

SULTAN CORPORATION LIMITED
ABN 84 061 219 985

INTERIM FINANCIAL REPORT
31 DECEMBER 2009

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CORPORATE DIRECTORY

Directors

Derek Lenartowicz
Jimmy Kong Leng Lee
Milos Bosnjakovic
Zoran Kovacev (resigned 28 February 2010)

Company Secretary

Ian Hobson

Auditors

Ord Partners
Level 1 47-49 Stirling Highway
Nedlands WA 6009

Bankers

Westpac Banking Corporation
109 St Georges Terrace
Perth WA 6000

Registered Office

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Principal Place of Business

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Telephone: +61 8 6363 5258
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Share Registry

Link Market Services Limited
80 Sterling Street
Perth WA 6000

Stock Exchange Listing

Securities of Sultan Corporation Limited are listed on the Australian Securities Exchange.

ASX Code: SSC

DIRECTORS' REPORT

Your directors submit the financial report of Sultan Corporation Limited (the "Company") and its subsidiaries (together the "Consolidated Entity") for the half-year ended 31 December 2009.

Directors

The names of the directors of the Company in office during the half-year and until the date of this report are noted below.

Derek Lenartowicz
Jimmy Kong Leng Lee
Milos Bosnjakovic

Zoran Kovacev was a director at the beginning of the half-year until his resignation on 28 February 2010.

Results and Review of Operations

During the half-year ended 31 December 2009, the Consolidated Entity:

1. Commenced the mine development process for the Peelwood copper/zinc project by working with Government agencies and the local shire with that approval process and engaging appropriate consultants for the various environmental and community aspects of the project;
2. Conducted a gold focussed review of the existing Isabella exploration databases and established near surface gold mineralisation;
3. Raised \$1,500,000 (before costs of issue) from a placement of 150,000,000 shares at 1cent; and
4. Secured the exclusive rights to negotiate with the Government of Montenegro to acquire the concession rights for exploration and exploitation of the former "Brskovo" mine and associated zinc/lead deposits near Mojkovac, Montenegro.

There has been no matter or circumstance that has arisen since 31 December 2009 that has significantly affected, or may significantly affect:

1. the Consolidated Entity's operations in future financial years, or
2. the results of those operations in future financial years, or
3. the Consolidated Entity's state of affairs in future financial years.

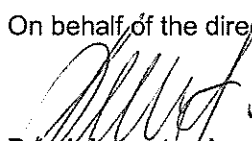
The comprehensive loss for the half-year for the Consolidated Entity was \$831,964 (2008: \$579,125).

Auditor's Independence Declaration

Section 307C of the Corporations Act 2001 requires the Consolidated Entity's auditors, Ord Partners, to provide the directors with an independence declaration in relation to the review of the half-year financial report. This independence declaration forms part of the Directors' Report and is included on page 5.

Signed in accordance with a resolution of the directors made pursuant to Section 306(3) of the *Corporations Act 2001*.

On behalf of the directors



Derek Lenartowicz
Managing Director
Perth

Date: 5 March 2010

5 March 2010

To the Board of Directors of Sultan Corporation Limited

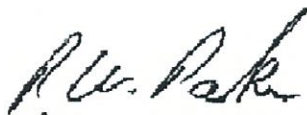
Dear Sirs

AUDITORS INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

I declare that, to the best of my knowledge and belief, in relation to the review of the financial report for the half-year ended 31 December 2009, there have been no contraventions of:

- the auditor independence requirements of the *Corporations Act 2001* in relation to the review; and
- any applicable code of professional conduct in relation to the review.

Yours faithfully
ORD PARTNERS



Robert Parker
Partner

Ian K Macpherson CA

Robert W Parker CA

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SULTAN CORPORATION LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the half-year ended 31 December 2009

	Half-year 2009 \$	Half-year 2008 \$
Continuing operations		
Interest Income	9,533	43,876
Rental Income	-	9,254
	<u>9,533</u>	<u>53,130</u>
Administrative expenses	(590,142)	(511,013)
Exploration costs expensed as incurred	(122,679)	(121,242)
Foreign currency translation differences	(67,795)	-
Impairment of advances	(60,881)	-
	<u>(841,497)</u>	<u>(632,255)</u>
Loss before income tax expense	(831,964)	(579,125)
Income tax expense	-	-
Loss for the half-year	<u>(831,964)</u>	<u>(579,125)</u>
Other comprehensive income	-	-
Total comprehensive loss for the half-year attributable to the owners of the parent	<u>(831,964)</u>	<u>(579,125)</u>
Basic and diluted loss per share (cents per share)	<u>(0.11)</u>	<u>(0.10)</u>

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2009

	Note	31 December 2009 \$	30 June 2009 \$
Current assets			
Cash and cash equivalents	2	1,493,391	884,604
Cash deposits		28,116	26,729
Trade and other receivables		30,976	179,643
Total current assets		1,552,483	1,090,976
Non-current assets			
Other assets		81,345	91,345
Exploration and evaluation assets		3,237,240	3,237,240
Plant & equipment		22,886	29,638
Total non-current assets		3,341,471	3,358,223
Total assets		4,893,954	4,449,199
Current liabilities			
Trade and other payables		109,367	234,585
Provisions		22,825	25,188
Total current liabilities		132,192	259,773
Total liabilities		132,192	259,773
Net assets		4,761,762	4,189,426
Equity			
Issued capital	4	39,847,100	38,442,800
Reserves		1,979,500	2,097,387
Accumulated losses		(37,064,838)	(36,350,761)
Total equity		4,761,762	4,189,426

The above consolidated statement of financial position should be read in conjunction with the accompanying notes.

SULTAN CORPORATION LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the half-year ended 31 December 2009

For the half-year ended 31 December 2009

	Issued Capital \$	Share Application Proceeds \$	Option Premium Reserve \$	Share Based Payments Reserve \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2009	38,442,800	-	587	2,096,800	(36,350,761)	4,189,426
Total comprehensive loss for period	-	-	-	-	(831,964)	(831,964)
Shares issued	1,500,000	-	-	-	-	1,500,000
Options expired	-	-	(587)	(117,300)	117,887	-
Capital raising costs	(95,700)	-	-	-	-	(95,700)
Balance at 31 December 2009	39,847,100	-	-	1,979,500	(37,064,838)	4,761,762

For the half-year ended 31 December 2008

	Issued Capital \$	Share Application Proceeds \$	Option Premium Reserve \$	Share Based Payments Reserve \$	Accumulated Losses \$	Total Equity \$
Balance at 1 July 2008	36,566,043	922,200	587	2,303,200	(34,720,873)	5,071,157
Total comprehensive loss for period	-	-	-	-	(579,125)	(579,125)
Shares issued	1,241,793	(922,200)	-	-	-	319,593
Capital raising costs	(76,205)	-	-	-	-	(76,205)
Balance at 31 December 2008	37,731,631	-	587	2,303,200	(35,299,998)	4,735,420

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

CONSOLIDATED STATEMENT OF CASH FLOWS
 For the half-year ended 31 December 2009

	Note	Half-year 2009 \$	Half-year 2008 \$
Cash flows from operating activities			
Payments to suppliers and employees		(589,955)	(482,537)
Exploration expenditure		(95,115)	(262,802)
Interest received		8,146	42,495
Other income receipts		-	11,470
Net cash flows used in operating activities		(676,924)	(691,374)
Cash flows from investing activities			
Deposits returned		10,000	-
Advances	3	(126,512)	-
Net cash flows used in investing activities		(116,512)	-
Cash flows from financing activities			
Proceeds from issue of share capital		1,500,000	319,593
Payment of share issue costs		(95,700)	(72,798)
Net cash flows provided by financing activities		1,404,300	246,795
Net increase/(decrease) in cash and cash equivalents		610,864	(444,579)
Exchange rate adjustment		(2,077)	-
Cash and cash equivalents at beginning of the half-year		884,604	1,845,259
Cash and cash equivalents at end of the half-year		1,493,391	1,400,680

The above consolidated cash flow statement of should be read in conjunction with the accompanying notes.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2009

1. Statement of significant accounting policies

Statement of compliance

The half-year consolidated financial statements are a general purpose financial report prepared in accordance with the requirements of the *Corporations Act 2001*, Accounting Standard AASB 134: "Interim Financial Reporting", Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. Compliance with AASB 134 ensures compliance with International Financial Reporting Standards IAS 34: "Interim Financial Reporting".

The condensed half-year report does not include full disclosures of the type normally included in an annual financial report. Accordingly, this report is to be read in conjunction with the annual report for the year ended 30 June 2009 and any public announcements made by the Company during the interim reporting period in accordance with the continuous disclosure requirements of the *Corporations Act 2001* and the ASX listing rules.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for adoption of the following revised accounting standards which became effective on 1 January 2009 but which have had no impact on the financial results:

AASB 8: Operating segments

AASB 8 has superseded AASB 114: *Segment reporting*. AASB 8 specifies the use of a "through the eyes of management" approach to an entity's reporting of information relating to its operating segments in annual financial reports. This approach is significantly different from that prescribed by AASB 114. However, this change in segment reporting will only become applicable to the Consolidated Entity if and when it enters into transactions outside of its current activities.

AASB 101: Presentation of financial statements

AASB 101 prescribes the basis for presentation of general purpose financial reports to ensure comparability with both the entity's prior period reports and with other entities financial reports by setting out the overall requirements for the presentation of financial reports, guidelines for their structure and minimum requirements for their content. The Consolidated Entity presents this condensed half-year report in accordance with AASB 101.

AASB 127: Consolidated and separate financial statements

AASB 127 defines subsidiaries and prescribes the circumstances in which a parent is required to prepare consolidated statements, the rules for the preparation of separate financial statements of the parent to the consolidated financial statements and the disclosure requirements in respect of investments in subsidiaries. AASB 127 will apply to the 2010 annual financial report.

Basis of preparation

The condensed consolidated financial statements are prepared on an accruals basis and are based on historical costs.

The Company is domiciled in Australia and all amounts are presented in Australian dollars, unless otherwise stated.

For the purpose of preparing the half-year report, the half-year has been treated as a discrete reporting period.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2009

1. Statement of significant accounting policies (continued)

Going Concern

The financial report has been prepared on the going concern basis, which contemplates the continuity of normal business activity and the realisation of assets and the settlement of liabilities in the normal course of business.

The Consolidated Entity has incurred a comprehensive loss after tax for the half-year ended 31 December 2009 of \$831,964 (2008 half-year: \$579,125) and experienced net cash outflows from operating activities of \$676,924 (2008: \$691,374).

The Directors believe that there are sufficient funds to meet the Consolidated Entity's working capital requirements. However, the Directors recognise that the ability of the Consolidated Entity to continue as a going concern and to pay its debts as and when they fall due is dependent on the ability to secure further working capital by the issue of additional equities, debt, entering into negotiations with third parties regarding the sale of non-core assets or farm out of assets, or a combination of debt, equity and/or the sale of assets.

During the half-year, the Consolidated Entity successfully raised \$1,500,000 (2008: \$319,593) before capital raising costs, through the issue of ordinary fully paid shares. The directors are confident that the Consolidated Entity will successfully raise additional funds in the future to meet its financial obligations and/or farm out commitments as necessary.

The directors have reviewed the business outlook and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Consolidated Entity will achieve the matters set out above.

Notwithstanding this, there is significant uncertainty whether the Consolidated Entity will be able to continue as a going concern.

Should the Consolidated Entity be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the condensed financial report.

The condensed financial report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary should the Consolidated Entity be unable to continue as a going concern.

Adoption of new and revised Accounting Standards

In the half-year ended 31 December 2009, the Consolidated Entity has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 July 2009. It has been determined by the Consolidated Entity that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, therefore, no change is necessary to Consolidated Entity accounting policies.

2. Cash and cash equivalents

Cash and cash equivalents include the balance date conversion of 100,000 Euros deposited with a Montenegro bank as security for a guarantee issued by that bank to the Government of Montenegro and included with the tender to secure the exclusive rights to negotiate with the Government of Montenegro to acquire the concession rights for exploration and exploitation of the former "Brskovo" mine and associated zinc/lead deposits near Mojkovac, Montenegro.

CONDENSED NOTES TO THE FINANCIAL STATEMENTS

For the half-year ended 31 December 2009

3. Advances

	Half-year 2009	Movement	30 June 2009
	\$	\$	\$
Advances made	688,310	126,512	561,798
Unrealised exchange loss	(135,151)	(65,631)	(69,520)
Impairment	(553,159)	(60,881)	(492,278)
Net advances	-	-	-

On 1 April 2009 the Company entered into a formal agreement to engage consultants to procure mining permits in West Africa. As part of that agreement (as varied), the Company advanced the consultant a total of US\$500,000 as advances against the fee of US\$700,000 payable to the consultant on procurement of the mining permits.

The consultant did not perform the services within the term and the advances are repayable without deduction.

The Company had taken out a second mortgage on the residence of the principals of the consultant and the property has been marketed for sale. However there is no reasonable certainty that there is equity in the property on realisation.

As the advances were made, and are repayable, in USD and the exchange rate has strengthened subsequent to the advancements made, an unrealised exchange loss has occurred. The balance of the advance has been fully impaired as there is no reasonable certainty that the advance can and will be repaid.

Had the mining permits been obtained the advance made would have been expensed through profit or loss.

4. Share Capital

	Half-year 2009		30 June 2009	
	Number of shares	\$	Number of shares	\$
Movement in ordinary shares				
Opening balance	738,537,435	38,442,800	504,193,775	36,566,043
Shares issued	150,000,000	1,500,000	234,343,660	1,958,794
Capital raising costs	-	(95,700)	-	(82,037)
Closing balance	888,537,435	39,847,100	738,537,435	38,442,800

5. Segment Information

For the half-years ended 31 December 2008 and 2009, the Consolidated Entity had one geographic segment being in Australia and operated in one industry being exploration.

The Consolidated Entity continues to assess international opportunities. However, no transactions have been concluded.

Negotiations are being held to acquire the concession rights for exploration and exploitation of the former "Brskovo" mine and associated zinc/lead deposits near Mojkovac, Montenegro. However, the terms, conditions and financial requirements are yet to be finalised or documented.

DIRECTORS' DECLARATION

In the opinion of the directors:

- (a) the financial statements and notes of the Consolidated Entity as set out on pages 6 to 12:
 - (i) give a true and fair view of the financial position as at 31 December 2009 and the performance for the half-year ended on that date of the Consolidated Entity; and
 - (ii) comply with Accounting Standard AASB 134 "Interim Financial Reporting" and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors made pursuant to Section 303(5) of the Corporations Act 2001.



Derek Lenartowicz
Director

Perth
Date: 5 March 2010

**INDEPENDENT AUDITOR'S REVIEW REPORT
TO THE MEMBERS OF SULTAN CORPORATION LIMITED**

Report on the Interim Financial Report

We have reviewed the accompanying interim financial report of Sultan Corporation Limited, which comprises the consolidated statement of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the half-year ended on that date, a statement of accounting policies, other selected explanatory notes 1 to 5 and the directors' declaration of the consolidated entity comprising the Company and the entities it controlled at the half-year's end or from time to time during the interim period.

Directors' responsibility for the financial report

The directors of the Company are responsible for the preparation and fair presentation of the interim financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the interim financial report that is free from material misstatement; whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express a conclusion on the interim financial report based on our review. We conducted our review in accordance with Australian Auditing Standard on Review Engagements ASRE 2410 *Review of Interim Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the Consolidated Entity's financial position as at 31 December 2009 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Sultan Corporation Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of the interim financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we have complied with the independence requirements of the *Corporations Act 2001*.

Ian K Macpherson CA

Robert W Parker CA

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Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the interim financial report of Sultan Corporation Limited is not in accordance with the *Corporations Act 2001* including:

- (i) giving a true and fair view of the Consolidated entity financial position as at 31 December 2009 and of its performance for the interim period ended on that date; and
- (ii) complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.

Material uncertainty regarding going concern

Without qualification to the opinion expressed above, attention is drawn to the following matter. As a result of matters referred to in Note 1 "Going Concern" to the interim financial statements, the ability of the Company to continue as a going concern and meet its planned and committed expenditure, including exploration expenditure, is dependent upon the Company raising further working capital. In the event that the Company cannot raise further working capital, there is significant uncertainty whether the Company will be able to pay its debts as and when they become due and payable. Should the Company be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded assets nor to the amounts and classification of liabilities that might be necessary should the entity not continue as a going concern.

ORD PARTNERS

Chartered Accountants



Robert Parker

Perth

5 March 2010