

28 July 2011

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## JUNE 2011 QUARTERLY ACTIVITIES REPORT

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### HIGHLIGHTS

#### OPERATIONAL:

- **Maiden Inferred Resource of 9.2Mt @ 3.77% Zn, 1.21% Pb, 0.36% Cu completed for the MB Lead-Zinc Project, Montenegro**
- **Feasibility Study commences at MB Project in parallel with ongoing business development activities in the Balkans region**
- **Drilling commences at newly identified gold targets at Elsenora, Peelwood Project (NSW)**
- **Gold exploration focused on targets with potential for gold and base metal mineralisation similar to the world-class McPhillamy's deposit (Newmont/Alkane)**
- **Continuation of work programme to bring Peelwood towards production**

#### CORPORATE:

- **Appointment of experienced mining executive Mike Ralston as Managing Director effective 01 August 2011**
  - **Current Managing Director, Derek Lenartowicz, to move to Executive Chairman position**
  - **Sultan confirms tender on large scale Phosphate Project in Togo, West Africa**
  - **Share Placement raises \$5.4 million**
  - **Directors and Employee Incentive Scheme unveiled**
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## **EXECUTIVE SUMMARY**

During the June Quarter, Sultan Corporation made significant progress on a number of fronts, including the announcement of a maiden JORC resource for the newly acquired MB Project (Lead-Zinc) located in Montenegro, the commencement of an exciting new gold exploration program at the Peelwood Project in NSW, and the appointment of a new Managing Director.

### **1. OPERATIONAL**

#### **MB Lead-Zinc Project, Montenegro**

During the Quarter, a maiden JORC compliant Inferred Resource estimate totalling **9.2 million tonnes @ 3.77% Zn, 1.21% Pb and 0.36% Cu** was completed for the MB Lead-Zinc Project in Montenegro.

The resource, which was completed by Golder Associates, is summarised below:

#### **JORC Resource MB Project (Montenegro) – Inferred**

	<b>Tonnes</b>	<b>Zn %</b>	<b>Pb %</b>	<b>Cu %</b>	<b>Cut-Off's</b>
Brskovo	2,539,086	3.82	3.03	0.53	2% Zn or 2% Pb
Zuta Prla	4,744,869	4.06	0.11	0.30	3% Zn
Visnjica	1,896,020	2.98	1.51	0.26	2% Zn
<b>Total Weighted Ave</b>	<b>9,179,975</b>	<b>3.77</b>	<b>1.21</b>	<b>0.36</b>	

(\*) See Competent Persons Statement

This Project, which has been secured for a low acquisition cost, represents **the first step in a longer term Company strategy to leverage off its existing relationships in the Balkans region to consolidate a number of high-potential resource projects in the area.**

Ultimately, Sultan is aiming to develop further assets in this region, which has a number of significant advantages including initial low entry price for resource projects, an established and experienced workforce, and a generally low production cost base (compared with similar sized Australian projects).

Because of existing drilling information to hand for the MB Project, Sultan was able to complete this JORC compliant resource well ahead of schedule and at a considerable saving compared with the cost of conducting an extensive JORC exploration drilling programme.



The Company will review the potential to undertake additional exploration to target increases to this initial resource and plan an appropriate programme in due course. In the meantime, the Company will proceed with a more detailed Feasibility Study and work has commenced on the collection of samples for metallurgical testing and analysis as the first step.

### **Peelwood Project, NSW**

An initial drilling programme commenced during the June Quarter targeting a number of newly identified gold prospects on the Elsenora tenements, part of the Company's Peelwood Project in NSW, Australia).

Initial work indicates that Elsenora has the potential for McPhillamy's-style gold and base-metal mineralization. The McPhillamy's deposit is located approximately 50km to the north of Sultan's tenements and is a Joint Venture Project between Newmont (operator) and Alkane Resources Ltd. It has a stated resource of 3 million ounces of Gold (Au) and 60,000 tonnes of Copper (Cu).

Sultan is expecting to receive the results of this drilling programme in late August and will take appropriate next steps thereafter.

Work also continued during the Quarter to secure all necessary licenses, permits and other requirements as considered necessary for Sultan to develop a mine at Peelwood.

This process is being managed by a third party consultant acting on behalf of the Company and will continue in the current Quarter. Sultan is confident that this process can be successfully managed, although it is difficult to estimate at timeline to completion at this stage.

## **2. CORPORATE**

### **New Managing Director**

Sultan recently announced **the appointment of experienced mining executive Mr Mike Ralston as its new Managing Director**, effective from 01 August 2011. The **current MD, Derek Lenartowicz, will move to the role of Executive Chairman** with a focus on bringing new projects to the Company and developing them. All other board positions remain as before.

Mr Ralston has previously served as a Non-Executive Director of Sultan and will therefore be moving across into a full time Executive position.

He brings extensive corporate, financial and management experience gained with several ASX listed companies including most recently as Chief Financial Officer with the leading ASX-listed Indonesian coal producer, Kangaroo Resources Limited (ASX: KRL).



Mr Ralston's experience will complement the significant technical and operational experience that Mr Lenartowicz will continue to offer the Company.

Together with Sultan's other Executive Director, Milos Bosnjakovich, this completes the establishment of a very strong all-round Executive team with the capability in terms of exploration, project acquisition and development and corporate expertise to build a resource company of genuine mid-tier capacity and market capitalization over the next few years.

Other executive managers may be added as required when the Company secures additional resource projects in the months ahead.

Mr Michael Hale also joined the Sultan Board as a Non-Executive Director last Quarter, bringing additional experience to the Company. Mr Hale brings a wealth of business experience to the Company from previous roles he has held in Australia and Asia, with particular expertise in government relations.

### **Business Development**

During the Quarter, the Company has continued to work through a tender process relating to a large phosphate project in the West African country of Togo.

This represents one of several resource opportunities the Company is reviewing and the process is a typical tender submission that will close for consideration over the next Quarter, with the results announced to the market as appropriate.

The Company has also recently made public through a Notice of Meeting plans to put in place a Directors' and Employees' Incentive Scheme which the Board believes is critical within the current resources market to build suitable motivation and incentivisation to secure high quality experienced individuals to manage and drive Sultan's growth forward in the future.

Competition for such individuals is very strong in the current market and the Company needs a suitable programme in place whereby quality directors and managers are attracted to join Sultan giving the Company access to their expertise to create value for all shareholders.

This Scheme will be considered by shareholders at a General Meeting to be held on 26 August 2011.

### **3. CASH AND FINANCE**

During the Quarter, Sultan placed 246.1 million shares to sophisticated investors at \$0.022 (2.2 cents) raising a total of \$5.4 million.



The proceeds will be used for ongoing working capital relating to all of the Company's projects and ongoing business development to secure new projects.

The Board of Sultan Corporation Limited has decided that the La Jolla Cove Investors (LJCI) convertible note facility is no longer in the best interests of the Company. The Company is in negotiations with the lender to facilitate the best possible outcome to settle the repayment of the loan.

Sultan had \$ 5.7million in cash at bank at the end of the Quarter, representing a strong cash position relative to ongoing commitments and the current corporate cash burn rate.

-ENDS-

**Competent Persons Statement:**

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.

The information in this announcement that relates to Mineral Resources has been compiled by Mr Richard Gaze of Golder Associates who is a Member of the Australasian Institute of Mining and Metallurgy. Mr Gaze has had sufficient experience in Ore Resource estimation relevant to the style of mineralisation and type of deposit under consideration to qualify as a Competent Person as defined in the 2004 Edition of the "Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves". Mr Gaze consents to the inclusion of the information contained in this ASX release 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 June 2011

### 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	(205)	(640)
(b) development	-	-
(c) foreign exchange	-	-
(d) administration	(517)	(1,578)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	12	33
1.5 Interest and other costs of finance paid	-	(8)
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	20
<b>Net Operating Cash Flows</b>	(710)	(2,173)
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a)prospects	-	-
(b)equity investments	-	-
(c) other fixed assets	-	(171)
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>	-	(46)
1.13 Total operating and investing cash flows (carried forward)	(710)	(2,219)

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**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)	(710)	(2,219)
<b>Cash flows related to financing activities</b>		
1.14 Proceeds from issues of shares, options, convertible notes.	5,414	7,779
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 – issue costs	(325)	(426)
<b>Net financing cash flows</b>	<b>5,089</b>	<b>7,353</b>
<b>Net increase (decrease) in cash held</b>	<b>4,379</b>	<b>5,134</b>
1.20 Cash at beginning of quarter/year to date	1,356	606
1.21 Exchange rate adjustments to item 1.20	(2)	(7)
1.22 <b>Cash at end of quarter</b>	<b>5,733</b>	<b>5,733</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	164
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, superannuation and consulting fees

**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

Nil

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

Nil

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### Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available	Amount used
3.1 Loan facilities	-	-
3.2 Credit standby arrangements	-	-

### Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	600
4.2 Development	-
4.3 Production	-
4.4 Administration	400
<b>Total</b>	<b>1,000</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	5,387	1,016
5.2 Deposits at call	70	70
5.3 Bank overdraft		-
5.4 Other ( term deposit held against guarantee)	276	270
<b>Total: cash at end of quarter</b> (item 1.22)	<b>5,733</b>	<b>1,356</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	-	-	-	-

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**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>	1,444,658,488	1,444,658,488	Not required	Not required
7.4 Changes during quarter				
(a) Increases through issues	246,100,000	246,100,000	-	-
(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% and a Balance owing at 30 June 2011 of \$379,277)</i>	-	-	-	-

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7.6	Changes during quarter (a) Increases through issues		-	-	-
	(b) Decreases through returns of capital, buy-backs, redemptions		N/A		
7.7	<b>Options</b> <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> <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).
- 2 This statement does ~~not~~\* *(delete one)* give a true and fair view of the matters disclosed.



Sign here: ..... Date: 28 July 2011

(~~Director~~/Company secretary)

Print name: Jerry Monzu

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**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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