

Sulliden Exploration Inc.

**Annual Information Form
For The Year Ended
April 30, 2007**

July 26, 2007

Incorporation and Corporate Structure

Sulliden Exploration Inc. was incorporated under the *Companies Act* (Québec), by Articles of Incorporation dated November 20, 1985 under the name 2330-6616 Québec Inc. By Articles of Amendment issued March 6, 1986, its name was changed to "Exploration Denn'Or Inc." Articles of Amendment issued July 8, 1986, allowed for a public offering. Finally, by Articles of Amendment issued November 27, 1992, its name was changed to "Sulliden Exploration Inc." and its capital was reduced by changing the then issued and outstanding shares on the basis of five common shares for one common share. On June 16, 2004, following the acquisition of 9129-8398 Québec Inc. the Company merged with 9129-8398 Québec Inc.

Sulliden's Toronto office is located at 111 Richmond Street West, Suite 1002, Toronto, Ontario M5H 2G4.

The Company's two wholly-owned subsidiaries Minera Sulliden Shahuindo S.A.C. and Minera Sulliden Peru S.A., both incorporated under the laws of Peru and are located at Calle San Martin 845, Oficina 201, Miraflores, Lima 18, Peru.

General Development of the Business

Sulliden 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 rights to the Shahuindo property in Peru are in dispute and are the subject of extensive litigation in Peru, (see Legal 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 an adjacent 1,900 hectares 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 dated October 14, 2004 to earn a 50% interest in the **Torrine gold project** with Aruntani SAC.

Three Year History

Sulliden acquired the Shahuindo Property in November 2002.

In 2003 and 2004 Sulliden carried out exploration programs on the Shahuindo Property.

A legal dispute commenced in 2003 and this has been ongoing since that time. In June 2006 an Arbitration Decision was awarded in Sulliden's favor.

In 2004 Sulliden entered into option agreements on the Vikingo and Torrine properties.

Sulliden completed various financings including \$17.8 million in 2004 and \$7.5 million in August 2006.

Description of the Business

As at April 30, 2007, Sulliden Exploration Inc., through its subsidiaries, owned interests in three gold exploration properties located in Peru, the Shahuindo, Vikingo and Torrine properties.

The following table summarizes the characteristics of the existing mining properties for which the Company holds interests.

Summary of properties as at April 30, 2007:

Property name		% ownership	Cost of acquisition	Exploration expenses	Total
Shahuindo*	7,982 hectares	100 %	\$23,391,470	\$19,372,320	\$42,763,790
Vikingo	2,000 hectares	** 66%	\$138,792	\$74,555	\$213,347
Torrine	2,000 hectares	** 50%	\$1,093,005	\$422,528	\$1,515,533

* See Legal Proceedings Section for more details.

** Option

SHAHUINDO PROPERTY

Shahuindo Project, Department of Cajamarca, Peru

The Shahuindo gold/silver property, covering a total of 7,982 hectares, lies about 80 km south of the city of Cajamarca Northern Peru and 15 km west of the city of Cajabamba. Geographically, the property is located roughly 25 km to the north of the Barrick Gold Corporation's Laguanas Norte-Alto Chicama 500,000 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 property hosts several epithermal gold occurrences, including the oxidized, high-sulfidation San Jose zone. Between 1993 and 1998 Asarco and its Peruvian affiliate Southern Peru incurred almost US\$4.0 million in expenditures on the San Jose zone, including more than 198 drill holes, a detailed reserve calculation, composite metallurgical tests and a pre-feasibility study.

In November 2002, the Company signed the final agreement with Compania Minera Algamarca S.A. to buy 100% interest in the property.

Shahuindo Financing

In November 2002, the Company entered into an agreement to finance some of the acquisition costs and exploration activities on the Shahuindo and Mario properties with Socrate Capital Inc. ("Socrate"), a venture capital company.

Further to this agreement, Socrate committed to invest US\$1,500,000 in the Company in exchange for a 30% interest in the Shahuindo property, as well as 100% of the interest that Sulliden may acquire in the Mario property.

Accordingly, during the year ended April 30, 2004, Socrate acquired a 30% interest in the Shahuindo property and 100% of the interest that the Company may acquire in the Mario property by investing US\$1.5 million in the project.

On June 16, 2004 the Company reacquired the 30 % interest in the Shahuindo property held by Socrate Capital Inc. Pursuant to the agreement, the Company issued 12,000,000 common shares, to be released under certain terms and conditions, and issued 4,000,000 warrants exercisable at \$3.00 for an eighteen-month period and paid an amount of \$4,000,000.

Exploration work on Shahuindo property

The San Jose zone extends within the Shahuindo property concessions for more than 3 km in strike and up to 75 meters in width 100 metres in depth and is open in all directions. The San Jose gold mineralization lies at

the northern contact of totally argillized Mesozoic quartz-feldspar porphyry body with some lower Cretaceous sedimentary rocks consisting of quartzite, siltstone and shale. Gold mineralization is generally associated with brecciated quartzite and siltstones. Gold mineralization has also been located underneath the known oxidized San Jose zone as a large disseminated sulfide zone.

Following the acquisition of the Shahuindo property in November 2002, Sulliden carried out a compilation of all previous work and established a 200 km grid. In addition, detailed geological mapping and surface sampling were completed. In 2003, a 3,450 metre (27 holes) diamond drilling program was undertaken and approximately 50% of the holes tested the extensions of known mineralization while the remaining holes tested new targets based on the results of geophysical sampling and mapping. The program was successful in identifying an extension of the San Jose zone as well as identifying new mineralization.

In 2003 and 2004 Sulliden conducted field work, surveys, geophysics and two drilling programs on the property consisting of 83 diamond drill holes totalling almost 12,000 metres. The drilling by Sulliden in 2003 and 2004 was very successful in substantially increasing the size of the resource on the Shahuindo property.

In the period since 2002 up to April 30, 2007 Sulliden has invested \$19,373,000 in exploration and development costs on the Shahuindo property, including legal costs incurred to defend Sulliden's ownership of Shahuindo, but not including the property acquisition costs.

2003 Exploration Program

During the year ended April 30, 2004, a technical report prepared by Mr. Alain Vachon, P. Eng. Geologist, and dated December 23, 2003 was filed with the regulatory authorities and is available on the System for Electronic Document Analysis and Retrieval (SEDAR), at www.sedar.com. The technical report includes the property description and location, physiography and infrastructure, history, geological settings, deposit types, mineralization, exploration, sampling methods, data verification and adjacent properties.

Mr Vachon is a qualified person independent of the Company within the meaning of National Instrument 43-101. In 2002 and 2003, Mr. Vachon has worked intermittently on the Shahuindo project, supervising geophysics, rock sampling and drilling. The following are extracts from the executive summary of such report as follows:

"The Shahuindo property is located in the district of Cachachi, province of Cajabamba, department of Cajamarca, Peru. It is situated approximately 80 km southeast of the town of Cajamarca and 15 km west of Cajabamba. The property consists of 26 contiguous unsurveyed mining concessions totalling 7,982 hectares; 24 out of the 26 mineral titles are registered under the name of Sulliden at the Ministry of Energy and Mines. Access to the project site is excellent all year long.

The property has been the focus of more than 60 years of mining and intense exploration which led to the discovery of several zones of epithermal disseminated gold silver mineralization of possibly low sulfidation affinity.

Historically, the property was known to host copper-silver-gold mineralization associated with quartz veins invading open fractures or filling fault zones. However, Asarco and Southern Peru have drilled 191 drill holes to finally culminate in a resource calculation and an internal pre-feasibility study. They estimated that the San José Zone hosts 29.4 MT at 0.875 g/t Au and 16.2 g/t Ag, using a 0.3 g/t Au cut-off representing a metal content of 830,000 ounces of gold and 15 M ounces of silver. At a gold price of 300 US\$/oz and a silver price of 5.5 US\$/oz, Southern Peru calculated an internal rate of return of 26% and concluded that the project is considered likely to be viable.

The property geology is dominated by a sequence of mostly terrigenous sediments intruded by intermediate porphyritic bodies which are usually hydrothermally altered. The mineralization is controlled by intrusive/sediment geological contacts, the degree of porosity of the sediment host and fractures and faults which act as conduit to mineralized fluids.

Since November 2002, Sulliden carried out a systematic exploration program which has consisted of GPS grid layout, ground magnetic, induced polarisation, soil and rock sampling surveys followed by 3,388 meters of diamond drilling in 27 holes. The results confirmed and extended the mineralization of the San José Zone which is continuous over a strike length of 1.8 km. Higher grades of gold and silver were obtained in a

previously poorly to untested area of brecciated sediments over a strike length of 400 metres near the centre of the San José Zone. Notably, drill holes SH03-08 and 09 have respectively returned 2.14 g/t Au and 219 g/t Ag over 45 metres and 3.27 g/t Au and 132.7 g/t Ag over 30 metres.

Drilling of exploration targets based on rock sampling and geophysics resulted in the discovery of new mineralized areas, notably the West Zone where hole SH03-16 yielded 30 metres at 0.95 g/t Au and the Cerro Redondo area where wide sub-economic gold values were cut in holes SH03-18 and 19. Three other mineralized zones are known on the property: the East, the Porphyry and the South Contact zones.

The exploration work carried out by Sulliden in 2002-2003 has greatly improved the knowledge of the geological context surrounding the known mineralized zones of the property. Taking into consideration that Southern Peru has evaluated in 1998 that the San José Zone hosted a resource totalling 29.4 MT at 0.875 g/t Au and 16.2 g/t Ag which represents a contained resource reaching 830,000 ounces of gold and 15 millions ounces of silver, the author believes that results of Sulliden's work indicate that the size of this resource should be substantially increased as most of the mineralized zones are open along strike and at depth. The potential to extend the mineralization and discover additional zones is considered excellent based on soil sampling and geophysics results. All exploration techniques, geophysics, rock and soil sampling and drilling, applied on the Shahuindo property have returned impressive results showing that the mineralized system is definitively larger than what was known before Sulliden's involvement in the project.

In consideration of the potential outlined, especially along the extensions of the known mineralized zones, it is recommended to continue and expand the exploration coverage to the entire property using the same exploration tools (geophysics, rock and soil geochemistry) that proved in phase I to be efficient for outlining any zones of interest on the property. Simultaneously, a drilling program consisting of 8,000 metres of definition and follow-up drilling and 2,000 metres of exploration drilling should be implemented. The total budget to realise this exploration phase has been estimated at \$US 2,628,900 which will require 12 months to be completed".

In addition, a technical report (Resource Estimate) prepared by Mr. Guy Saucier, P. Eng. Director Corporate Development of Met-Chem Canada Inc., and dated March 29, 2004 was filed with the regulatory authorities and is available on the System for Electronic Document Analysis and Retrieval (SEDAR), at www.sedar.com. Mr. Saucier is a qualified person independent of the Company within the meaning of National Instrument 43-101.

2004 Exploration Program

On October 5, 2004, the Company announced the first set of results from the second phase drilling program on its wholly-owned Shahuindo gold/silver property. A total of 24 holes were completed for 3,800m in this area. Drilling commenced approximately 500m east of the last drilled section of the East zone over a 150m-to-300m-wide structural corridor at 100m intervals over a strike length of 600m. Results showed the outlining of a new breccia zone that returned continuous mineralization ranging from 0.4 g/t to 4.83 g/t gold over widths from 12m to 121.5m. The best intersection occurred in hole SH04-44 returning 21.5m @ 2.96 g/t gold including 12 meters grading 4.83 g/t gold. The widest intersection was found in hole SH04-34 with 121.5m @ 0.44g/t gold.

On December 14, 2004, the Company announced that it has completed the second phase exploration drilling program as planned at its 100% owned Shahuindo gold/silver project. A total of approximately 8,500 meters of diamond drilling was completed, including the first set of results which were announced on October 5, 2004 consisting of 3,800 meters at the Moyan Alto zone in the eastern sector of the property. Drilling on this 150 to 300 meter wide structural corridor over a strike length of 600 meters outlined a new breccia zone that returned continuous mineralization ranging from 0.4 g/t to 4.83 g/t gold over widths from 12m to 121.5m, with one intersection returning 21.5m @ 2.96 g/t gold including 12 meters @ 4.83 g/t gold.

Following the drilling campaign completed on December 2004, a technical report (RESOURCE ESTIMATE ON THE SHAHUINDO PROPERTY) was prepared by Mr. Guy Saucier, P. Eng. Director Corporate Development of Met-Chem Canada Inc. and dated April 29, 2005 and was filed with the regulatory authorities and is available on the System for Electronic Document Analysis and Retrieval (SEDAR), at www.sedar.com.

The following is an extract from the Executive Summary of such report as follows:

“Met-Chem Canada Inc (Met-Chem) were retained by Sulliden Exploration (Sulliden) to prepare an independent resource estimate on the Shahuindo Project. Mr. Guy Saucier, Geological Engineer at Met-Chem, has prepared this report in accordance with NI 43-101 Guidelines.

The Shahuindo exploration Project is located in northern Peru in the Province of Cajabamba, approximately 80 kilometres south of Cajamarca and 15 kilometres west of the city of Cajabamba.

The gold-silver mineralization of the Shahuindo project consists in several large zones of hydrothermal alteration discovered in the 1980's. Subsequently, in the 90's, Asarco and Southern Peru conducted substantial exploration programs which led to the definition of four main mineralized zones namely: San José, South Contact, Porphyry and East Zone.

In 2002, Sulliden bought a 100% interest in the Shahuindo property from Compañía Minera Algamarca S.A. The property consists of twenty-six (26) contiguous mineral titles.

In 2003 and 2004, Sulliden conducted field work (survey, soil sampling, geophysics) and two drilling programs in order to confirm the geometry and extent of the already known mineralized zones and their gold-silver contents and also to test other exploration targets.

In 2003, the drilling program consisted of twenty-seven (27) diamond drill holes totalling 3388 meters. In 2004, drilling consisted of fifty-six (56) diamond drill holes totalling 8504 m. Core samples were analysed for gold and silver at ALS-Chemex Laboratory in Lima by fire assay (50 g) with an atomic absorption finish or gravimetric finish if grade was above 10 g/t.

About 5% of the pulps of the samples analysed in 2004 were taken randomly by Sulliden's geologists and were reanalysed at ACT Lab in Lima. A fairly good correlation could be found between the original values and the reanalysis. In addition to this, Met-Chem also performed some reanalysis of core and rejects and results are consistent with the original analyses.

The present resources estimation done by Met-Chem is based on data provided by Sulliden which included data obtained during the 2003 and 2004 drilling program as well as data from Asarco, Attimsa and Southern Peru programs. The data used for the resources estimate of the zones totals 279 drill holes spaced on drill patterns from 25 to 100 m, which allow reasonable confidence in geological continuity.

Auriferous zones have been interpreted by Sulliden using geological cross-sections spaced every 50 metres. On each cross-section, 0.3 g/t Au envelopes have been drawn to delineate each of the auriferous zones.

Met-Chem's expert visited the site in February 2005 to audit relevant project data and interview project personnel. In Met-Chem's opinion, the project is well managed and the drill hole database is considered reliable for the purpose of resources estimation.

However, Met-Chem has been advised by Sulliden that there is presently some litigation related to ownership of the mineral rights. Indeed, a third party bought Algamarca in 2003 and has been claiming ownership of the property since then.

Based on the sectional geological interpretation provided by Sulliden, Met-Chem constructed three-dimensional solid bodies representing the boundaries of the mineralized zones.

Afterward, grades have been interpolated using various search ellipsoids. No data has been extrapolated beyond 90 m from any drill hole information. Tonnage calculation has been performed using specific gravity obtained from drill cores for each zone.

The mineral resources estimated by Met-Chem are reported at a cut-off grade of 0.3 g/t Au and have been classified in the Indicated and Inferred categories according to the "Canadian Institute of Mining, Metallurgy and Petroleum Standards on Mineral Resources and Reserves".

The resources are reported in the following table.

**Shahuindo Project – Classified Mineral Resources
(Cut-Off Grade 0.3 g/t Au)**

Zone	Indicated			Inferred		
	Tonnes	Au (g/t)	Ag (g/t)	Tonnes	Au (g/t)	Ag (g/t)
San José	22,413,000	1.04	31.79	6,561,700	0.78	25.93
Moyan Alto				6,143,200	0.45	3.95
Gap				3,330,400	0.61	4.63
East	13,447,800	0.84	10.23	987,800	0.65	8.93
Other Zones	2,148,700	0.69	11.10	136,100	0.53	11.02
TOTAL	38,009,500	0.95	22.99	17,159,200	0.62	12.83

In Met-Chem’s opinion, the Shahuindo deposit provides good exploration potential for increasing the current mineral resources and this project warrant further work.”

2005/2006 Program

Field work on the Shahuindo Property was suspended during 2005 and 2006 until the Arbitration Process regarding the ownership of the property has been concluded (See Legal Dispute below).

Nevertheless, the Company kept a permanent presence on the property including an operational field campsite with a group of about 30 employees that were responsible for general camp maintenance and also to keep the social program maintained.

This social program includes the financial support of a fulltime sociologist working closely with the local communities in order to understand and establish with them their needs and priorities, a medical team of one doctor and one medical assistant with a well equipped medical dispenser, a legal representative to assist the local inhabitants filing their various legal documentation, educational material for scholars of preliminary local schools, various cultural and /or sporting events etc. This program, that was under the responsibility of Sulliden’s sociologist Luis Urquiza, has been awarded the “Best Responsible Social Program” (Premio al mayor tecnico de Responsabilidad Social) by the “Engineer College of Peru” (Colegio de Ingenieros del Peru) at the “IV International Congress on Environment in Mining and Metallurgy” (IV Congreso Internacional de Medio Ambiente en Minería y Metalurgia) that was held in Lima from July 13th to 16th 2005.

2007 Shahuindo Exploration Program

The Minister of Energy and Mines in Peru issued an exploration permit dated April 17, 2007 in respect of the Shahuindo project. The permit is valid for a period of nine months and authorizes Sulliden to conduct an exploration program on the Shahuindo Property and specifically on the mining concessions identified “Acumulacion Algamarca”; Perdada 1; Malves; and Malves 92. The Company is authorized to carry out drilling program up to 20 drills each from 20 platforms, for a total of 5,000 metres of drilling and to build 11 kilometres of access roads on the property. These concessions are located to the western and north-western part of the Shahuindo property and contain some of the many exploration targets on Shahuindo which Sulliden has identified for further drilling.

Following the issuance to Sulliden of an Exploration Permit by the Ministry of Energy and Mines of Peru, on April 17, 2007, Sulliden implemented an extensive exploration program on the Shahuindo property. The following is a brief description of the work and results obtained:

In the first part of May 2007, Sulliden started a new geochemical soil survey to cover part of the Shahuindo property that has never been sampled before. The survey first covered an area located to the Northeast of the main San Jose zone, in a region where Sulliden had previously delineated a ground magnetic anomaly similar to the one associated with the San Jose zone. Usually, these magnetic anomalies are associated with Porphyry type intrusives crosscutting the sedimentary assemblages.

A total of 166 soil samples taken over approximately 17.4 km of surveyed lines were collected in the first phase. Gold values of up to 2.0 g/t Au in the soil were obtained in a well defined NW-SE oriented area that has been followed on 8 lines so far (spacing of 100 meters between lines) and is still open in both directions. This anomalous “envelop” (values higher than 100 ppb Au) is directly overlying the formerly outlined magnetic anomaly. Follow up work is planned to test this newly discovered gold anomaly.

A total of 140 samples have been collected from 68 old underground adits and small pits. These adits and pits are distributed over a strike length of more than 4.0 km to the West and North-West of the western limit of the known San Jose mineralization. This area has never been explored previously by Sulliden and no drill holes have ever tested these old workings. Each sample was collected by channel sampling and has a minimum length of half a meter to up to 1.5 meters. Analyses were done for various elements and other metals such as for Au, Ag, Cu, Zn, Pb and As. The analyses for the adits and pit sampling program were carried out by ALS Chemex Laboratories in Lima, Peru. Check assays are being carried out at SGS Laboratories in Lima. Fire assays for gold were performed on 50 grams of pulp with AA finish with gravimetric finish for samples above 10g/t. Aqua Reggia digestion was used for silver with AA finish.

High grades of gold (up to 38 g/t Au) and silver (up to 2750 g/t Ag) were obtained. In fact, of the 140 samples taken, 17 of them, taken from 12 different adits or pits, returned values higher than 10 g/t Au. Moreover, 112 samples (i.e. 80%) are above 0.1 g/t Au of which 82 (58%) returned values higher than 0.5 g/t Au. Two very different types of mineralization have been identified, one consisting of Quartz-vein type and the other Breccias type. High precious metal values were obtained in both environments.

All of the gold-silver bearing samples are confined in a well defined West- Northwest corridor that strikes for more than 4.0 additional kilometers from what seems to be the extension of the main San Jose zone. Of particular significance, however, is that this mineralized corridor appears to be extending into the Chimu Formation instead of the Caruhaz Formation that hosts the San Jose zone. Barrick's Norte-Alto Chicama gold mine, located just 25 km to the north of Shahuindo, is precisely hosted in this same Chimu Formation.

In early June 2007, Sulliden started a new geophysical magnetic ground survey that has covered about 31 km of a 99.35 km planned survey. The survey area is located to the North and Northwest of the San Jose Zone to test an area that had not been covered by Sulliden previously. Approximately 17.8 km of this 99.35 km program was carried out on the adjacent Vikingo property which is held under option by Sulliden and on which no significant work has previously been carried out.

The results of this new 2007 exploration phase will help to confirm the priority of the outlined targets for the next drilling campaign. The high gold and silver values obtained from the rock and soil sampling in areas that have never been evaluated by Sulliden in the past demonstrate the important exploration potential of Sulliden's Shahuindo property which could eventually add to the known gold and silver resources.

Most of the access roads leading to the Shahuindo property, and to Sulliden's camp, were re-opened and repaired where necessary after a difficulty rainy season which caused some local damage. This work was carried out by Sulliden using local community labor. Sulliden has also launched a water monitoring program.

Legal Proceedings – Shahuindo Legal Dispute

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

The entitlement of the Company to develop the Shahuindo Property in Peru is founded on an agreement dated November 6, 2002 (the "Agreement"), between the Company and Compania Minera Algamarca S.A., ("Algamarca"), pursuant to which Algamarca sold its rights in the Shahuindo Property to the Company. New shareholders of Algamarca have since claimed that the Agreement was invalid and commenced legal actions in Peru. While it is the opinion of management that these claims are without legal merit, the Company cannot predict with certainty the outcome of the Algamarca legal actions or the impact these actions may have on the rights to the Shahuindo property.

Note: The following is a general summary only of the legal dispute and legal proceedings. This summary is not intended to be a definitive statement or description of the legal proceedings or the legal positions. The numerous legal actions, claims, procedures and orders in the Shahuindo litigation can be confusing. The legal judicial system in Peru is complex, with overlapping and often conflicting court jurisdictions. The Peruvian legal, judicial and court system is significantly different than the Canadian legal system and legal terminology does not necessarily have the same meaning or effect in Peru as it may have in Canada.

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. ("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 instalments 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.

Following due diligence, Sulliden, through its 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. On the signature of the Letter of Intent and on the signature of the Transfer Contract, amounts of US\$10,000 and US\$320,000 respectively were paid by Sulliden according to the instructions of Algamarca. Of this latter amount and in fulfillment of Algamarca's instructions, US \$107,244 was turned over to Compañía de Minas Buenaventura S.A.A. to release Algamarca from a previous option obligation, with the remaining US\$212,756 having been accepted and received by the Algamarca shareholders. The balance of the total purchase price plus the interest was paid to the Court.

The acquisition cost on this property carried an interest rate of 5% per year and was payable as follows:

May 6, 2003	US\$ 500,000 plus the interest
November 6, 2003	US\$ 800,000 plus the interest
May 6, 2004	US\$1,000,000 plus the interest
November 6, 2004	<u>US\$1,500,000 plus the interest</u>
	<u>US\$3,800,000</u>

The Company may accelerate any of the further instalments, at its own discretion.

If the Company does not comply with the terms of this Transfer Contract, the property will revert to Algamarca with the Company retaining a 0.5 per-cent net smelter royalty for each US\$1 million paid. The royalty will be capped at the total amount paid by the Company.

On November 11, 2002, Sulliden entered into possession of the property. The mining concessions remained mortgaged in favour of Algamarca as security for payment of the balance of the purchase price.

During January 2003, the original shareholders of Algamarca sold their shares to a third party, a Peruvian company Alta Tecnología e Inversión Minera y Metalúrgica S.A. ("ATIMMSA") with the financing believed to have been provided by Compañía Minera Aurifera Santa Rosa S.A. (COMARSA), a mining company part of the Sanchez Peredes Group. Immediately thereafter Atimmsa itself was transferred to Ohana Overseas S.A., a Panamanian company under the control of Orlando Sanchez Peredes and Orlando Sanchez Miranda (the "Sanchez Peredes Group").

At a meeting of the new shareholders of Algamarca held on in February 2003, new directors and a new general manager were appointed. Since that time, Algamarca, under the direction of Atimmsa and under the control of the Sanchez Peredes Group, has sought to rescind the Transfer Contract or to frustrate its terms. Algamarca has commenced numerous legal actions against Sulliden in Peru including:

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

In May 2003, Sulliden tendered payment for the next required instalment to Algamarca which was rejected. Consequently, Sulliden then made the payment of US\$500,000 to the Tenth Civil Court in Lima. By April 30, 2004, Sulliden had deposited the remaining final payment of US\$3,300,000 plus interest due, for the Shahuindo property with the Courts in Lima. Under the terms of the Agreement, Sulliden has paid the full

amount of US\$4,130,000 plus interest (including payment made under judicial consignment to the Civil Court at Lima).

Court Proceedings:

In March 2003, Atimmsa filed for an injunction in the Courts of La Esperanza Trujillo seeking to direct the Public Registry in Trujillo to (a) register the suspension of the Transfer Agreement and (b) suspend all recording proceedings of the transfer and registration of the mining claims and surface lands. In the following month, Atimmsa was granted the injunction and commenced a lawsuit in the Courts of La Esperanza in Trujillo against Sulliden seeking a declaration that the Transfer Agreement was null and void and an order that Algamarca remain as the holder of the property. The lawsuit alleged that the Transfer Agreement was not valid because in executing the contract the General Manager of Algamarca violated the Power of Attorney confirmed on him by the shareholders of Algamarca in July 2002.

In response to the La Esperanza Trujillo injunction and lawsuit, Sulliden applied to the Courts in Lima to challenge the competency (jurisdiction) of the Judge in Trujillo and to move the hearing to the Courts in Lima. In November 2003, the Supreme Court confirmed Sulliden's application and ordered the transfer of the case to the Tenth District Civil Court in Lima.

In July 2004, the Tenth District Civil Court in Lima dismissed Atimmsa's lawsuit and declared the injunction granted to Atimmsa by the Courts of Trujillo to be unlawful and revoked. The decision of the La Esperanza Trujillo injunction was revoke upon Appeal by the Fifth Civil Chamber of the Superior Court of Lima on September 23, 2004 which ultimately revoked the injunction and dismissed Atimmsa's lawsuit against Sulliden.

Transfer and Registration of Mining Claims:

Of the twenty-six mining claims comprising the Shahuindo property, six are registered in the National Public Registry (SUNARP) in Lima, while twenty are registered in the District Public Registry in Trujillo pursuant to Peruvian judicial procedures.

Following the injunctions issued to Atimmsa in March 2003, the District Public Registry in Trujillo suspended all registrations and declined to register any further transfer of claims. Sulliden appealed this decision to the Registration Tribunal without success.

Following the decision of the Fifth Civil Chamber of the Superior Court of Lima in September 2004 to revoke the injunction granted to Atimmsa and dismiss the proceedings initiated by Atimmsa, the National Public Registry (SUNARP) in Lima registered the transfer of the six mining claims to Sulliden. Ownership of these six claims is now registered in Sulliden's name.

Sulliden has also made application to the District Public Registry in Trujillo to have the Registry abide by the decision of the Fifth Civil Chamber of the Superior Court of Lima and has requested the registration of the transfer of the remaining twenty claims to Sulliden's name. This registration was not made until September 2006 (see below).

In the meantime Algamarca has succeeded in registering the transfer to Atimmsa of the surface land, eight mining claims to Minera Pilacones S.A. and five to Inversiones Sudamericanas S.A.. Sulliden presented civil complaints, a criminal petition, an appeal against this unlawful transfer, and has applied for an injunction to prevent Algamarca, Atimmsa and any other persons different from Sulliden from further transferring the property.

Permits/Work Orders – Occupation of Property:

In November 2002, Sulliden entered into possession of the Property.

In May 2003, Sulliden received an official permit from the Ministry of Energy and Mines to initiate the first phase of drilling on the Shahuindo property. In January 2004, Sulliden received an official permit from the Ministry of Energy and Mines of Peru to initiate the second phase of drilling at Shahuindo. No permit has been granted to any other party to explore, develop or mine the Shahuindo property other than to Sulliden.

In October 2003, Algamarca forcibly occupied part of the mining concession areas, established a camp near Sulliden's exploration camp and commenced a civil lawsuit against Sulliden which continues without decision. Algamarca also initiated four criminal procedures in Cajamarca against Sulliden officers. Algamarca attempted to execute some mining work on the property without official authorization. The Ministry of Energy and Mines and Provincial Attorneys Office in Cajamarca ordered Algamarca to cease their activities but Algamarca remained physically on the property.

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, and a second proposed by the Institute of Mining, Petroleum and Energy Law. The two arbitrators then nominated 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. By May 2005, the Arbitration had concluded the evidentiary stage, leaving only the closing arguments.

In the arbitration proceedings Sulliden is seeking a declaration that Algamarca is compelled to fulfill the Transfer Contract and the obligations contained therein. Algamarca has challenged the effectiveness of the Transfer Contract and the validity of the arbitration clause and the competence of the Arbitration Tribunal.

Algamarca alleged that in executing the Purchase 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, Sulliden Shahuindo.

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 has sought various injunctions in an effort to prevent the Arbitration Tribunal from issuing a Decision.

In January 2004, Algamarca filed, in the Court of Villa Maria del Triunfo, a petition for constitutional relief alleging violations to its right to due process of law before a competent independent and impartial court and not before an Arbitration Tribunal, the appointment of which it alleges was invalid and comprising of one member with an alleged conflict of interest. In May 2004, the Court of Villa Maria del Triunfo declared Algamarca's petition for constitutional relief unfounded. On Appeal in November 2005, the Fifth Civil Chamber of the Court of Appeal of Lima rejected Algamarca's petition for constitutional relief, and Algamarca appealed to the Constitutional Tribunal in December 2005.

In December 2004, Algamarca sought and obtained a precautionary measure (injunction) from a Judge in San Marcos to suspend the Arbitration Proceedings. The Arbitrators rejected the demand for suspension and resolved to continue with the proceedings. In February 2005, Algamarca requested the Judge of San Marcos to refer his ruling to the Supreme Court, but again the Arbitrators considered this injunction and unanimously resolved to continue with their proceedings and by May 2005, had concluded the evidence stage.

The reference to the Supreme Court of Peru from the Judge of San Marcos was heard by the Supreme Court which, on June 15, 2005, ratified the constitutional autonomy of the Arbitration Process. The Supreme Court's decision overruled the December 2004 decision of the Judge of San Marcos which had ordered the suspension of the Arbitration Proceedings. On July 12, 2005, the Supreme Court issued a Circular to the Presidents of the twenty-eight Superior Courts to uphold the sanctity and constitutional autonomy of the Institution of Arbitration.

In late May 2005, Algamarca obtained a second precautionary measure (injunction) from a Constitutional Judge from the District of Villa Maria Del Triunfo to suspend the Arbitration Proceedings. Faced with this constitutional injunction, the Arbitration Tribunal voted by a two-to-one majority to temporarily suspend the proceedings with the Arbitrators unanimously agreeing to appeal to the Superior Court of Lima.

In September 2005, the Superior Court of Lima unanimously rendered its judgment dated September 2, 2005, revoking the precautionary measure (injunction) that had temporarily suspended the Arbitration Process. Following the Superior Court decision revoking the injunction, the Arbitration Tribunal unanimously resolved to continue with the remaining stages of the Arbitration Process and called upon the parties for closing arguments to be held in October 2005.

Subsequently, Algamarca attempted once again to suspend the Arbitration Process. In October 2005, Algamarca initiated two new "acciones de amparo" from the 41st and the 53rd Circuit Court of Lima seeking a Court Order to suspend the Arbitration Process, but these applications were not successful.

On October 18, 2005, a new Court Order was obtained by Algamarca from the 64th Civil Court of Lima, where an action had earlier been filed by Algamarca in November 2004 arguing that the Transfer Agreement was not properly executed on behalf of Algamarca and requesting that the Arbitration Process be suspended pending a determination by the 64th Civil Court as to the proper execution of the agreement by Algamarca. By resolution #191, dated November 15, 2005, the Arbitration Tribunal rejected the request and resolved to hear the closing arguments in early December 2005.

Following the rejection by the Arbitration Tribunal of Algamarca's request for a suspension, Algamarca sought and obtained from the 64th Civil Court of Lima a precautionary measure (injunction) ordering the suspension of the Arbitration Process pending the Court's decision on the principal matter of the valid execution of the Transfer Agreement and threatening to impose penal criminal charges against the Tribunal Arbitrators if the Order of the Court was not respected.

In addition, on December 1, 2005, Algamarca sought and obtained another precautionary measure (injunction) against the Arbitrators from the Third Civil Court of Cajamarca, where an action had earlier been filed by Algamarca earlier in 2005 challenging the ownership of surface lands and prohibiting the Arbitration Tribunal from entering Final Judgment until the matter of the ownership of the surface lands at Shahuindo is resolved by the Third Civil Court.

Upon the resumption of the Arbitration Tribunal on December 5, 2005, and faced with the demands by Algamarca that the Tribunal be suspended and in light of the Court Orders from the 64th Civil Court of Lima and the Third Civil Court of Cajamarca, the Arbitration Tribunal resolved by Resolution No. 199 dated December 5, 2005 not to proceed with the final arguments and gave the parties (Sulliden and Algamarca) five days to make submissions on the Court Orders and the suspension request from Algamarca. Following such submissions by Resolution 201, dated December 15, 2005 (notified December 20), the Arbitration Tribunal resolved rejecting the order of suspension ordered by the 64th Civil Court but temporarily suspending hearing the arbitration closing arguments, to protect the procedural legal terms to issue the arbitration award and to avoid any damage by the injunction issued by the Third Civil Court of Cajamarca.

Sulliden initiated the appropriate legal action to have the latest injunction revoked and the Arbitration finalized. On January 26, 2006, Sulliden filed before Lima's Thirty-Fifth Civil Judge a competence lawsuit against Cajamarca's Third Civil Judge. On January 31, 2006, Lima's Thirty-Fifth Judge declared himself competent to deal with the judgment of Cajamarca's Third Civil Judge. The Third Judge of Cajamarca has suspended the procedure and sent the file to the Supreme Court, in order to decide the competence (jurisdiction) between them.

Sulliden also filed an Appeal to the Superior Court in Lima against the Order of the 64th Civil Court and a competence dispute against Lima's Sixty-Fourth Civil Judge. The file has been sent to the Superior Court in order to determine the competent judge. The appeal process will be suspended until the competence matter is resolved.

Meanwhile, in an Habeas Corpus procedure, which had previously been filed to the Constitutional Court by one of the members of the Arbitration Tribunal on the matter of the competence of that particular member of the Tribunal, a written judgment was issued on March 10, 2006, in which the Constitutional Court determined that the Arbitration Institution (process) has jurisdictional independence. The Court reaffirmed the full validity

of Article 39 of the General Law of Arbitration which empowers Arbitrators to decide regarding matters of their own business and Article 44 which guarantees the entitlement of the Arbitrators to judge and decide any controversial matters brought forward during the Arbitration Process, including claims related to the validity and efficacy of the underlying agreement. The Constitutional Court recognized the Arbitration Institution and its full and absolute competence to investigate and resolve the controversies referred to Arbitration with jurisdictional independence and without the intervention of any administrative or ordinary judicial authority.

Following the decision of the Constitutional Court on March 10, Sulliden requested that the Arbitration Tribunal resume the Arbitration Process based on the judgment of the Constitutional Tribunal which establishes the autonomy of the Arbitration Jurisdiction, as well as the autonomy and legal capacity of the Arbitrators. By Resolution No. 202, notified by the Arbitration Tribunal on March 21, 2006, the Tribunal required Algamarca to deliver its opinion with regard to Sulliden's request for renewal and required both Sulliden and Algamarca to deliver a legal opinion with regard to the decision of the Judge of the 64th Civil Court which had ordered the sealing of the Arbitration File.

Finally, in June 2006, the Constitutional Tribunal published its decision (dated April 30, 2006) rejecting the appeal of Algamarca against the decision of the Superior Court of Lima of November 2005, (on appeal from the District Court of Villa Maria del Triunfo), and declared invalid a constitutional petition filed by Algamarca in January 2004 seeking constitutional relief because of an alleged violation of its constitutional right to due process before a judicial court of competent jurisdiction.

In its decision, which is final, the Constitutional Tribunal confirmed that the requirements to initiate a Constitutional Petition required proper compliance with the requirements of the judicial system. The Constitutional Court established that it is mandatory to comply with the Justice System, the Arbitration Decision, and any appeal of the Arbitration Decision before a Constitutional complaint against a decision of Arbitration can commence.

The Constitutional Tribunal also ordered that no judge can interfere in the Arbitration Process until the Arbitration Aware and Appeal process is finished. The Constitutional Tribunal confirmed that in the Arbitration started by Sulliden, the Arbitrators have the constitutional protection to finish the Arbitration without the interference of any Judge or Court.

In its decision, the Constitutional Tribunal also questioned the legitimacy of a separate injunction which had been granted in December 2005 by the Third Judge of Cajamarca forbidding the Tribunal from issuing an Arbitration award until a dispute with regard to the ownership of surface property had been determined. Based on that injunction from the Court of Cajamarca, the Arbitration Tribunal had suspended its hearings in December 2005. The Constitutional Tribunal recommended to the OCMA (Oficina de Control de la Magistratura) that the mandatory resolutions of the Constitutional Tribunal regarding the autonomy of the arbitration process should be enforced with personal responsibility.

Arbitration Resumes:

As a consequence of the Resolutions issued by the Constitutional Court, the Arbitration Tribunal resumed the arbitration process by resolution No. 204, dated June 13, 2006. In this resolution, the arbitrators resumed the arbitration process, and called for closing arguments scheduled to be presented on June 27, 2006. On June 29, 2006, Sulliden was notified by the Arbitration Tribunal that they have concluded the arbitration process with the final hearing that was held on June 27, 2006.

Arbitration Decision:

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

- Sulliden has fully met the terms and obligations of the Transfer Agreement dated November 11, 2002 between Minera Sulliden Shahuindo S.A.C. 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.

The Tribunal also rejected the Algamarca's Petition of Nullity based on lack of jurisdiction and also directed that the fees of the Arbitrators be recoverable from the Algamarcas, with the administrative and secretarial fees of the Arbitration to be assumed by both parties equally, and with each party paying its own legal fees.

The Tribunal ordered the Algamarcas, and any third party that could have acquired any rights from the Algamarcas to:

- execute the minute and public deed acknowledging full payment of the purchase price and releasing the mortgage lien created on the property securing payment of the purchase price;
- restore to Sulliden possession of the mining concessions named Pilacones 8 and Accumulation Algamarca 2, and any other mining concessions that were transferred to Sulliden under the Transfer Agreement;
- restore to Sulliden possession of the surface lands transferred to Sulliden under the Transfer Agreement;
- restore to Sulliden possession of the mining camp established on the Shahuindo Property; and
- abstain from carrying out any act that limits, hinders or impedes the right of Sulliden to exercise any mining activity, exploration or exploitation or other act allowed by law in relation to the mining concessions, surface lands, or any other part of the Shahuindo Property acquired under the terms of the Transfer Agreement.

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 Compañía Minera Algamarca S.A. and Compañía Exploraciones Algamarca S.A. to comply with the decisions rendered by the Arbitration Tribunal. In its injunction, the Court:

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

Registration of Concessions:

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

Following the Arbitration Award and granting of the Award Injunction, the Registry Tribunal of the National Superintendente of Public Registers (SUNARP) (the official Peruvian government state Registry) issued its decision by Resolutions No.454-2006 dated August 2, 2006 in the appeal presented to the Registry Tribunal by Minera Sulliden Shahuindo SAC (the "Administrative Order"). The effect of the Administrative Order was to direct the Regional Registrar at Trujillo (where twenty of the Shahuindo mining concessions are registered) to register the transfer into Sulliden's name of the twenty mining concessions.

In pursuit of this Administrative Order issued by the Registry Tribunal the Regional Registrar in Trujillo registered Sulliden as the owner of the 20 concessions on September 8, 2006.

Actions by Algamarca:

Following receipt of the Decision of the Arbitration Tribunal in July, 2006 confirming Sulliden's full entitlement to the Shahuindo property Algamarca and its related companies have refused to recognize the Arbitration

Decision and Award and continue to try to ignore and frustrate the Transfer Agreement for the property. 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. In response to the issue in Sulliden's favour of the Arbitration Award, the Award Injunction and the SUNARP Registry Tribunal Administrative Order, Algamarca and their associate companies Inversiones Mineras Sudamericanas S.A. ("Sudamericanas") and Minera Pilacones S.A. ("Pilacones") have taken a number of steps including:

- Filing a petition in the Commercial Chamber of the Superior Court in Lima seeking a declaration of nullity of the Arbitration Award. In this action, Algamarca argues that the Arbitration Tribunal did not have competence to hear the dispute and that the members of the Arbitration Panel were conflicted.
- Commencing various actions against the SUNARP Registry Tribunal, seeking the declaration of nullity for 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, including orders directing the District Register to record the ownership of title to five concessions in the name of Sudamericanas and eight concessions in the name of Pilacones.
- Causing Inversiones Mineras Sudamericanas S.A., Sucursal Perú (Sudamericanas) (an associate company registered in Panama) to commence an action against the SUNARP Registry Tribunal and obtain an injunction Order against the SUNARP Tribunal in the District Court of Sanchez Carrion [a town in La Libertad]. That temporary injunction Order was "filed" in the SUNARP and noted on the dockets relating to the twenty concessions (September 8, 2006).
- Causing Minera Pilacones S.A. (Pilacones) (an associate company) to commence an action against the SUNARP Registry Tribunal in the district of Trujillo. The Fourth Civil Judge of Trujillo by resolution dated September 28, 2006 ordered the Registry at Trujillo to restore Pilacones as the owner of eight mining concessions. The court order was registered by the SUNARP Registry on October 12, 2006 and by its terms effects title to the eight concessions in the name of Pilacones.
- Causing Sudamericanas (an associate company) to commence an action against Compañía Minera Algamarca S.A. and Compañía de Exploraciones Algamarca S.A. (not Sulliden) in the district of Cajamarca. The Third Civil Judge of Cajamarca by resolution dated September 14, 2006 ordered the SUNARP Registry to restore Sudamericanas as the owner of five mining concessions. That order was issued without notice to Sulliden and in breach of the Award Injunction. The Court Order was registered on September 25, 2006.
- In addition continuing to press forward with other earlier and new actions including civil, criminal and constitutional claims in various courts seeking to have the Transfer Contract declared unenforceable and invalid and seeking to have the Arbitration Process (and the Arbitration Award) suspended. Specifically Algamarca reactivated 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.

The basis of these claims are substantially the same grounds that were argued before the Arbitration Tribunal, namely abuse of constitutional rights, lack of authority to sign the contract, contract signed by a different company, contract did not include surface land, lack of competence of the Tribunal and conflicts of interest by the Tribunal Members etc. All of these arguments were previously considered in detail and rejected by the Arbitration Tribunal.

Transfer of Mining Concessions:

Sulliden is aware that Algamarca has purported to try to transfer some of the mining concessions to various associated companies, including Inversiones Mineras Sudamericanas SA (Panamanian) 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 transfer contracts are ineffective against Sulliden as per the Arbitration Award and are subject to the Transfer Agreement and to the prior registration of the Transfer Agreement from Algamarca to Sulliden Shahuindo of November 11, 2002.

The Panamanian companies, Andean Mining Gold Inc. ("Andean"), Inversiones Mineras Sudamericanas S.A. ("Sudamericanas"), Import & Export A.C.D., S.A. ("Import & Export"), and Peruvian company, Compañía Minera Pilacones S.A. ("Pilacones"), are effectively owned or controlled directly, or indirectly, by Algamarca and or the Sanchez Group. Sulliden believes that Algamarca took the following steps:

- (a) purporting to execute a conveyance of ownership of some, or all, of the ownership rights to the Shahuindo Project from Algamarca to third parties, including, *inter alia*, ATTIMSA, Pilacones and Sudamericanas;
- (b) on or about November, 2003, Algamarca Mining and Algamarca Exploration purported to transfer to ATIMMSA 30 superficial lands forming part of the Shahuindo Project (the same lands that only a year before in November 2002 had been transferred by the same companies to Sulliden Shahuindo);
- (c) purporting to grant mortgages against various parts of the Shahuindo Project to non arm's length entities without valuable consideration and then purporting to have these third party mortgagees promptly acquire ownership rights through default and foreclosure proceedings;
- (d) conveying, on or about April 27, 2005, certain mining concessions, which form part of the Shahuindo Project; to Pilacones and after, unsuccessfully trying to register the transfer of these concessions to Pilacones, Sanchez sought a judicial order compelling this registration in, or about, August, 2005
- (e) seeking the Peruvian court's endorsement of an extra judicial settlement purporting to transfer to Sudamericanas five mining concessions in or about December, 2005, which form part of the Shahuindo Project, allegedly in consideration of Algamarca's default on an alleged loan in the amount of \$3,000,000 from Sudamericanas;
- (f) granting of a loan by Sudamericanas to Pilacones on or about January 26, 2006, in the amount of \$50 million and a subsequent loan by Import & Export to Sudamericanas in the amount of \$30 million purportedly secured by mining rights in respect of the Shahuindo Project, alleged to be owed by Sudamericanas;
- (g) Pilacones purporting to convey the same eight mining concessions received on a non arms length basis from Algamarca on or about February 26, 2006, to another non arms length company, Andean; and
- (h) Sudamericanas purporting to convey the same five mining concessions received on a non arms length basis from Algamarca on or about February 26, 2006, to another non arms length company, Andean.

Reply of Sulliden and Re-registration of Concessions:

In reply to previous and the recent actions taken by Algamarcas, or related third parties, Minera Sulliden has contested the various court actions, has filed appeals against the court orders and in turn has initiated its own action for breach of the Transfer Contract and of the Award Injunction.

Minera Sulliden has presented several constitutional and civil petitions in Lima seeking declarations of nullity of process against Pilacones and Sudamericanas, and the judges of Cajamarca and Trujillo. The purpose of the petitions is to declare invalid all the court orders that ordered to transfer of title of the five concessions to Sudamericana and the eight concessions to Pilacones, without any consideration or grounds, against the mining rights of Sulliden and contrary to the Arbitration Decision and the Arbitration Award.

Minera Sulliden presented a complimentary petition to the 55th Civil Court of Lima which on December 14, 2006 ordered the Registrar to restore and maintain all the 20 mining concessions (in the Registry of Trujillo) in Sulliden's name. In compliance with the Injunction of the 55th Civil Court of Lima, the twenty mining concessions have been re-registered in the name of Sulliden, effective November 2002. Minera Sulliden Shahuindo is now recorded as the registered owner of the twenty Shahuindo mining concessions in the SUNARP Registry in Trujillo and of the other six Shahuindo mining concessions in the SUNARP Registry in Lima.

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

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

Algamarca Actions Dismissed:

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.

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 Superintendente 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 two separate decisions the Courts of Peru dismissed these actions. 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 Humachuco 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 action challenging the registrations, a contentious administrative action filed by Algamarca against the SUNARP, 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 Humachuco (File No. 001-2006).

The net effect of the foregoing is that 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 two courts in Peru, one has been withdrawn and one remains outstanding.

Supreme Court Upholds Sulliden Appeal:

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 a 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.

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 which by Resolution dated May 8, 2007 upheld Sulliden’s appeal.

In July 2006 Sulliden obtained its own injunction from the 55th Court of Lima ordering Algamarca, or any party that could have acquired any rights from them, to restore to Sulliden possession of the mining concessions, superficial (surface) lands and any other assets comprising the Shahuindo property.

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 December 2006 the Constitutional Tribunal (Peru's highest constitutional court) rejected an appeal by Algamarca against an earlier decision of the Superior Court of Lima which had rejected a petition by Algamarca to stop the Arbitration process on constitutional grounds, including assertions of the absence of due legal process.

Algamarca filed a petition in the Commercial Chamber of the Superior Court in Lima seeking a declaration of nullity of the Arbitration Award. The petition of Compañía Minera Algamarca S.A. File No 1757-2006 was issued on October 25, 2006. The petition of Compañía Exploraciones Algamarca S.A., File No 1753-2006 was issued on November 6, 2006. The Nullity Petition is an appeal procedure provided under the General Arbitration Law of Peru 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 action, Algamarca argues 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 declined to participate but the hearing took place despite Sulliden's objections and the decision of that Court is awaited.

Under the laws of Peru a further appeal to the Supreme Court against a decision of the Commercial Chamber of the Superior Court may be taken by the Sulliden but not by Algamarca.

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 Compañía Minera Algamarca S.A., Compañía de Exploraciones 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."

Sulliden Files Law Suits in Canada:

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

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

Sulliden also commenced an action in the Superior Court of Justice of Ontario against Algamarca, Century Mining Corporation, Orlando Sanchez Paredes and others, claiming US\$200 million for damages for breach of contract, breach of the Arbitration Award, and breach of the injunctions obtained by Sulliden from the Civil Court of Lima, as well as conspiracy and other claims. Sulliden is also claiming punitive damages of an additional \$10 million, together with prejudgment interest, legal costs and other relief.

Comment:

It is regrettable that Algamarca has chosen not to recognize or obey the Arbitration Award. Sulliden has taken, and will take whatever legal action may be necessary or advisable in order to ensure execution of the Arbitration Award, and in the meantime is pressing forward on all fronts. However there can be no assurance that Algamarca or its associate companies will not seek to take other steps or seek other orders or injunctions in an attempt to suspend such registrations or delay execution of the Arbitration Award.

Sulliden has been advised by leading law firms in Peru that the Transfer Agreement between Sulliden and Algamarca is valid and enforceable. Sulliden has acted in accordance with the principles of good faith in the negotiation, signing and execution of the Transfer Agreement and has satisfied all the criteria governing the basic articles of constitutional law protecting the freedom of two parties to enter into a contract having a legal purpose in complying with the laws of the public order. Following the purchase of the shareholding of Algamarca by Atimmsa under the control of the Sanchez Paredes Group, which took place after the execution of the Transfer Agreement, and the subsequent purchase of the shareholding of Atimmsa by a Panamanian company, Algamarca and its new shareholders have acted in bad faith and have refused to recognize and sought to ignore the Transfer Agreement previously signed by Algamarca and have sought to prevent by various means the transfer to Sulliden of the mining concessions and the registration of title in Sulliden's name. In the opinion of management, the claims of Atimmsa and Algamarca are made in bad faith and without merit. Algamarca and its new shareholders objected to the Arbitration Process and sought various orders and injunctions from different courts and in different jurisdictions in an unsuccessful effort to stop the Arbitration Process. Following the Arbitration Decision in Sulliden's favour Algamarca and its related companies have chosen not to recognize or obey the Arbitration Award.

In view of the Arbitration Award and its strong legal position, Sulliden remains confident that the outcome of all legal actions in this dispute will be favourable to Sulliden. Although frustrated by the ongoing delays, Sulliden is satisfied with the outcome and results of the arbitration and legal actions to date. 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 Company will seek by every means possible to have its ownership of the Shahuindo property confirmed and the mining claims and surface lands registered or re-registered in its name. Sulliden has filed the appropriate appeals, review requests and nullity applications against all the interceding injunctions and will continue where appropriate to seek whatever legal redress is necessary to ensure that the Decision of the Arbitration Tribunal is respected and enforced to secure full ownership of the Shahuindo property in Sulliden's name.

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

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 2,000 hectares located in Peru, forming the Vikingo property. To acquire this interest, the Company may expend up to US \$350,000 in exploration work over a period of two years from the date of registration and pay US \$120,000 and issue 90,000 common shares

During the year 2005-2006, the Company executed basic exploration on the property by prospecting and sampling 142 rock samples coming from outcrops and another 24 coming from old adits for lithogeochemical analysis for its gold and silver potential. In addition, some infrastructure work has been executed, especially consisting of building access dirt road. Also, negotiation with local land owners took place to get access for the exploration work. In June 2007, as part of a new geophysical magnometer grid survey on the adjacent Shahuindo property, approximately 17.8 KM of the program was carried out on the Vikingo property.

As at April 30, 2007, the Company had paid US\$70,000, issued 15,000 common shares and had incurred approximately \$75,000 in exploration work. On June 27, 2007 the Company served notice of exercise of the option. The Company is presently negotiating an extension of the agreement with the other party. If such an extension cannot be negotiated 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.

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 instalments:

- (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 April 30, 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 April 30, 2007 the Company had expended \$422,528.

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

The Torrine property comprises a large alteration zone of 4.5 km x 2 km trending northwest to southeast, along the same system and with similar orientation and structural setting as Aruntani's Santa Rosa and Tucari gold mines which recently commenced production. The property covers the centre of a volcanic caldera of apparently the same age as the nearby Santa Rosa-Tucari volcanic complex. Previous work by Aruntani on the property has identified similar geological and mineralogical characteristics with surface grab samples revealing anomalous gold, arsenic and mercury content.

During 2005/2006 Sulliden carried out a first phase exploration work program on the Torrine property, consisting mainly of detailed geological, geochemical and geophysical surveys, which were executed on a systematic 90.3 km grid of lines 100 metres apart and 2100 metres long, spread over a distance of 4 km. The results of these surveys, combined with satellite image analyses, confirmed the presence of a volcanic complex intersected by a structural and hydrothermal system similar to the host system of the Santa Rosa and Tucari deposits. Moreover, interpretation by an independent geophysical firm of the induced polarization surveys concluded the presence of a significant sulfide mineralized system with a large elongated dimension in a general NW-SE direction, spread over a distance of more than 4 km, with individual elongated NE-SW bodies of kilometric magnitude, located between depths of 50 metres to 400 metres below the surface.

- Geophysics surveys: - a detail surveyed grid of 2,100 meter lines spaced at every 100 meters over a strike length of 4 kilometers for a total of 90.3 kilometers of surveyed lines. Magnetic survey over the entire grid with reading every 25 meters. Lateral Pole-dipole IP survey with power lines spaced by 200 meters for an effective grid of 100 meters by 100 meters by 50 meters of Induced Polarization and resistivity surveys. Depth of survey down to -400 meters. Interpretation by the contracted independent geophysician suggests an important sulphide mineralization system covering an area of about 4 km long by up to 2 km of width that as roots at a depth of about 400 meters and extend upward to about -50 meters from the surface. These surveys show clearly that four discharge upwelling hydrothermal cells oriented NW-SE has evolved as elongated (NE-SW) mushroom shaped bodies which two of them (central part) are merging together near the surface.
- Geological survey:-Detailed geological and rock geochemistry covering the 2/3 of the property. Confirmation of a typical caldera-type volcanic structure showing evidence of an active hydrothermal event that was subsequently covered by a younger andesitic flow of about 15 meters of thickness. According to contracted independent geologist, the underlying volcanic sequence consist of similar lithologies and stratigraphy as the volcanic complex that host the Santa Rosa epithermal gold mine located some 4 km to the SW.
- Satellite imaging analysis survey: - ASTER, TOPO and LANDSAT TM imaging analysis done by an independent expert has identified on the Torrine property the same NW-SE, NE-SW and E-W cross-cutting structures that also characterized both the Santa Rosa and Tucari epithermal gold mines located respectively 4 km to the SW and about 10 km to the West. In addition, these imaging analysis has also identify typical high sulfidation alteration minerals such as alunite and silica that are also present at both Santa Rosa and Tucari mines.

Following these surveys, management has prepared a follow-up drilling program of about 1500 to 2000 meters to test the identified geophysical targets.

In preparation for the drilling campaign access agreements have been concluded with the local landowners and a road is being constructed to enable heavy equipment to access the property. This first phase of drilling will consist of a ten to fifteen diamond drill hole program totalling about 2000 metres, and is planned to test selected high priority targets for epithermal high sulfidation gold type mineralization. The drill targets were selected based on geological, geochemical, geophysical and satellite remote sensing for alteration minerals identification and structural feature interpretation. Drilling on Torrine is expected to commence in August 2007 upon completion of the access road.

Risk Factors

An investment in the common shares in the capital of Sulliden should be considered highly speculative for a variety of reasons. The following is a general description of certain significant risk factors which should be considered:

Uncertainty with respect to title to Shahuindo property may result in loss of mining rights (see – Shahuindo Legal Dispute and Note 9 to the consolidated financial statements of April 30, 2007)

The rights of Sulliden to develop its Shahuindo Property in Peru are founded on an agreement dated November 6, 2002 between Sulliden and Compania Minera Algamarca S.A. ("Algamarca"), pursuant to which Algamarca sold its rights in 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 has 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 May 2007 Algamarca and other related companies were acquired by Century Mining Corporation. In June 2007 Sulliden filed two law suits in the Canadian Courts against Algamarca, Century Mining, Orlando Sánchez Paredes and others seeking to enforce Sulliden's rights to the Shahuindo property and claiming damages of US\$200 million.

Although it is the opinion of management and its legal advisors that the claims of Algamarca are without legal merit, Sulliden cannot predict with certainty the outcome of the various legal actions or the impact of these actions on Sulliden's rights under the Agreement.

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. 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 ore reserve and resource estimates could lead Sulliden to allocate its capital to deposits which may ultimately prove uneconomic

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 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, foreign taxation, price and currency controls, delays in obtaining, or the inability to obtain, necessary governmental permits, opposition to mining from environmental or other non-governmental organizations, limitations on foreign ownership, limitations on the repatriation of earnings, limitations on gold exports and increased financing costs and other risks not specified here.

Sulliden requires additional funding to develop its properties

Development of the Shahuindo or other properties will require significant financial resources. Sulliden will need to raise significant project financing, debt and additional equity. Failure to obtain such additional funding at critical times could lead to a delay or cause an indefinite postponement in the exploration and development of the project. There is no assurance that such funding will be available or that it will be obtained on favourable terms.

Sulliden's business depends upon a limited number of properties, the loss of any of which will negatively impact its operations

Sulliden's operations at the Shahuindo property in Peru account for most of its current operations. Any adverse development, including any adverse legal ruling, affecting its Shahuindo property, could significantly impact the Company.

Lack of operating profits

Sulliden has incurred operating losses on an annual basis for a number of years, arising out of the costs, including legal costs, related to continued exploration and development of its mineral resource properties. As at April 30, 2007, Sulliden had an accumulated deficit of \$29,731,366. 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

The current or future operations of the Company, including development activities and commencement of production on its properties, require licenses from various foreign, federal, state, provincial and local governmental authorities and such operations are and will be governed by laws and regulations governing prospecting, development, mining, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, land use, environmental protection, mine safety and other matters. Companies engaged in the development and operation of mines and related facilities have to deal with increased costs and delays in production ensuing from the need to comply with applicable laws, regulations and licences.

There can be no assurance that the required approvals and licences necessary for the Company to commence or continue exploration on its various properties will be obtained. Additional licenses and studies, which may include environmental impact studies conducted before licenses can be obtained, are necessary prior to operation of other properties in which the Company has interest and there can be no assurance that the Company will be able to obtain or maintain all necessary licenses that may be required to commence

exploration, development or operation of mining facilities on these properties on terms which enable operations to be conducted at economically justifiable costs.

The Company's potential mining and processing operations and exploration activities are subject to various foreign federal, state, and provincial laws governing land use, protection of the environment, prospecting, development, production, exports, taxes, labour standards, occupational health, waste disposal, toxic substances, mine safety and other matters. Such operations and exploration activities are also subject to substantial regulations under these laws by governmental agencies and may require that the Company obtain licenses from various governmental agencies. The Company believes it is in substantial compliance with all material laws and regulations which currently apply to its activities.

There can be no assurance, however, that all licenses which the Company may require for the conduct of mining operations will be obtainable on reasonable terms or that such laws and regulations would not have an adverse effect on any mining project which the Company might undertake.

Failure to comply with the applicable legal, regulatory and license requirements may result in proceedings being taken under the laws, regulations or licenses to obtain judicial or quasi-judicial orders compelling the Company to cease or suspend operations until the Company complies with such applicable laws, regulations or licenses. Any compliance order or request could require capital expenditures, the installation of additional equipment or other corrective measures. Parties involved in mining operations could be forced to indemnify persons having suffered damage or loss resulting from mining operations and they may be subject to civil or criminal fines or penalties for breach of laws and regulations, including environmental laws.

Amendments to current laws, regulations or licenses respecting mining companies' operations or the implementation of stricter laws or regulations could have a substantial harmful effect on the Company and could cause an increase in capital expenditure or production costs or a decrease in the levels of production on the properties in operation. It could further cause the abandonment or delay the development of new mining properties.

Precious metal price volatility may negatively impact Sulliden

The prices of precious metals can fluctuate widely and are affected by numerous factors, 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.

Competitive Conditions

Significant and increasing competition exists within the mineral exploration and mining industry for the limited number of gold acquisition opportunities available. As a result, the Company may be unable to acquire additional attractive mining properties on terms it considers acceptable amid competition with larger established mining companies with substantial capabilities and greater financial and technical resources.

Dividends

The Company has paid no dividends to date on its Common Shares. The Company intends to retain its earnings, if any, to finance the growth and development of its business and does not expect to pay dividends in the near future. The Board of Directors of the Company will review this policy from time to time having regard to the Company's financing requirements, its financial condition and other factors considered to be relevant.

Capital Structure

As at July 23, 2007 the Company has an authorized capital of an unlimited number of common shares of which the following are outstanding:

Common Shares	72,522,144
Options	4,700,000
Warrants	5,906,250

For a detailed breakdown, refer to Note 5 – *Share Capital* to the Consolidated Financial Statements for the year ended April 30, 2007.

Effective July 26, 2007, the Board of Directors of the Company approved the adoption of a shareholder rights plan (the “Plan”). The Plan is designed to give the Company’s Board of Directors and shareholders sufficient time to properly assess an unsolicited take-over bid without any undue pressure. Adoption of the plan also gives the Company’s Board of Directors time to consider alternatives designed to allow the Company’s shareholders to receive full and fair value for their common shares. Additionally, the Plan is designed to provide shareholders of the Company with equal treatment in a take-over bid.

Rights under the Plan will become exercisable when a person, together with any parties related to it, acquires or announces its intention to acquire 20% or more of the Company’s outstanding common shares without complying with the provisions of the Plan or without approval of the Board of Directors of the Company. Under such circumstances, each right, upon exercise, will permit the purchase of common shares of the Company at a substantial discount to the market price. The Company is requesting shareholder approval of the Plan at its annual and special meeting of shareholders to be held on August 29, 2007. The adoption of the plan is subject to acceptance by the Toronto Stock Exchange and approval by shareholders.

Market for Securities

The common shares have been listed and posted for trading on the TSX since December 1999 under the trading symbol “**SUE**”.

The following table sets forth the reported high and low closing prices and trading volume of the common shares for each month of the current fiscal year:

Year ending April 30, 2007	High	Low	Close	Volume
April	0.58	0.45	0.51	82,600
March	0.54	0.45	0.49	67,500
February	0.70	0.47	0.52	121,200
January	0.55	0.43	0.51	84,500
December	0.56	0.43	0.50	137,000
November	0.80	0.43	0.54	167,200
October	0.86	0.64	0.75	58,700
September	1.12	0.77	0.86	117,500
August	1.03	0.74	0.86	84,100
July	1.29	0.77	0.81	234,500
June	0.85	0.44	0.85	225,700
May	0.57	0.43	0.50	123,100

Escrowed Shares

The Company has no escrowed shares.

Directors and Officers

The following are the names and municipalities of residence of the directors and officers of the Company, their positions with the Company and principal occupations within the past ten years, as well as the shares owned or controlled directly or indirectly.

Name and Office Held	Principal Occupation	Director Since	Shares Over Which Control is Exercised July 26, 2007
John F. Kearney President Toronto, Ontario	Chairman, President and Chief Executive Officer of Canadian Zinc Corporation since 2003; President and Chief Executive Officer of the Company; Chairman of Conquest Resources Limited since 2001; Chairman of Anglesey Mining plc since 1994	May 2005	300,000 (750,000 options)
James H. Coleman, Q.C. Director Calgary, Alberta	Senior Partner MacLeod Dixon LLP	August 2004	340,500 (550,000 options)
Leonard Harris* Director Lone Tree, Colorado	Mining Consultant	September 2003	10,000 (475,000 options)
Sylvain Perreault* Director** Quebec, Québec	Vice President Socrate Capital Inc.	October 2004	515,200 (400,000 options)
Charles Rondeau* Director** Ile d'Orléans, Québec	Consultant Le Groupe Mallette	November 2002	180,000 (500,000 options)
Jacques Trottier Director Boucherville, Québec	Deputy Chairman; President of Trinity Mining; Prior to January 2007 President of the Company.	November 1995	724,832 (1,010,000 options)

* Member of the Audit Committee

- (1) The information about the principal occupations of each Director during the five preceding years is disclosed hereinafter or can be found in the previous Corporation's Proxy Circulars, which are available on the web site of the System for Electronic Document Analysis and Retrieval (SEDAR), at the following address: www.sedar.com. Such information is incorporated by reference in this Annual Information Form, as if recited at length herein.
- (2) The directors of the Corporation are appointed and elected until the next annual shareholders' meeting of the Corporation, or until their successors have been duly appointed. The directors have provided the information regarding the number of voting securities over which they exercised control.

Mr. Coleman is senior Partner and former Chairman of Macleod Dixon LLP, Barristers & Solicitors and was appointed Queens Counsel in 2006. He has extensive experience in international law with a focus on the energy and resource sectors in addition to corporate finance, banking and securities. He is a member of the Law Society of Alberta, the Canadian Bar Association, Rocky Mountain Mineral Law Foundation, has authored numerous legal papers on resource law and banking and has chaired various independent committees of public companies relating to corporate governance and securities matters. In addition, Mr. Coleman is director of the following companies, which are listed on the Toronto Stock Exchange and AMEX: Anterra Corp., Arawak Energy Corp., Energold Drilling Corp., Gold Reserve Inc., Great Basin Energies Inc., Megagold Corp., and RSX Energy Inc. Mr. Coleman served as a non-executive director of McCarthy Corporation plc, from 1993 to March 2003. In June 2003, McCarthy Corporation plc proposed a voluntary arrangement with its creditors pursuant to the legislation of the United Kingdom.

Mr. Harris is a mining consultant. Mr. Harris' experience in the mining industry spans over five decades across continents. Known particularly for his contributions to the gold mining industry in Latin America, he has held several prominent positions with major gold companies and has chaired industry standards organizations such as the Mining, Energy and Petroleum Task Force of the Chamber of the Americas and the International Committee of the SME. He is the recipient of numerous awards including the Gold Medal from the Mining & Metallurgical Society of America, the Medal of Merit from the American Hall of Fame and Engineer of the Year award from the Peruvian Society of Engineers. In addition, Mr. Harris is director of Alamos Gold Ltd., Aztec Metals Corp., Cardero Resource Corp., Canarc Resource Corp., Endeavour Silver Corp., IMA Exploration Inc., Indico Technologies Ltd., Morgain Minerals Inc. and Solitario Resources

Mr. Kearney is a graduate of University and Trinity Colleges in Dublin with degrees in Law, Economics and Masters in Business Administration. He is a member of the Canadian Institute of Mining and Metallurgy and the Prospectors and Developers Association of Canada. In addition, Mr. Kearney is director of the following companies: Anglesey Mining plc, Avnel Gold Mining Limited, Canadian Zinc Corp., Conquest Resources Limited, Minco plc, Scandinavian Minerals Limited and a Director of The Mining Association of Canada and a past Director of The Gold Institute in Washington 1982 to 1995. Mr. Kearney served as a non-executive director of Q-Entertainment Inc. (TSX: QZR), a technology and entertainment company, from October 1996 to October 31, 1997. On November 6, 1997, Q-Entertainment Inc. and its U.S. subsidiaries filed for Chapter 11 protection in the United States and subsequently filed for Chapter 7 bankruptcy in the United States Bankruptcy Court (Texas), following which a trustee in bankruptcy was appointed. Mr. Kearney also served as a non-executive director of McCarthy Corporation plc, the largest shareholder in Q-Entertainment Inc., from July 2000 to March 2003. In June 2003, McCarthy Corporation plc proposed a voluntary arrangement with its creditors pursuant to the legislation of the United Kingdom.

Mr. Perreault holds an MBA from Sherbrooke University. During 2002 and 2003, Mr. Perreault was Vice President of Development Lombard Odier Darier Hentsch du Canada. From 1997 to 2002, Vice President of Socrate Gestion du Patrimoine Inc., and from 1989 to 1997, Director of Consulting Services of Groupe Mallette Maheu.

Mr. Rondeau is a retired chartered accountant. Mr. Rondeau has been a consultant for Groupe Mallette for over 10 years.

Mr. Trottier is a geologist and holds a Bachelors degree in geology as well as a Masters degree in chemistry from the Université du Québec à Montréal and a Doctorate in applied sciences from École Polytechnique de Montréal. Mr. Trottier was President and Director of Sulliden from 1995 to December 2006. During the period from 1982 to 1987, he taught at the Earth Sciences Department of the Université du Québec à Montréal. From 1987 to 1994, he was Chief Geologist of Groupe Minier Morisco inc. and mining exploration companies affiliated with this private company. Mr. Trottier was formerly President of the "Association des prospecteurs du Québec" and of the "Association professionnelle des géologues et géophysiciens du Québec" and a Director of the Prospectors and Developers Association of Canada. He is also He is President and CEO of Trinity Mining Corp.; Chairman of the Board and President of Amex Exploration Inc., a mining exploration company listed on the TSX Venture Exchange and Stellar Pacific Ventures Inc., a mining exploration company listed on the TSX Venture Exchange.

All the directors of the Company hold office until the next annual meeting of shareholders following their election until their successors are duly elected or appointed.

The percentage of voting securities of the Company or of any of its subsidiaries (common shares of the Company) beneficially owned, directly or indirectly, or over which control or direction is exercised by all Directors and Executive Officers of the Company as a group, as at July 23, 2007, is 2.85%.

Promoters

Over the last three years, no promoters have been involved with the Company.

Transfer Agent and Registrar

The Company's transfer agent and registrar is Computershare Trust Company of Canada, at its principal office in Montréal.

Material Contracts

Except as disclosed previously in this report, there is no other material contracts.

Interest of Management and Others in Material Transactions

No director or executive officer of the Company, no person that is the direct or indirect beneficial owner of, who exercises control or direction over, more than ten percent (10%); except Socrate Capital Inc. of any class or series of outstanding voting securities of the Company and no associate or affiliate of any such persons, has a material interest in any transaction that has materially affected or will materially affected the Company.

Interest of Experts

Mr. Guy Saucier, professional engineer, is a “qualified person” as defined by NI-43-101. Mr. Saucier prepared two technical reports dated April 27, 2005 and March 29, 2004, that were filed in April 2005 and March 2004 in accordance with NI-43-101 and which are incorporated in this Annual Information Form by reference. Mr. Saucier is not a shareholder of the Company as of the date of this Annual Information Form.

Mr. Alain Vachon, geological engineer, was a “qualified person” as defined by NI-43-101. Mr. Vachon prepared a technical report dated December 23, 2003, that was filed in December 2003 in accordance with NI-43-101 and which is incorporated in this Annual Information Form by reference.

The external auditor of the Company, the firm Deloitte & Touche LLP, Chartered Accountants is independent in accordance with the rules of professional conduct in Quebec.

Audit Committee Information

The following information is provided in accordance with form 52-110F1 – *Audit Committee Information required in an AIF (“Form 52-110F1”) of Regulation 52-110 respecting Audit Committees (“Regulation 52-110”)* enacted by the Canadian Securities Authorities.

Charter and Composition of the Audit Committee

The mandate of the Company’s Audit Committee is found in Schedule A to this Annual Information Form. The current members of said Committee are Mr. James Coleman, Mr. Sylvain Perreault, Mr. Charles Rondeau and Mr. Leonard Harris. Each of these members are independent, as is defined in section 1.4 of Regulation 52-110, and are financially literate, which means that they have the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company’s financial statements.

Mr. Coleman is a lawyer and has served as a director and member of Audit Committee of numerous public companies.

Mr. Rondeau is a chartered accountant and has been involved over the last 20 years as a financial consultant for various organisations.

Mr. Harris is a professional engineer and has been involved in the mining business over the last 50 years. In addition, Mr. Harris is a board member of several listed mining companies.

Mr. Perreault holds an MBA from Sherbrooke University. During 2002 and 2003, Mr. Perreault was Vice President of Development Lombard Odier Darier Hentsch du Canada. From 1997 to 2002, Vice President of Socrate Gestion du Patrimoine Inc., and from 1989 to 1997, Director of Consulting Services of Groupe Mallette Maheu.

All of the members of the Committee have education and experience which are relevant to their responsibilities.

The members of the Company’s Audit Committee have provided the information disclosed hereinabove.

Reliance on Certain Exemptions

The Company confirms that it has not relied on any exemptions identified in section 4 or 5 of Form 52-110F1 during its most recently completed financial year. The Company further confirms that it has not relied on section 3.8 of Regulation 52-110 during its most recently completed financial year.

External Auditors Services Fees

	<u>Year ended April 30</u>	
	2007	2006
Audit Fees ⁽¹⁾	\$55,000	\$50,000
Audit-Related Fees ⁽²⁾	none	none
Tax Fees	none	none
All Other Fees ⁽³⁾	none	none

- (1) Corresponds to the aggregate fees billed by the Company's external auditor for audit services provided to the Company.
- (2) Corresponds to the aggregate fees billed by the Company's external auditor for assurance and related services provided to the Company that are reasonably related to the performance of the audit or review of the Company's financial statements and are not reported under item "Audit Fees".
- (3) Corresponds to the aggregate fees billed by the Company's external auditor for products and services provided to the Company other than the services reported under items "Audit Fees", "Audit-Related Fees" and "Tax Fees".

Administrative Offices

Listed below are the addresses of the Company's Toronto office and its subsidiaries head office:

Canada: 111 Richmond Street West, Suite 1002, Toronto, Ontario M5H 2G4

Peru: Calle San Martin 845, Oficina 201, Miraflores, Lima, Peru

Additional Information

Additional information including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and options to purchase Company securities is contained in the Management Proxy Circular dated July 27, 2007, prepared in connection with the Annual Meeting of Shareholders to be held on August 29, 2007.

Additional financial information is also provided in the Company's Consolidated Financial Statements for the year ended April 30, 2007, and in the corresponding Management's Discussion and Analysis is available on the System for Electronic Document Analysis and Retrieval (SEDAR), at www.sedar.com.

SCHEDULE A

SULLIDEN EXPLORATION INC. (the "Company")

AUDIT COMMITTEE CHARTER

Constitution, Composition and Quorum

The Board of Directors of the Company has appointed an Audit Committee of a minimum number of three (3) Directors, all of whom should be independent and financially literate in accordance with the laws, by-laws and applicable policies with respect to securities including without limitation Multilateral Instrument 52-110. Each member of the Audit Committee, amongst other things, has to be able to read and understand financial statements. The quorum of the Committee is the majority of the members. The Directors have also appointed the Chairman of the Committee.

Power and Authority

In the performance of its mandate, the Committee has the right to examine the books, registers and accounts of the Company and to discuss any question concerning the financial situation of the Company or any other question which relates to its mandate with any employee and with the external auditor or the internal audit team of the Company and its subsidiaries.

The external auditor reports directly to the Audit Committee and the Committee has the power to communicate directly with the external auditor. The external auditor is present, if requested, at all of the meetings of the Committee where reports or financial statements that it has prepared or where public communications based upon these reports or financial statements are examined or approved by the Committee. The external auditor can also be invited to other meetings. Upon the external auditor's request, the Chairman of the Committee will convene a meeting of the Audit Committee. The Audit Committee may meet privately with the external auditor, without management being present, once per quarter after the presentation of the interim financial statements if they have been reviewed by the external auditor, and following the presentation of the annual financial statements and at any time upon request.

The Audit Committee has the right to require any employee of the Company or of its subsidiaries to discuss any question concerning the financial situation of the Company or any other question which relates to its mandate.

If the Audit Committee deems it appropriate, it can retain independent counsel, accountants or others to assist the Audit Committee in fulfilling its duties and responsibilities and it has the power and authority to approve and ensure the payment of their fees and disbursements.

Delegation

The Audit Committee cannot delegate to management any of the responsibilities that are part of its mandate. However, the Audit Committee may delegate to one or more independent members of the Audit Committee the authority to pre-approve non-audit services to be rendered by the external auditor.

The pre-approval of non-audit services by any member to whom authority has been delegated must be presented to the Audit Committee at its first scheduled meeting following such a pre-approval and all of the conditions of Multilateral Instrument 52-110 and of the pre-approval policy adopted by the Audit Committee must be respected.

Reports

The Audit Committee has to report to the Board of Directors on or about its work, activities and decisions at the meeting of the Board of Directors following the meeting of the Audit Committee providing all topics discussed, decisions taken, means undertaken in order to study and examine the reports, statements and documents submitted, as well as the level of satisfaction of the members of the Committee therewith, the unresolved issues, the disagreements and the decisions taken, in which case the justifying motives also have to be provided.

Compensation

The Board of Directors determines the compensation to be received by the members of the Audit Committee for their services.

Mandate

The mandate of the Audit Committee comprises the following:

General

1. to monitor the audit process and the integrity of the Company's financial reporting with a view to enhance the accuracy of the information provided and the quality of the Corporation's financial reporting;
2. to establish, monitor and verify the accounting standards and policies adopted;
3. to monitor and adopt new accounting pronouncements that could affect the Company and to ensure they are respected;
4. to follow the evolution of best practices with respect to accounting principles, standards and rules and to incorporate such best practices to the practices of the Company, where applicable;
5. to ensure the respect of the rules applicable to the Company in accordance with the laws, by-laws, instruments and policies relating to financial information in general and in particular to audits and to audit committees including Multilateral Instrument 52-110 pertaining to the audit committee;
6. to review the Audit Committee Charter and membership annually and make recommendations for modifications, where applicable, to the Board of Directors;

Risk Management

7. to monitor and adopt risk management systems and to ensure the monitoring of these systems;

Financial Results

8. to examine the Consolidated Annual Audited Financial Statements, the consolidated unaudited interim financial statements and the Management's Discussion and Analysis as well as all other statements and financial reports including press releases dealing with financial information which require an examination by the Audit Committee in accordance with the applicable laws or when the Board of Directors requires such examination and to recommend their adoption by the Board of Directors;
9. to ensure that the financial information is in compliance with the applicable securities laws, regulations and policies;

10. to review together with the external auditor of the Company the methods used for and the extent of their respective auditing processes and to report to the Board of Directors any material reservation that the Audit Committee has or that the external auditor have expressed with respect to their work;

External auditors

11. to recommend the external auditor to the Board of Directors as well as its compensation in connection with the audit services;
12. to ensure that the external auditor remains ultimately accountable to the Board of Directors through the Audit Committee as a representative of the shareholders and, amongst other things, to provide and establish processes allowing independent and direct communication links between the Board of Directors, the internal audit team and the external auditor;
13. to monitor the independence of the external auditor including:
 - (i) the prior approval of all non-audit services to be provided to the Company by the external auditor;
 - (ii) to adopt detailed prior approval policies and processes with respect to the services mentioned in sub-paragraph (i) hereinabove including the obligation imposed upon management and the external auditor to inform the Audit Committee of any projected services unrelated to the audit and of the rendering of such a service;
 - (iii) to examine the existing or potential relationship of the Company with the external auditor including between the employees of the Company and the partners, employees, former partners and employees of the former or present external auditor and without limiting the generality of the foregoing to review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor;
14. to receive and study the external auditor's report following its final audit as well as the recommendations relating thereto, to the management of the Company;
15. to monitor once a year and on occasion during the year the skills, the quality of the services and the independence of the external auditor within the exercise of its duties and to recommend to the Board of Directors, if appropriate, the convening of a shareholders' meeting in order to consider the dismissal of the external auditor;
16. to review with the external auditor the extent of its audit and to examine the conclusions resulting from such audit and the actions undertaken by management to implement the recommendations derived from its conclusions;
17. to ensure the resolution of disagreements between management and the external auditor regarding financial reports;

Internal Controls

18. to review the important items of the reports that follow up as well as the recommendations given to management;
19. to review with the external auditor:

19.1 the efficiency of the books and of the accounting systems of internal control and of the Company's information and if those books are maintained in an appropriate manner and if those systems are applied evenly; and

19.2 the efficiency and skills of the employees involved in internal accounting and the control of the activities of the Company;

in order to evaluate the efficiency and adequacy of the internal control systems and to report to the Board of Directors on such matters;

Capital Expenditures

20. to monitor the financial aspects of capital expenditures projects, including compliance with budgets or cost projections and of the actual return on investment of the projects in comparison with the projected return on investment;

Reception and Revision of Reports

21. to prescribe the form and the content of the certificates to be executed by the President and the Vice President, finance of the Company, to ensure that they are provided in good time and to review such certificate following their receipt;

22. to receive and review the reports from the President and the Vice President, finance with respect to the financial provisions made, the purchase and sale of assets, the risk elements that could have an effect on the financial results or on the financial structure of the enterprise, the redemption of shares of the Company, financial derivatives and other similar matters;

23. to receive and review the status reports on capital expenditures;

24. to receive and review the report pertaining to potential or current litigation involving the Company;

Continuous Disclosure

25. to review annual shareholders meeting notice, proxy circular and Annual Information Form unless they are directly submitted to the Board of Directors;

Complaints

26. to establish procedures for:

(i) the treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and

(ii) the confidential anonymous submission by employees of concerns regarding questionable accounting or auditing of the Company and its subsidiaries; and

Other questions

27. to study any other questions and rendering any other work that the Board of Directors considers useful.

General Information

Metric Equivalents

Conversion rates from imperial measures to metric to imperial are provided below.

Imperial Measure	Metric Unit	Metric Measure	Imperial Unit
1 acre	0.4047 hectare	1 hectare	2.4711 acres
1 foot	0.3048 meter (m)	1 meter (m)	3.2808 feet
1 mile	1.6093 kilometre (km)	1 kilometre (km)	0.6214 mile
1 ounce (troy)	31.1035 grams (g)	1 gram (g)	0.0322 ounce (troy)
1 pound	0.4536 kilogram (kg)	1 kilogram (kg)	2.2046 pounds
1 ton (short) ^{(1) (2)}	0.9072 metric tonne (t)	1 metric tonne (t)	1.1023 ton (short)
1 ounce (troy) / short ton	34.2857 grams metric / tonne	1 gram / metric tonne	0.0292 ounce (troy) / short ton

Gold Prices

The following table sets forth the annual high, low and average prices of gold determined in the afternoon on the London Bullion Market (US dollars per ounce) for the periods indicated:

	2006	2005	2004	2003	2002	2001
High	725.00	536.50	454.20	416.25	349.30	293.25
Low	560.75	411.10	375.00	319.90	277.75	255.95
Average	634.13	444.45	409.17	363.32	309.68	271.04
End of period ⁽¹⁾	678.00	513.00	438.00	417.25	342.75	276.50

(1) Determined in the morning.

Currency Exchange Rates

The following table sets forth the exchange rates of Canadian dollars to US dollars for the calendar years 2001 to 2006. The high, the low and the average exchange rates are presented for these periods, as well as the exchange rate at the end of each such period. These exchange rates are expressed in Canadian dollars and represent the noon buying rate for the US dollars at the Bank of Canada.

	2006	2005	2004	2003	2002	2001
High	1.1853	1.2704	1.3968	1.5747	1.6021	1.6132
Low	1.0990	1.1507	1.1774	1.2924	1.4936	1.5110
Average	1.1377	1.2116	1.3015	1.4015	1.5484	1.5704
End of period	1.1067	1.1659	1.2036	1.2924	1.5928	1.5776

Except as otherwise indicated, all dollar amounts set forth herein are expressed in Canadian dollars.

Note Regarding Forward-Looking Information

This Annual Information Form and the documents incorporated by reference contain forward-looking statements which involve known and unknown risks and uncertainties. These forward-looking statements include estimates and statements as to management's expectations with respect to, among other things, the size and quality of the Company's mineral reserves and resources, progress in the development of mineral properties, future production, capital and mine development costs. You can identify forward-looking statements by the use of words such as "may", "will", "should", "plans", "anticipates", "believes", "estimates", "predicts", "intends", "potential" or the negative of such terms or other comparable terminology.

These forward-looking statements are based on current expectations and are naturally subject to uncertainty and changes in circumstances that may cause actual results to differ materially from those expressed or implied by such forward-looking statements. Factors that may cause actual results to vary include, but are not limited to, the outcome of litigation, changes in commodity prices, changes in currency exchange rates, inaccurate geological and metallurgical assumptions (including with respect to the size, grade and recoverability of mineral reserves and resources), unanticipated operational difficulties, delays in receipt of governmental approvals, legal title to properties, outcome of arbitration, unanticipated events relating to environmental, health and safety matters and changes in general economic conditions or conditions in the financial markets. Our ability to predict the results of our operations or the effects of various events on our operating results is inherently uncertain. Therefore, we caution you to consider carefully the matters described under the caption "Risk Factors" and certain other matters discussed in this Annual Information Form and the documents incorporated by reference herein. Such factors and many other factors beyond our control could cause our actual results, performance or achievements to be materially different from any future results, performance or achievements that may be expressed or implied by the forward-looking statements.