

SULLIDEN EXPLORATION INC

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

Date: December 14, 2007

GENERAL

The following discussion of financial condition, results of operations and future prospects should be read in conjunction with the unaudited Interim Financial Statements for the three and six months ended October 31, 2007 and the Audited Consolidated Financial Statements of Sulliden Exploration Inc. ("Sulliden" or the "Company") for the fiscal year ended April 30, 2007 (the "2007 Financial Statements"), which have been prepared in accordance with Canadian generally accepted accounting principles. This discussion covers the most recently completed financial quarter of the Company and the subsequent period up to the date of the filing of this management's discussion and analysis. All dollar amounts are stated in Canadian dollars, unless otherwise noted.

For purposes of this document, Sulliden Exploration Inc., and its wholly owned subsidiaries Minera Sulliden Peru S.A. and Minera Sulliden Shahuindo S.A.C. are collectively referred to as the "Company" or "Sulliden".

This discussion contains forward-looking statements that involve risks and uncertainties.

DESCRIPTION OF BUSINESS AND CONTINUATION OF THE BUSINESS

Sulliden Exploration Inc., incorporated under the *Companies Act* (Québec), and its wholly-owned subsidiaries, Minera Sulliden Peru, S.A. and Minera Sulliden Shahuindo S.A.C., are in the business of exploring mineral properties in Peru.

Sulliden is focused on the development of its **Shahuindo gold-silver project** located in northern Peru, in one of the world's most prospective gold and silver regions, sitting approximately 25 km north of Barrick's Laguanas Norte-Alto Chicama 1,100,000 oz/gold per year mine; 70km south of Newmont's multi-million oz/gold Yanacocha district and 200 km north of Barrick's Pierina 650,000 oz/gold per year mine.

The Shahuindo resource currently stands at 38 million tonnes grading 0.95 g/t Au and 22.99 g/t Ag, containing 1.2 million oz of gold and 28 million oz of silver (equivalent to 1.6 million oz of gold at a gold to silver ratio of 1:60) in the Indicated Category; and 17.2 million tonnes grading 0.62 g/t Au and 12.83 g/t Ag, containing 342,000 oz of gold and 7 million oz of silver (equivalent to 460,000 oz of gold at a gold to silver ratio of 1:60) in the Inferred Category - (Resource Estimation - Guy Saucier, Eng., General Manager, Corporate Development, Met-Chem Canada Inc., Qualified Person for the purposes of NI 43-101 - April 2005 filed on www.sedar.com).

The Company's ownership of the Shahuindo property in Peru is in dispute and is the subject of extensive litigation in Peru, (see Litigation Proceedings discussed below). The Company cannot predict the eventual outcome of the various legal actions or the impact of the litigation on the Company's rights and entitlements to the Shahuindo property.

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

The financial statements have been prepared using Canadian generally accepted accounting principles applicable to a going concern, and do not reflect the adjustments to the carrying value of assets and liabilities, reported revenue and expenses and the balance sheet classifications that would be necessary were the going concern assumption inappropriate. These adjustments could be material.

The exploration and development of mineral deposits involves significant risks. The success of the Company will be influenced by a number of factors, including risks associated with exploration and extraction, regulatory issues, environmental and other regulations and, in particular, the ongoing litigation with regard to the Shahuindo property.

OVERALL PERFORMANCE

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

Successful Exploration Program

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

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

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

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

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

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

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

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

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

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

Qualified Person

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

Shahuindo Litigation continues

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

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

The effect of the appeal is to suspend the ruling of the Commercial Chamber and, pending the decision of the Supreme Court, the ruling will have no force or effect. The Commercial Chamber decision only addressed the validity of the arbitration clause in the Transfer Contract and therefore the technical validity of the arbitration process itself but the Court did not deal with any of the merits of the dispute. The Transfer Contract remains in full force and effect and Sulliden continues as the owner of the Shahuindo property.

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

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

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

Other Properties

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

RESULTS OF OPERATIONS

Six Months Ended October 31, 2007

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

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

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

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

Three Months Ended October 31, 2007

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

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

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

SUBSEQUENT EVENTS

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

SUMMARY OF QUARTERLY RESULTS

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

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

LIQUIDITY AND CAPITAL RESOURCES

Operating

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

Investing

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

Liquidity

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

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

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

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

CAPITAL STRUCTURE

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

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

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

OFF-BALANCE SHEET TRANSACTIONS

There are no off-balance sheet transactions.

RELATED PARTY TRANSACTIONS

During the quarter, the Company agreed to pay \$102,610 (\$193,429 in 2006) in professional fees and general administrative expenses to companies with shareholders related to the Company's officers and directors. During the quarter ended October 31, 2007, an amount of \$113,819 and \$13,729 was paid to two legal firms in which a director and an officer of the Company are partners of their respective firms. These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

CONTRACTUAL COMMITMENTS

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

SIGNIFICANT ACCOUNTING POLICIES

Critical accounting estimates used in the preparation of the consolidated financial statements include the Company's estimate of recoverable value of its mining properties and related deferred exploration costs, as well as the value of stock-based compensation. Both of these estimates involve considerable judgement and are, or could be, affected by significant factors that are out of the Company's control.

The Company's recoverability of the recorded value of its mining properties and associated deferred exploration costs is based on market conditions for metals, underlying mineral resources associated with the properties and future costs that may be required for ultimate realization through mining operations or by sale. The Company is in an industry that is subject to a number of risks including the existence of economically recoverable reserves, the ability of the Company to obtain necessary financing to complete the development and future profitable production or the proceeds of disposal thereof and environmental, legal and political risk.

Factors affecting the value of stock-based compensation include estimates as to the timing of the exercise of stock options and compensation warrants as well as stock price volatility. The timing for exercise of options is out of the Company's control and will depend upon a variety of factors including the market value of the Company's shares and financial objectives of the option holders. The Company has used historical data and market liquidity to determine volatility in accordance with the Black-Scholes model; however, the future volatility is uncertain. The Black-Scholes model has its limitations.

CHANGES IN ACCOUNTING POLICIES

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

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

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

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

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

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

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

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

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

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

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

DISCLOSURE CONTROLS AND PROCEDURES

Disclosure controls and procedures are designed to provide reasonable assurance that material information is gathered and reported to senior management, including the Chief Executive Officer and Chief Financial Officer, as appropriate to permit timely decisions regarding public disclosure.

Management, including the Chief Executive Officer and the Chief Financial Officer, have evaluated the effectiveness of the Company’s disclosure controls and procedures as of October 31, 2007. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that as of the end of the period covered by this Management’s Discussion and Analysis the Company’s disclosure controls and procedures, as defined in Multilateral Instrument 52-109 – Certification of Disclosure in Company’s Annual and Interim Filings, were effective to provide reasonable assurance that material information required to be disclosed in reports filed or submitted by the Company is recorded, processed, summarized and reported within the appropriate time periods.

It should be noted that while the Company's Chief Executive Officer and Chief Financial Officer believe that the Company’s disclosure controls and procedures provide a reasonable level of assurance and that they are effective, they do not expect that the disclosure controls and procedures can prevent all errors or mistakes. A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Chief Executive Officer and Chief Financial Officer are responsible for designing internal controls over financial reporting, or causing them to be designed under their supervision, in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

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

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

RISK FACTORS

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

Legal Proceedings

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

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

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

In May 2007 Century Mining Corporation entered into an agreement to acquire Algamarca and other related companies. In June 2007 Sulliden filed two law suits in the Canadian Courts against Algamarca, Century Mining, Orlando Sánchez Paredes and others seeking damages of US\$200 million for breach of contract. The Defendant's have filed a Motion in the Ontario Court seeking to stay or dismiss the action on the basis of jurisdiction and will argue that the dispute to which this action relates is subject to an agreement between the parties which provides that the dispute shall be governed by the laws of Peru and shall be adjudicated by a Court in Peru, that proceedings are already pending in Peru in connection with the same subject matter and that Ontario is not an appropriate or convenient forum for the hearing of the proceedings.

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

Sulliden faces significant risks, inherent in the nature of mineral exploration, in the exploration and development of its mining properties

Mineral exploration and development involve several risks, which experience, knowledge and careful evaluation may not be sufficient to overcome. Large capital expenditures are required in advance of anticipated revenue from operations. Many exploration programs do not result in the discovery of mineralization; moreover, mineralization discovered may not be of sufficient quantity or quality to be profitably mined. Unusual or unexpected formations, formation pressures, fires, power outages, labour disruptions, flooding, explosions, tailings impoundment failures, cave-ins, landslides and the inability to obtain adequate machinery, equipment or labour are some of the risks involved in the conduct of exploration programs and the operation of mines. The commercial viability of exploiting any precious metal deposit is dependent on a number of factors, including infrastructure and governmental regulations, in particular those respecting the environment, price, taxes and royalties. Sulliden does not maintain liability insurance with respect to its exploration activities in Peru.

No assurance can be given that minerals of sufficient quantity, quality, size and grade will be discovered or developed on any of the Company's properties to justify commercial operation.

Uncertainty of mineral reserve and resource estimates

The mining business relies upon the accuracy of determinations as to whether a given deposit has significant mineral reserves or resources. This reliance is important in that reported mineral reserves and resources are only estimates and do not represent with certainty that estimated mineral reserves and resources will be recovered or that they will be recovered at the rates estimated. Mineral reserve and resource estimates are based on limited sampling, and inherently carry the uncertainty that samples may not be representative. Mineral reserve and resource estimates may require revision (either upward or downward) based on new or reinterpreted information or actual production experience. Market fluctuations in the price of metals, as well as increased production costs or reduced recovery rates, may render certain mineral reserves and resources uneconomic. Inaccurate estimates may result in a misallocation of resources such that an excess amount could be allocated to a less than economic deposit or, conversely, result in failure to develop a significant deposit. Mineral resources that are not mineral reserves do not have demonstrated economic viability.

Sulliden faces potential risks and uncertainties resulting from the location of its properties in Peru

Political and related legal and economic uncertainty exists in Peru where Sulliden operates. Risks to foreign operations may include political unrest, corruption, war, civil disturbances and terrorist actions, arbitrary changes in law or policies, changes to government regulation, unreliable or unpredictable legal or judicial systems, foreign taxation, price and currency controls, delays in obtaining, or the inability to obtain, necessary governmental permits, opposition to mining from environmental or other non-governmental organizations, limitations on foreign ownership, limitations on the repatriation of earnings, limitations on gold exports and increased financing costs and other risks not specified here.

Sulliden requires additional funding to develop its properties

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

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

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

Lack of operating profits

Sulliden has incurred operating losses on an annual basis for a number of years, arising out of the costs, including legal costs, related to continued exploration and development of its mineral resource properties. As at July 31, 2007, Sulliden had an accumulated deficit of \$29,983,160. It is anticipated that the Company will continue to experience operating losses for the foreseeable future. There can be no assurance that Sulliden will ever achieve significant revenue or profitable operations.

Dependence on key personnel and Conflicts of Interest

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

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

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

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

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

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

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

Precious metal price volatility may negatively impact Sulliden

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

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

Currency risk

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

OUTLOOK

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

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

ADDITIONAL INFORMATION AND CONTINUOUS DISCLOSURE

This MD&A has been prepared as at December 14, 2007. Additional information on the Company is available through regular filings of press releases, annual and quarterly financial statements and the Annual Information Form on SEDAR (www.sedar.com), or by visiting the Company's website at www.sulliden.com.

Caution Regarding Forward-Looking Information

Statements contained in this document that are not historical facts are forward-looking statements that involve risk, uncertainties and other factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements. Factors that could cause such differences, without limiting the generality of the following, include: the outcome of litigation; political risks arising from operating in certain developing countries; changes in government regulations and policies, including laws and policies; failure to obtain necessary permits and approvals from government authorities, volatility and sensitivity to metal prices, impact of change in foreign currency exchange rates and interest rates; inaccuracy in reserve estimates; environmental risks including increased regulatory burdens; unexpected geological conditions; adverse mining conditions; and other development and operating risks.

Although the Company believes that the assumptions inherent in the forward-looking statements are reasonable, undue reliance should not be placed on these statements, which only apply as of the date of this document. The Company disclaims any intention or obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.