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## QUARTERLY REPORT FOR THE THREE MONTHS ENDING 30 SEPTEMBER 2010

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### 1. HIGHLIGHTS

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- Metallurgical Studies currently underway on Peelwood North ore and aimed at finding the optimum balance between metal recoveries and concentrate product quality. Water Balance studies designed and to commence following a positive outcome from the metallurgical testwork.
- Golder Associates Pty. Ltd of Perth, Western Australia have been engaged by Sultan to convert historical data at its MB Zn-Pb project in Montenegro into digital format. This is the first step in advancing the project to JORC status and it will commence at the Geoloska Istrazivanja in Podgorica in the week commencing November 22.
- Review of database for Elsieonora and Black Springs and design of drill targets, with a view to undertaking drill programmes in the October-November period of 2010.

### 2. PEELWOOD NORTH MINE DEVELOPMENT

During the quarter Sultan resumed work to secure the necessary approvals required to bring the Peelwood North Copper/Zinc project to production. Previously the completion of the hydrological and follow-up metallurgical studies was deferred pending developments associated with Sultan's acquisition of the Brskovo Zn/Pb project in Montenegro.

To date, approximately eighty percent (80%) of all approval processes have been successfully completed. There are just two major studies to be finalised, these being:

- Metallurgical Studies aimed at finding the optimum balance between metal recoveries and concentrate product quality; and
  - Water Balance Study aimed at ensuring sufficient quantities of process water are available to meet the production requirements.
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The metallurgical testwork is currently underway and a final report is expected at the end of October.

Aquaterra Consulting Pty. Ltd has designed a preliminary programme for the Water Balance Study. The first phase involves catchment analysis to ascertain if the site can reliably deliver the required water supply (via surface runoff, capture and storage), taking account of harvestable rights constraints embodied in the water legislation. This will include water balance modelling assuming a conservative dry weather scenario. This study will commence following a positive outcome from the metallurgical test work.

### **3. REVIEW OF ELSIEONORA**

During the previous quarter Sultan commissioned CSA Global Pty Ltd of Perth, WA to undertake a review of EL6767 and EL6082. Strong emphasis was placed on the historical Elsieonora gold-base metal prospect with straddles the boundary of the two licence areas.

The review suggested that based on the stratigraphic and structural setting mineralisation at Elsieonora is problematic and could be regarded as epigenetic and polymetallic or also potentially as a structurally modified VHMS deposit. It was concluded there are significant similarities with the reported stratigraphical and structural settings and mineralization style at McPhillamys which occurs approximately 100 kilometres to the north. McPhillamys is the subject of a joint venture between Newmont and Alkane Exploration and recently released a maiden resource estimate of approximately 3 million ounces contained gold.

Exploration at Elsieonora occurred mostly in the 1970's and there has been quite limited modern exploration. It was considered the immediate high grade down-dip target at Elsieonora prospect itself has probably been adequately tested by drilling and there are not immediate targets for resource drilling. However the McPhillamys style is large tonnage low grade with wide intercepts of 1-2 g/t Au over true widths of 100 metres. Sultan has acquired and evaluated the most recent airborne geophysical data and there are several significant zones of magnetic and radiometric anomalism. These are suggestive of areas of strong alteration and in some cases coincide with reported historical gold occurrences and have not been properly evaluated by earlier methods.

Because of the potentially large alteration areas within the combined EL 6767 and EL 6082 areas, Sultan has designed a stream sediment sampling programme of approximately 200 samples tentatively commencing on November 20. A specialized sample will be taken for analysis for low level gold and in addition samples will be assayed by ICPEMS for a suite of base metal and pathfinder elements.



## 4. BLACK SPRINGS

Black Springs lies along strike and approximately 10 kilometres south of Peelwood and is prospective for the same style of volcanic hosted Zn-Pb deposits. Historically, the Black Springs zinc-lead prospect has been tested by 20 widely spaced diamond drill holes. Nine of the holes intersected significant concentrations of zinc and lead sulphide mineralization (see Table 1).

There has been little exploration work conducted at Black Springs since the 1970's. During the quarter Sultan conducted a programme of relatively wide spaced reconnaissance mapping and rock chip sampling over the eastern part of the licence and will undertake a similar programme over the western part in the coming quarter. Twenty nine rock chip samples were collected for analysis and results are awaited. The objective of this programme is to see if there are any indications of base metal and/or gold mineralization outside the previously known areas of mineralization. Previous work concentrated almost entirely on base metal exploration.

A drill programme of 12 holes for approximately 1000 metres was designed in the previous quarter. During the current quarter this was revised and prioritized to six holes which are planned to be drilled in the first quarter of 2011.

*Table 1 - Historical Drill Results at Black Springs*

Hole No.	North (m)	East (m)	Bearing (°MN)	Dip (°)	From (m)	Length (m)	Zinc (%)	Lead (%)	Silver (ppm)
BSJ-7	2285	3150	51	65	111.2	4	9.7	3.63	29
BSDH-8	2033	3427	244	50	71.6	1.95	4.54	1.95	73.8
BSJ-4	2370	3238	52	70	165.2	4.59	3.98	1.53	24

## 5. BRSKOVO LEAD AND ZINC MINING COMPLEX IN MONTENEGRO

In the previous quarter Sultan Corporation reported that it has been granted a 25 year exploration and mining lease over the Brskovo Lead and Zinc Complex (MB Project) in Montenegro. The Project is approximately twenty (20) times the size of the Peelwood North asset and is a very significant acquisition for Sultan. Due to its previous mining



history and partially established infrastructure the MB project offers Sultan very near term potential for commercial exploitation.



Figure 1 & 2 - Location of MB Project, Montenegro

Based on its technical review, Sultan's estimation of the tonnage of mineralized material at the exploration target site is \*7.7 to 9.6 million tonnes ranging from 2.3-2.7% Zn, 1.5-2.7% Pb, 0.20-0.23% Cu and 17-24 g/t Ag.

The near surface and continuous nature of the mineralised zones at Brskovo and Visnjica indicate that, subject to further feasibility studies, significant amounts of these deposits will very likely be mineable by simple, cost effective conventional open cut methods. Further work is to be done in this regard. The exploration target sizes at Brskovo and Visnjica are given below and expressed as a range of possible tonnages and grades.

**RANGE:**

Deposit	Tonnes (million)	Zn%	Cu%	Pb%	Ag g/t
Brskovo	2.4 – 3.6	2.8 – 3.4	0.2 – 0.25	2.5 – 3.1	15 – 20
Visnjica	3.8 – 5.7	2.1 – 2.5	0.18 – 0.22	1.0 – 1.2	20-30
<b>Combined</b>	<b>6.2 – 9.3</b>	<b>2.4 – 2.8</b>	<b>0.19 – 0.23</b>	<b>1.6 – 1.9</b>	<b>18 – 25</b>

(\* The potential quantity and grade is conceptual in nature, there has been insufficient exploration to define a Mineral Resource and it is uncertain if further exploration will result in



*the determination of a Mineral Resource. It is stated above as a range of tonnes and grades of mineralized material. It should be read in conjunction with the accompanying notes 1 and 2 below and the proximate statement in the following paragraph of this announcement).*

Sultan personnel travelled to Montenegro in July to make a detailed appraisal of the data associated with the MB project. All historical data is in hard copy format on original hand drafted plans and sections and is held at the Geoloska Istrazivanja in Podgorica the capital of Montenegro. Sultan has produced an overall plan to convert the data to digital format and to ultimately advance the project to JORC status. Golder Associates Pty. Ltd of Perth, Western Australia have been engaged to complete this task.

The overall process involves: -

- Digital data acquisition from geological sections and level plans.
- Generation of 3D geological model and preliminary resource estimation and economic evaluation.
- Design and undertake a drill programme to support acceptance of the historical data and thereby allowing a preliminary JORC classification of the deposits.
- Additional planned drilling as required to allow further conversion to JORC and to provide the basic for mine planning.

Golder Associates personnel from the UK office will travel to Montenegro around November 22 to begin the first phase of the process. This will involve: -

- Capture of all drill hole information into MS Excel format.
- Scanning of all available sections and plans.
- Creation of a validated drill hole database.
- Geo-reference plans and sections.
- Digitally copy plans and sections from plans and sections. e.g geological contacts, assays from channel samples, underground development.

## **6. UPCOMING QUARTER ACTIVITIES**

Sultan anticipates that during the fourth quarter of 2010, it will be focussed on:

- Conversion of the historical geological data for Brskovo project into a modern digital database suitable for the construction of a 3-D geological model.
- At the Peelwood North project completion of metallurgical studies aimed at finding the optimum balance between metal recoveries and concentrate product quality and also completion of a water balance study aimed at



ensuring sufficient quantities of process water are available to meet the production requirements.

- A stream sediment sampling programme of approximately 200 samples to be undertaken in EL 6767 and EL 6082 tentatively commencing on November 20. The sampling will focus on the area around the old Elsieonora which is regarded as prospective for McPhillamys-style Au deposits. A specialized sample will be taken for analysis for low level gold and in addition samples will be assayed by ICPEMS for a suite of base metal and pathfinder elements.

## **1.1 Accompanying Notes**

1. *The above figures are based on a detailed review of the Brskovo ore field undertaken by Sultan preparatory to the tender process conducted by the Ministry of Economy Montenegro. There has been considerable historical exploration by both surface and underground methods and a combined total of approximately 2,850,000 tonnes were mined at Brskovo and Zuta Prla.*

*The official sections and levels plans of the unexploited areas are available and it was possible to check the grades and thicknesses of the mineralized zones and to calculate surface areas, volumes and possible tonnes and to compare these with the official calculations. This was undertaken for a selection of plans and sections from the two major ore bodies of Brskovo and Zuta Prla where most of the work has been done. The review also included Visnjica and also Igriste, where relatively less exploration has been done. The lower end of the range relates to an exploration target size for Brskovo and Zuta Prla only, whereas the upper end of the range also allows for contributions from Visnjica and Igriste.*

2. *The information in this report that relates to Exploration Results is based on information compiled by Mr. Kevin Alexander. Mr. Alexander is a full time employee of Sultan Corporation Limited. Mr. Alexander is a member of The Australasian Institute of Mining and Metallurgy and Australian Institute of Geoscientists. He has sufficient experience that is relevant to the style of mineralization under consideration and to the activity which he is undertaking to be qualified as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting on Exploration Results, Mineral resources and Ore Reserves". Mr. Alexander consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.*

# Appendix 5B

## Mining exploration entity quarterly report

Introduced 1/7/96. Origin: Appendix 8. Amended 1/7/97, 1/7/98, 30/9/2001.

Name of entity

**SULTAN CORPORATION LIMITED**

ABN

84 061 219 985

Quarter ended ("current quarter")

30 Sept 2010

### Consolidated statement of cash flows

	Current quarter \$A'000	Year to date \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(141)	(141)
(b) development	-	-
(c) foreign exchange	-	-
(d) administration	(367)	(367)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	2	2
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	17	17
<b>Net Operating Cash Flows</b>	<b>(489)</b>	<b>(489)</b>
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a)prospects	-	-
(b)equity investments	-	-
(c) other fixed assets	(4)	(4)
1.9 Proceeds from sale of: (a)prospects	-	-
(b)equity investments	-	-
(c)other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	125	125
1.12 Other (security advance)	-	-
<b>Net investing cash flows</b>	<b>121</b>	<b>121</b>
1.13 Total operating and investing cash flows (carried forward)	<b>(368)</b>	<b>(368)</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

	Current quarter \$A'000	Year to date \$A'000
1.13 Total operating and investing cash flows (brought forward)	(368)	(368)
<b>Cash flows related to financing activities</b>		
1.14 Proceeds from issues of shares, options, convertible notes.	484	484
1.15 Proceeds from sale of forfeited shares	-	-
1.16 Proceeds from borrowings	-	-
1.17 Repayment of borrowings	-	-
1.18 Dividends paid	-	-
1.19 Other – interest on convertible notes	(1)	(1)
<b>Net financing cash flows</b>	<b>483</b>	<b>483</b>
<b>Net increase (decrease) in cash held</b>	<b>115</b>	<b>115</b>
1.20 Cash at beginning of quarter/year to date	606	606
1.21 Exchange rate adjustments to item 1.20	(8)	(8)
1.22 <b>Cash at end of quarter</b>	<b>713</b>	<b>713</b>

**Payments to directors of the entity and associates of the directors**

**Payments to related entities of the entity and associates of the related entities**

	Current quarter \$A'000
1.23 Aggregate amount of payments to the parties included in item 1.2	176
1.24 Aggregate amount of loans to the parties included in item 1.10	-

1.25 Explanation necessary for an understanding of the transactions

Directors' salaries and superannuation

**Non-cash financing and investing activities**

2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

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2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

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+ See chapter 19 for defined terms.



### Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available	Amount used
3.1 Loan facilities	Up to US\$4 million available to be drawn down at US\$150,000 per month	USD\$450,000
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	150
4.2 Development	-
4.3 Production	-
4.4 Administration	300
<b>Total</b>	<b>450</b>

### Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	541	96
5.2 Deposits at call	25	406
5.3 Bank overdraft	-	-
5.4 Other ( term deposit held against guarantee)	147	104
<b>Total: cash at end of quarter</b> (item 1.22)	<b>713</b>	<b>606</b>

### Changes in interests in mining tenements

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed	-	-	-
6.2	Interests in mining tenements acquired or increased	-	-	-

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

**Issued and quoted securities at end of current quarter**

*Description includes rate of interest and any redemption or conversion rights together with prices and dates.*

	Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1 <b>Preference securities</b> <i>(description)</i>	-	-	-	-
7.2 Changes during quarter				
(a) Increases through issues	-	-	-	-
(b) Decreases through returns of capital, buy-backs, redemptions	-	-	-	-
7.3 <b>+Ordinary securities</b>	928,022,304	928,022,304	Not required	Not required
7.4 Changes during quarter				
(a) Increases through issues	26,250,000	26,250,000	-	-
(b) Decreases through returns of capital, buy-backs	-	-	-	-
7.5 <b>+Convertible debt securities</b> <i>2 unsecured convertible notes of US\$2million each drawn down by monthly payments of US \$150,000 carrying a coupon rate of 4.25%)</i>	-	-	-	-

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

7.6	Changes during quarter (a) Increases through issues	<i>2 unsecured convertible notes of US\$2million each drawn down by monthly payments of US \$150,000 carrying a coupon rate of 4.25%)</i>	-	-	-
	(b) Decreases through returns of capital, buy-backs, redemptions	3 X USD150,000 draw-downs from facility above, of which AUD135,000 converted to ordinary shares	N/A	Conversion price is the lesser of a\$0.05 or 80% of the ave of the lowest VWAP during the prior 21 trading days	-
7.7	<b>Options</b> <i>(description and conversion factor)</i>	40,000,000 2 cent options expiring 31 December 2010	-	Not required	Not required
		9,000,000 2 cent options expiring 31 December 2010	-	Not required	Not required
7.8	Issued during quarter	-	-	-	-
7.9	Exercised during quarter	-	-	-	-
		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.10	Expired during quarter	-	-	-	-
7.11	<b>Debentures</b> <i>(totals only)</i>	-	-		
7.12	<b>Unsecured notes</b> <i>(totals only)</i>	-	-		

+ See chapter 19 for defined terms.

### Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 4).
- 2 This statement does ~~not~~\* (*delete one*) give a true and fair view of the matters disclosed.



Sign here: ..... Date: 29 October 2010  
(~~Director~~/Company secretary)  
Print name: Jerry Monzu

### Notes

- 1 The quarterly report provides a basis for informing the market how the entity’s activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The “Nature of interest” (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 1022: Accounting for Extractive Industries* and *AASB 1026: Statement of Cash Flows* apply to this report.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Accounting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.

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+ See chapter 19 for defined terms.