December 1, 2007.

The Company's management believe that any internal controls over financial reporting, including those systems determined to be effective and no matter how well conceived and operated, has inherent limitations and can provide only reasonable, not absolute, assurance that the objectives of the control system are met with respect to financial statement preparation and presentation. Because of the inherent limitations in all control systems, they cannot provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been prevented or detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by unauthorized override of the control. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Accordingly, because of the inherent limitations in a cost effective control system, misstatements due to error or fraud may occur and may not be detected.

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:

Legal Proceedings

Uncertainty with respect to title to Shahuindo property may result in loss of mining rights (see 2007 Annual Information Form – Shahuindo Legal Dispute and Note 6 to the unaudited consolidated financial statements of October 31, 2007)

The rights of Sulliden to develop its Shahuindo Property in Peru are founded on an agreement dated November 6, 2002 (the "Agreement"), between Sulliden and Compania Minera Algamarca S.A. ("Algamarca"), pursuant to which Algamarca sold the Shahuindo Property to Sulliden. New shareholders of Algamarca have since claimed that the Agreement was invalid and commenced numerous legal actions in Peru. In July 2006 an Arbitration Tribunal found in favour of Sulliden but Algamarca refused to accept the decision and filed a Nullity Petition in the Superior Court of Lima seeking to have the Arbitration Award declared invalid. In August 2007, the Commercial Chamber of the Superior Court of Lima accepted Algamarca's Nullity Petition and declared null and void the Arbitration Decision of July 2006.

Sulliden has filed an appeal to the Supreme Court of Peru against the decision to the Superior Court of Lima and on December 13, 2007 the Supreme Court unanimously resolved to hear the appeal on all grounds pleaded by Sulliden. The effect of the appeal is to suspend the order of the Commercial Chamber pending the outcome of the appeal.

In May 2007 Century Mining Corporation entered into an agreement to acquire Algamarca and other related companies. In June 2007 Sulliden filed two law suits in the Canadian Courts against Algamarca, Century Mining, Orlando Sánchez Paredes and others seeking damages of US\$200 million for breach of contract. The Defendant's have filed a Motion in the Ontario Court seeking to stay or dismiss the action on the basis of jurisdiction and will argue that the dispute to which this action relates is subject to an agreement between the parties which provides that the dispute 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.

Although it is the opinion of management and its legal advisors that the claims of Algamarca in Peru are without legal merit, Sulliden cannot predict with certainty the outcome of the legal actions or the impact of these actions on Sulliden's rights under the Agreement. The Peruvian legal judicial and court system is unpredictable and is significantly different than the Canadian legal system.

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 July 31, 2007, Sulliden had an accumulated deficit of \$29,983,160. It is anticipated that the Company will continue to experience operating losses for the foreseeable future. There can be no assurance that Sulliden will ever achieve significant revenue or profitable operations.

Dependence on key personnel and Conflicts of Interest

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

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

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

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

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

Government regulations may significantly affect Sulliden's operations. Sulliden's exploration and development activities are subject to extensive laws and regulations governing protection of the environment, health and worker safety, waste disposal and other matters. Sulliden generally requires permits from authorities that relate to virtually every aspect of Sulliden's activities.

It is possible that future changes in applicable laws or regulations or changes in their enforcement or regulatory interpretation could result in changes in legal requirements or in the terms of permits applicable to Sulliden, which could significantly impact the Company's current operations or projects. Obtaining necessary permits to place a deposit into commercial production can be a complex, time-consuming and expensive process. Sulliden cannot assure whether necessary permits will be obtainable on acceptable terms and in a timely manner. The costs and delays associated with obtaining necessary permits and complying with these permits and applicable laws and regulations could stop, materially delay or restrict Sulliden from proceeding with the development of a project or the placing into commercial production of a mine. Any failure to comply with applicable laws and regulations or permits, even if inadvertent, could result in interruption or closure of operations or material fines, penalties or other liabilities.

Precious metal price volatility may negatively impact Sulliden

The prices of precious metals can fluctuate widely and are affected by numerous factors, outside the Company's control, including demand, inflation, strength of the U.S. dollar and other currencies, interest rates, sales by central banks, forward sales by producers, global or regional political or financial events and production and cost levels in

major producing regions. In addition, the gold price is sometimes subject to rapid short-term changes because of speculative activities. Even if Sulliden discovers commercial amounts of precious metals on the Shahuindo property, it may not be able to place the property into commercial production if precious metal prices are not at sufficient levels.

Currency risk

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

OUTLOOK

Management of Sulliden is very pleased about the results obtained from the 2007 exploration program at Shahuindo. Drilling of the North West anomaly has extended the Shahuindo mineralized trend for a further 1.3 km to the north west of the San Jose Principal Zone. The host rock is the same formation that host Barrick's nearby Alto Chicama gold epithermal mine. These partial results indicate good potential for substantial additional gold-silver resources to the north west of the known Main San Jose zone that forms the core of the Shahuindo gold-silver deposit. This area requires further detailed drilling before it can be added to the existing Shahuindo resource. There are at least four separate anomalies to the north west of the Principal Zone all of which require drilling.

The unanimous resolution of the Supreme Court of Peru, dated December 13, 2007, to hear Sulliden's appeal from the decision of the Commercial Chamber on the nullity of the Arbitration Award, on all grounds pleaded by Sulliden is regarded as very important and significant. Sulliden expects the appeal will be heard in the first or second quarter of 2008 and is confident that the decision of the Commercial Chamber will be overturned on appeal by the Supreme Court of Peru.

ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE

This MD&A has been prepared as at December 14, 2007. 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.