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## QUARTERLY ACTIVITIES REPORT FOR THE THREE MONTHS ENDING DECEMBER 2010

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### 1. HIGHLIGHTS

- The laboratory component of the metallurgical Studies on Peelwood North ore was completed in late December. Saleable concentrates are achievable and metallurgical recoveries exceed expected recoveries and will result in higher metal production at no additional cost.
  - A Water Balance Study at Peelwood North aimed at ensuring sufficient quantities of process water are available to meet the production requirements has commenced with the initial focus on surface runoff, capture and storage.
  - A stream sediment sampling programme at Elsieonora commenced in mid-November and 77 samples were taken during the quarter. A specialized BLEG sample was taken for analysis for low level gold and silver and a separate sample assayed for a suite of base metal and pathfinder elements by ICPEMS. In addition 20 rock chip samples were collected and submitted for analysis, Sultan is currently awaiting test results from the laboratory.
  - Thirty six rock chip samples were collected in a programme of relatively wide spaced reconnaissance mapping and rock chip sampling over the eastern and southern part of the Black Springs EL6831 licence, Sultan is currently awaiting test results from the laboratory.
  - Golder Associates and Sultan Corporation personnel arrived in Montenegro on the week beginning November 22 to begin the construction of a digital database from the original historical hard copy data. This was undertaken at the Geoloska Istrazivanja in Podgorica and was largely completed by the end of December 2010. The next phase is to construct a 3-D geological model and design a confirmation drilling programme to enable conversion to a JORC resource.
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## **2. PEELWOOD NORTH MINE DEVELOPMENT**

During the quarter Sultan continued work to secure the necessary approvals required to bring the Peelwood North Copper/Zinc project to production.

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.

The metallurgical testwork began in September 2010 and the laboratory component was completed in late December. A final report with detailed figures for the recoveries of the various metals will be available in January. The metallurgical test work has confirmed that saleable separate Zn and Cu-Pb concentrates are achievable and metallurgical recoveries exceed expected recoveries and will result in higher metal production at no additional cost.

During the quarter Aquaterra Consulting Pty. Ltd commenced a Water Supply and Water Balance Study for the Peelwood North project. 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 and a cost estimate for this option. This phase is largely complete and a report is due in late January. If water additional to surface runoff is required then the next phase will involve initial coarse screening and ranking of other water supply options to differentiate preferred options from unfeasible options. This will include cost estimates of identified options.

## **3. ELSIEONORA**

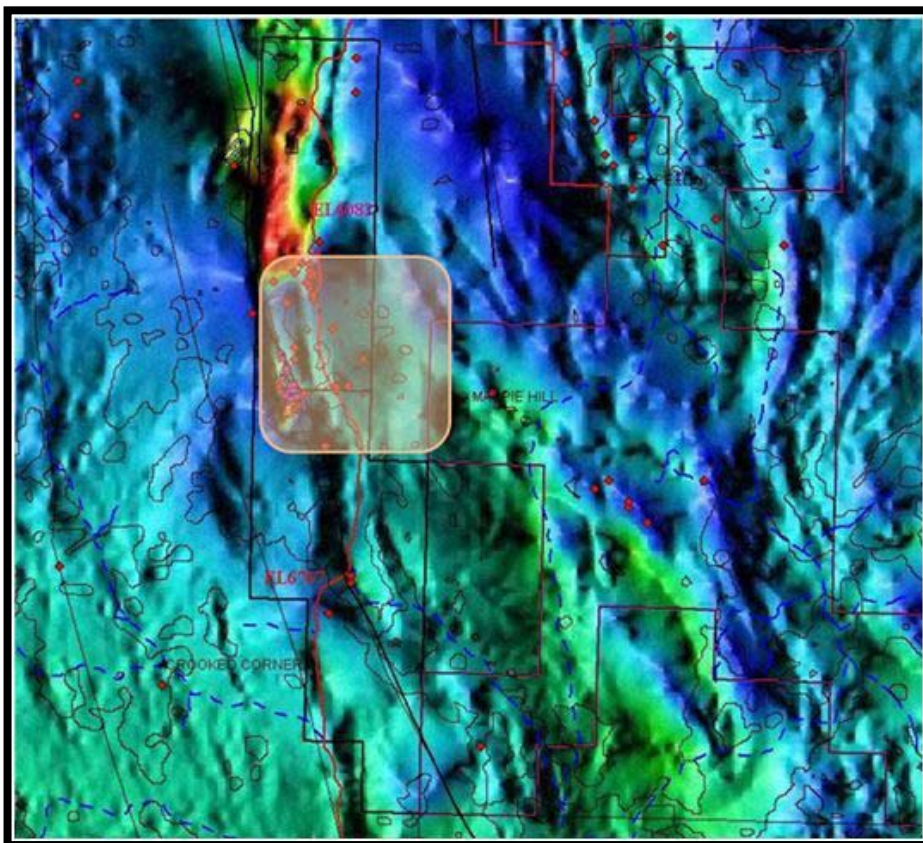
A geological review by CSA Global Pty Ltd suggested that based on the stratigraphic and structural setting mineralisation at Elsieonora is problematic and could be regarded as epigenetic and polymetallic or also potentially as a structurally modified VHMS deposit. It was concluded there are significant 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. 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 designed a stream sediment sampling programme of approximately 200 samples to cover EL6767 and the southern half of EL6082. The sampling programme commenced in mid-November and 77 samples were taken during the quarter. A specialized BLEG sample was taken for analysis for low level gold and silver and in addition separate samples were assayed for a suite of base metal and pathfinder elements by ICPEMS. In addition 20 rock chip samples were collected and submitted for analysis. Results are awaited. The sampling including the specific area of interest near Elsieonora is shown in Figure 1 below.



*Figure 1 – Highlighted Area of Interest for Stream Sediment Sampling*



## 4. BLACK SPRINGS

Black Springs, EL6831 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.

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 and southern part of the licence. Thirty six rock chip samples were collected and submitted for analysis, Sultan is currently awaiting test results from the laboratory. 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 in the vicinity of the known prospects.

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

Sultan Corporation 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 and offers Sultan near term potential for commercial exploitation.

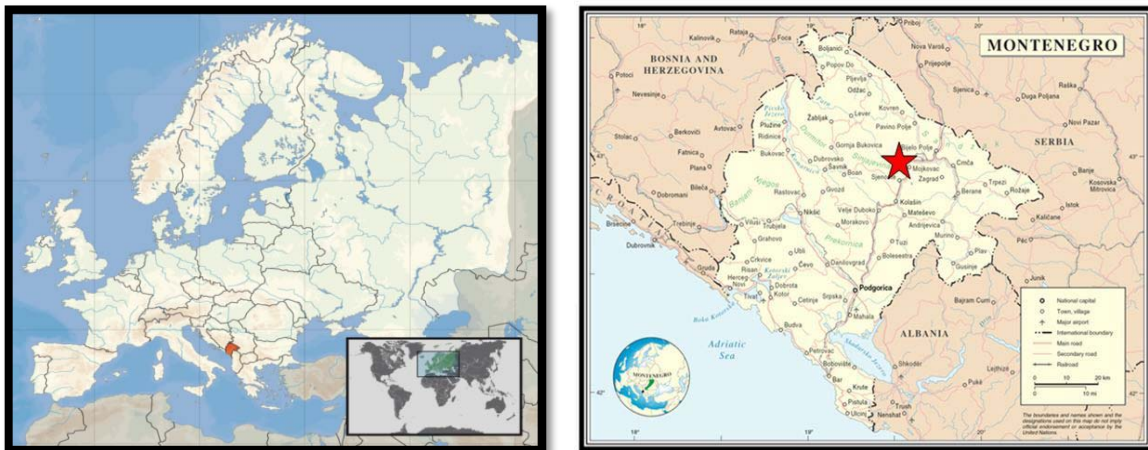


Figure 1 & 2 - Location of MB Project, Montenegro

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. This is based on the three significant



Deposits, Brskovo, Visnjica and Zuta Prla.

*(\* 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).*

Golder Associates Pty. Ltd of Perth, Western Australia have been engaged to establish a JORC compliant resources at the MB. Golder Associates and their associates Aurum Exploration Services accompanied by Sultan Corporation personnel arrived in Montenegro on the week beginning November 22 to begin the conversion to a digital database. This took place at the Geoloska Istrazivanja in Podgorica, where all the historical hard copy plans are held and was largely completed by the end of December. A report on this initial phase of the work is being compiled and will be completed by mid-January.

The second phase involving geological modelling and resource estimation will begin in late-January 2011 and should be completed by the end of February 2011. This will enable a drill programme to be designed to support the acceptance of the historical data. Drilling can then commence in the northern hemisphere spring, around May 2011.

## **6. UPCOMING QUARTER ACTIVITIES**

Sultan anticipates that during the first quarter of 2011, it will be focussed on:

- Conversion of the historical geological data for Brskovo project into a modern digital database and the construction of a 3-D geological model. A confirmation drilling programme will be designed to test the geological model and is planned to commence in the northern hemisphere spring, around May 2011.
- Completion of the first part water balance study aimed at ensuring sufficient quantities of process water are available to meet the production requirements. This phase concentrates on surface runoff, capture and storage.
- Completion of the stream sediment sampling programme began in EL 6767 and EL 6082 in the December quarter. The sampling covers both licences but is particularly



focused on the area around the old Elsieonora which is regarded as prospective for McPhillamys-style Au deposits.

## 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")

31 December 2010

### Consolidated statement of cash flows

|   | Current quarter<br>\$A'000 | Year to date<br>\$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                 | (120)                      | (261)                   |
| (b) development   | -                          | -                       |
| (c) foreign exchange  | -                          | -                       |
| (d) administration  | (263)                      | (630)                   |
| 1.3 Dividends received  | -                          | -                       |
| 1.4 Interest and other items of a similar nature received       | 8                          | 10                      |
| 1.5 Interest and other costs of finance paid                    | -                          | -                       |
| 1.6 Income taxes paid   | -                          | -                       |
| 1.7 Other (provide details if material)                         | 3                          | 20                      |
| <b>Net Operating Cash Flows</b>                                 | <b>(372)</b>               | <b>(861)</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)                     |
| 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                     |
| 1.12 Other (security advance)                                   | -                          | -                       |
| <b>Net investing cash flows</b>                                 | <b>0</b>                   | <b>121</b>              |
| 1.13 Total operating and investing cash flows (carried forward) | <b>(372)</b>               | <b>(740)</b>            |

+ See chapter 19 for defined terms.

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

|  | Current quarter<br>\$A'000 | Year to date<br>\$A'000 |
|--|----------------------------|-------------------------|
| 1.13 Total operating and investing cash flows (brought forward)  | (372)                      | (740)                   |
| <b>Cash flows related to financing activities</b>                |                            |                         |
| 1.14 Proceeds from issues of shares, options, convertible notes. | 633                        | 1,117                   |
| 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)                     |
| <b>Net financing cash flows</b>                                  | 633                        | 1,116                   |
| <b>Net increase (decrease) in cash held</b>                      | 261                        | 376                     |
| 1.20 Cash at beginning of quarter/year to date                   | 713                        | 606                     |
| 1.21 Exchange rate adjustments to item 1.20                      | (5)                        | (13)                    |
| 1.22 <b>Cash at end of quarter</b>                               | 969                        | 969                     |

**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<br>\$A'000 |
|---|----------------------------|
| 1.23 Aggregate amount of payments to the parties included in item 1.2 | 124                        |
| 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

|   |
|---|
| - |
|---|

+ 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\$750,000 |
| 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<br>\$A'000 | Previous quarter<br>\$A'000 |
|--|----------------------------|-----------------------------|
| 5.1 Cash on hand and at bank                     | 808                        | 541                         |
| 5.2 Deposits at call                             | 25                         | 25                          |
| 5.3 Bank overdraft                               | -                          | -                           |
| 5.4 Other ( term deposit held against guarantee) | 136                        | 147                         |
| <b>Total: cash at end of quarter</b> (item 1.22) | <b>969</b>                 | <b>713</b>                  |

### Changes in interests in mining tenements

|   | Tenement<br>reference | Nature of<br>interest<br>(note (2)) | Interest at<br>beginning of<br>quarter | Interest at end<br>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><br><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>  | 1,042,495,988 | 928,022,304   | Not required                                  | Not required                                     |
| 7.4 Changes during quarter   |               |               |   |  |
| (a) Increases through issues   | 114,473,684   | 114,473,684   | -   | -  |
| (b) Decreases through returns of capital, buy-backs  | -             | -             | -   | -  |
| 7.5 <b>+Convertible debt securities</b><br><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.

|      |  |  |               |   |  |
|------|--|--|---------------|---|--|
| 7.6  | Changes during quarter<br>(a) Increases through issues           |  | -             | -   | -  |
|      | (b) Decreases through returns of capital, buy-backs, redemptions | 2 X USD150,000 draw-downs from existing facility | 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><br><i>(description and conversion factor)</i>     |  |               |   |  |
| 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><br><i>(totals only)</i>                        | -  | -             |   |  |
| 7.12 | <b>Unsecured notes</b> <i>(totals only)</i>                      | -  | -             |   |  |

## 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).

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

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2 This statement does ~~not~~\* (*delete one*) give a true and fair view of the matters disclosed.



Sign here: ..... Date: 28 January 2011  
(~~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.