SULTAN CORPORATION LIMITED
ABN 84 061 219 985

Annual Report
30 June 2011

CORPORATE DIRECTORY

Directors

Derek Lenartowicz
Milos Bosnjakovic
Mike Ralston
Michael Hale

Company Secretary

Jerry Monzu

Auditors

MGI Perth Audit Services Pty Ltd
7/1 William Street
Perth WA 6000

Bankers

Bendigo Bank
225 St Georges Terrace
Perth WA 6000

Registered Office

Level 1
350 Hay Street
Subiaco WA 6008
Telephone: +61 8 6365 4519
Facsimile: +61 3 9388 6040

Share Registry

Link Market Services Limited
Ground Floor, 178 St Georges Terrace
Perth WA 6000

Stock Exchange Listing

Securities of Sultan Corporation Limited are listed on the Australian Securities Exchange (ASX) and the Frankfurt Stock Exchange (FSX)

ASX Code: SSC

FSX Code: A0LFVE

Web site: www.sultan.net.au

CONTENTS

CHAIRMAN'S REPORT

I am pleased to present Sultan's 2011 Annual Report.

The financial year ended 30 June 2011 was of particular significance as the Company sought to put in place the necessary foundations to transform Sultan from a small exploration-focused company into a growth-oriented mining company with multiple production assets.

Work continued during the year on Sultan's Peelwood copper-zinc asset in New South Wales, Australia, with a view to moving that project towards production as soon as possible.

This process has been managed by an experienced project manager and will continue to proceed as the Company fulfils all the requirements dictated by the Feasibility Study and the environmental approvals process of the NSW State Government. Sultan believes the Peelwood Project represents a good value proposition using current metal prices.

During the course of work at Peelwood, Sultan's geologists recognised that certain geological structures within the tenements bore strong resemblance to the mineralisation present at the large McPhillamy's gold project, located approximately 50km to the north.

As a result, the Company decided to conduct an early phase gold exploration program to better understand these structures and determine the potential for a similar large-scale gold system within the Peelwood/Elsienora tenements.

The results of this initial program have been positive and Sultan plans to extend the drilling program to test further targets in the future. With the gold price reaching record highs during the year, this exploration program may present an exciting opportunity for the Company during the 2012 financial year.

In addition, during 2010 Sultan acquired the rights to the former "Brskovo" mine in Montenegro (renamed the MB Project) and immediately set about working with third party consultants to produce a JORC compliant resource estimate.

This was achieved in March, resulting in an initial Inferred Resource of 9.2 million tonnes with average content of 3.77% zinc, 1.21% lead and 0.36% copper, and strong upside potential. Considering the low entry cost associated with this asset, Sultan is extremely pleased with this result and has moved to the next stage of metallurgical testing in order to progress the Feasibility Study and, ultimately, move this asset towards production.

At the corporate level, Sultan made several significant changes. Firstly, Jerry Monzu joined as Company Secretary in 2010; subsequently, in early 2011 Mike Ralston and Michael Hale joined as Non Executive Directors, strengthening the Board and bringing in complementary skills to assist in driving the business forward. Ian Hobson and Jimmy Lee resigned and I wish to thank them for their services to the Company in the past.

Sultan successfully managed a series of capital raisings over the year, culminating in an over-subscribed $5.4 million capital raising in April 2011, which has given the Company a strong cash reserve from which to develop the business into the future.

The Company also listed on the Frankfurt Stock Exchange in Germany in late 2010, primarily as a means to assist retail investors from Europe to trade in the Company's shares –particularly in light of Sultan's growing stable of assets in Europe.

Consistent with the Company's strategy of targeting the acquisition of high quality assets with the potential to underpin the Company's growth as a mid-tier producer, a tender document was submitted in July 2011 for a significant phosphate project in Togo, West Africa.

The Company has no further information on this tender process as yet but remains committed to continuing this strategy of seeking to identify and acquire top-tier assets, wherever possible for competitive prices.

CHAIRMAN'S REPORT (Continued)

Finally, in August 2011, Mike Ralston joined Sultan in a full-time executive capacity as Managing Director and I moved to the role of Executive Chairman. Our respective corporate/finance and technical/operational experience are highly complementary and we will aim to draw on our combined strengths and expertise as the primary platform from which to grow Sultan in the year ahead.

Milos Bosnjakovic remains as the third Sultan Executive Director, with particular responsibility for Business Development and bringing in new projects.

In conclusion, I would like to thank all shareholders for their support in what has been a challenging year and I look forward to a successful period ahead where Sultan is well placed to emerge as a rising star within the ranks of mid-tier mining companies.

Derek Lenartowicz
Chairman
Sultan Corporation Limited

DIRECTORS' REPORT

The directors of Sultan Corporation Limited ("Company") present their report including the consolidated financial report of the Company and its controlled entities ("consolidated entity") for the year ended 30 June 2011.

Directors

The names of the directors of the Company in office during the year and until the date of this report are as follows;

Derek Lenartowicz
(Jimmy) Kong Leng Lee (Resigned 1 March 2011)
Milos Bosnjakovic
Mike Ralston (Appointed 1 March 2011)
Michael Hale (Appointed 12 April 2011)

Note: *Directors held office for the entire period unless otherwise stated.*

Principal Activities

During the year the principal continuing activity was the exploration and feasibility study of the Peelwood zinc and copper project, initial drilling on the Elsienora tenement (part of the overall Peelwood Project) and business development work to consider other resource projects to bring into Sultan in the next financial year.

Review and Results of Operations

During the year, the consolidated entity:

1. Continued the mine development process for the Peelwood North copper/zinc project by:

    - working with Government agencies and the local shire to secure the approvals required to bring the Peelwood North mine to production; and
    - engaging appropriate consultants for the various environmental and community aspects of the project;

2. Conducted an initial near surface gold and base metals exploration drilling programme on the Elsienora tenement;

3. Raised approximately $6.7million (before costs of issue) from a placement of approximately 156million shares at 0.8cents, and 246.1million shares at 2.2 cents per share; 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 ("Monty") and associated zinc/lead deposits near Mojkovac, Montenegro. Resultant from those rights, a 25 year exploration and mining lease has been granted to the Company's Montenegro subsidiary.

5. Conducted a desktop review process on the Monty Project through Golder and Associates, establishing a JORC compliant resource on the asset within just six months of ownership.

The comprehensive loss for the consolidated entity was $2,970,034 (2010: $1,895,260).

Significant Changes in the State of Affairs

No significant changes in the state of affairs of the consolidated entity occurred during the financial year.

Dividends

No dividends were paid or proposed to be paid to members during the financial year.

DIRECTORS' REPORT (Continued)

Matters Subsequent to the End of the Financial Year

Subsequent to balance date:

1. La Jolla Cove Investors ("LJCI")(the Company which has provided Sultan with a convertible note facility) has lodged a claim against Sultan in the San Diego courts seeking Sultan shares as settlement of a convertible note, this claim subsequently failed. This note had not been honoured as a result of Sultan shareholders' rejection of the resolution to issue shares. The claim has been re-lodged and since been removed from San Diego court and is currently the subject of a motion to dismiss. Both Sultan and LJCI are seeking to settle the matter without further reference to the court and both are seeking to settle with shares, this process is ongoing at this stage a final settlement has not been reached or estimated.

2. At a general meeting held on the 26 of August 2011 Shareholders of the Company approved the adoption of the Sultan Director and Employee Share Plans. At the same meeting Shareholders also approved the issue of shares under the plans to Directors Mr Derek Lenartowicz, Mr Michael Ralston and Mr Milos Bosnjakovic. A total of 292 million Shares (issued at a price of 2.2 cents per share) have been issued to Directors and Employees under the terms and conditions of these plans. Under the terms and conditions of the director and employee share plans, the shares may not be sold or otherwise dealt with until all loans in respect of those shares have been fully repaid.

3. On 16 September the Company announced that it had acquired 85% of a Polish base metals exploration project (the "Bogdan" tenement) through a company called Polmetal. The terms of the deal are as follows:

    - An upfront payment of $100,000 as a 12 month Option Fee, payable upon signing the legal agreement and delivery of a valid permit to drill at Bogdan;

    - A committed exploration programme for a minimum 2,500 meters for $300,000 within the first 12 month period;

    - A cash payment of $400,000 – at Sultan's discretion, payable within 12 months; and.

    - A one-off payment of $800,000 at any stage over the three years after payment for the initial $100,000 fee, purely at Sultan's discretion.

4. On 16 September the Company issued 10 million fully paid ordinary shares to a section 708(A) investor who elected to exercise his 1 cent October 2013 options.

Other than these matters, there has been no matter or circumstance that has arisen since 30 June 2011 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.

Likely Developments and Expected Results of Operations

Other than as described under Principal Activities and Matters Subsequent to the End of the Financial Year, the likely developments in the activities of the consolidated entity and the expected results of these operations have not been discussed in this report. Disclosure of the information would be likely to result in prejudice to the consolidated entity.

Environmental Regulation

The consolidated entity is subject to the usual environmental regulations that are applicable to mineral exploration.

DIRECTORS' REPORT (Continued)

Information on Directors

Derek Lenartowicz BS Eng MSE (Executive Chairman)

Appointed as Executive Director 2 May 2007, became Executive Chairman 1 August 2011.

Experience and Expertise

Mr. Lenartowicz has extensive project development and mining experience gained with major Australian resources companies at a senior management level. He is a mining engineer with significant experience in developing and operating large scale resource projects such as Western Mining's flagship nickel operation at Mt Keith in Western Australia. He has also held senior positions at North Limited and WMC Resources Limited.

Other Current Directorships

None

Former Directorships in the Last Three Years

Korab Resources Limited, appointed May 2006 and resigned 1 December 2008.
Syngas Limited, appointed 15 January 2008 and resigned 15 September 2009.

Interests in Shares and Options

67,412,531 ordinary shares
7,000,000 options to acquire ordinary shares

Mike Ralston (Managing Director)

Appointed as Non-Executive Director 1 March 2011, became Managing Director 1 August 2011.

Experience and Expertise

Mr. Ralston is a qualified Chartered Management Accountant with 15 years experience in various senior executive management roles in the UK, Africa and Australia, primarily focused on finance. He has worked in the Australian mining sector as both CFO and Director for several listed resource companies, mainly in the gold, base metals and coal sectors. He has significant corporate, commercial and management experience and most recently has been one of the key executive managers driving Kangaroo Resources Limited through its emergence as the next significant coal producer in Indonesia.

Other Current Directorships

Director and Chairman of Conto Resources Pty Ltd, appointed 3 February 2011

Former Directorships in the Last Three Years

None

Interests in Shares and Options

7,000,000 options to acquire ordinary shares

DIRECTORS' REPORT (Continued)

Information on Directors (continued)

Milos Bosnjakovic (Executive director)

Appointed 2 June 2009

Experience and Expertise

Mr Bosnjakovic has extensive experience and knowledge in project development, financial control and contract negotiation and, as a former lawyer; he has a high level of competency in all aspects of business and company law. He is currently managing director of MBL Construction Pty Ltd, a residential development company with annual turnover of $60 million.

Other Current Directorships

None

Former Directorships in the Last Three Years

None

Interests in Shares and Options

66,138,095 ordinary shares
7,000,000 options to acquire ordinary shares

Michael Hale (Independent Non-Executive director)

Appointed 12 April 2011

Experience and Expertise

Mr Hale was appointed as the Independent Non-Executive Director on 12 of April 2011 to bring corporate governance, public relations and other corporate skills to the board. Having studied Public Administration at the University of WA he has extensive experience in the public sector, he has served as a Councilor at the City of Perth, and participated in the establishment of the Cabinet Office of the Government of Western Australia while serving as an advisor to The Office of Premier and Cabinet, Government of Western Australia. Mr Hale is a registered lobbyist with The Australian and Western Australian Governments. He continues to play an important role as an independent director of an emerging unlisted public company.

Other Current Directorships

None

Former Directorships in the Last Three Years

None

Interests in Shares and Options

Nil

Company Secretary

The Company Secretary is Mr Jerry Monzu, who has over 20 years experience in publicly listed multinational corporations, predominantly in the resources and mining sectors. He has previously held senior management positions in companies such as Woodside Energy and Normandy Mining.

Mr Monzu graduated with a Bachelor of Business (Accounting and Finance) from Curtin University and is a qualified member of CPA Australia and Chartered Secretaries Australia.

DIRECTORS' REPORT (Continued)

Meetings of Directors

The numbers of meetings of the Company's board of directors held during the year ended 30 June 2011, and the numbers of meetings attended by each director were:

Director	Number of Meetings	
	Eligible to attend	Attended
Derek Lenartowicz	8	7
Jimmy Lee	4	4
Milos Bosnjakovic	8	7
Mike Ralston	4	4
Michael Hale	4	4

Remuneration Report (audited)

The Remuneration Report is set out under the following main headings:

1. Principles used to determine the nature and amount of remuneration
2. Details of remuneration
3. Service agreements
4. Share-based compensation

The information provided in the Remuneration Report has been audited as required by Section 308(3C) of the *Corporations Act 2001*.

1 Principles used to determine the nature and amount of remuneration

The objective of the Company's executive reward framework is to ensure reward for performance is competitive and appropriate for the results delivered. The framework aligns executive reward with achievement of strategic objectives and the creation of value for shareholders, and conforms to market best practice for delivery of reward.

The Board ensures that executive reward satisfies the following key criteria for good reward governance practices:

(i) Competitiveness and reasonableness;
(ii) Acceptability to shareholders;
(iii) Performance linkage / alignment of executive compensation;
(iv) Transparency; and
(v) Capital management.

The Company has structured an executive remuneration framework that is market competitive and complimentary to the reward strategy of the organisation.

Alignment to shareholders' interests:

(i) Focuses on sustained growth in shareholder wealth; and
(i) Attracts and retains high calibre executives.

Alignment to program participants' interests:

(i) Rewards capability and experience; and
(ii) Provides a clear structure for earning rewards.

Executive director and key executive
Fees and payments to executives reflect the demands which are made on them and their responsibilities. The executives' remuneration is reviewed annually by the Board to ensure that executives' fees and salaries are appropriate and in line with the market. Share options were issued to executive directors in May as part of their remuneration during the financial year; refer to Section 4 S*hare-based compensation* for further details.

DIRECTORS' REPORT (Continued)

Remuneration Report (audited) (continued)

Non-executive directors
Fees to non-executive directors are determined by the Board as appropriate and in line with market and are reviewed annually. There is no remuneration based on the financial performance of the Company and consolidated entity. Mr Ralston received share options in May as part of his remuneration during the financial year, refer to Section 4 S*hare-based compensation* for further details.

Retirement allowances and benefits for directors
There are no retirement or termination allowances, profit sharing, bonuses, or other performance related remuneration or benefits paid to directors, other than pursuant to the service agreement with the executive director.

2 Details of remuneration

The amount of remuneration of the directors and the key management personnel of Sultan Corporation Limited (as defined in AASB 124 Related Party Disclosures) is set out in the following tables. The key management personnel in addition to the directors, who has authority and responsibility for planning, directing and controlling, is Kevin Alexander - Chief Geologist.

2011	**Short term employee benefits**				**Post employment benefits**	**Termination benefits**	**Share based payments**	**Total**
	Salary & fees	**Bonuses**	**Non-monetary benefits**	**Total**	**Super-annuation**		**Options**	
	$	**$**	**$**	**$**	**$**	**$**	**$**	**$**
Executive directors								
Derek Lenartowicz (ii)	226,200	-	-	226,200	-	-	159,767	385,967
Milos Bosnjakovic (i)	191,150	-	-	191,150	16,200	-	159,767	367,117
Non-executive directors								
(Jimmy) Kong Leng Lee (iii)	15,000	-	-	15,000	-	-	-	15,000
Mike Ralston (iv)	10,000	-	-	10,000	900	-	159,767	170,667
Michael Hale (v)	28,583	-	-	28,583	-	-	-	28,583
Other KMP								
Jerry Monzu (vi)	56,965	-	-	56,965	-	-	-	56,965
Ian Hobson (vii)	15,000	-	-	15,000	-	-	-	15,000
Kevin Alexander	150,000	-	-	150,000	13,500	-	68,472	231,972
Totals	**692,898**	**-**	**-**	**692,898**	**30,600**	**-**	**547,773**	**1,271,271**

(i) Refers to director's fees earned for the period acting as a Director.
(ii) Voitek Pty Ltd, an entity associated with Derek Lenartowicz, was paid $226,200 for executive director's fees.
(iii) *Resigned 1 March 2011* - M8 Holdings Pty Ltd, an entity associated with (Jimmy) Kong Leng Lee, was paid $15,000 for director's fees.
(iv) *Appointed 1 March 2011*, and promoted to Managing Director on 1 August 2011.
(v) *Appointed 12 April 2011.*
(vi) *Appointed 14 October 2010 – payments made through Monzu Corporate Consulting.*
(vii) *Resigned 14 October 2010.*

DIRECTORS' REPORT (Continued)

Remuneration Report (audited) (continued)

2 Details of remuneration (continued)

2010	Short term employee benefits				Post employment benefits	Termination benefits	Share based payments	Total
	Salary & fees	Bonuses	Non-monetary benefits	Total	Super-annuation		Shares	
	$	$	$	$	$	$	$	$
Executive Directors								
Derek Lenartowicz (ii)	226,200	-	-	226,200	-	-	-	226,200
Milos Bosnjakovic (i)	138,814	-	-	138,814	5,136	-	75,000	218,950
Non-executive Directors								
(Jimmy) Kong Leng Lee (iii)	30,000	-	-	30,000	-	-	57,348	87,348
Zoran Kovacev (iv)	18,349	-	-	18,349	1,651	-	-	20,000
Other KMP								
Ian Hobson (v)	60,000	-	-	60,000	-	-	-	60,000
Kevin Alexander	150,000	-	-	150,000	13,500	-	-	163,500
Totals	**623,363**	**-**	**-**	**623,363**	**20,287**	**-**	**132,348**	**775,998**

(i) Refers to director's fees earned for the period acting as a Director.
(ii) Voitek Pty Ltd, an entity associated with Derek Lenartowicz, was paid $226,200 for executive director's fees.
(iii) M8 Holdings Pty Ltd, an entity associated with (Jimmy) Kong Leng Lee, was paid $30,000 for director's fees. The share based payment made was for consultancy services rendered by Jimmy Lee but the shares were issued at the direction of Jimmy Lee to an unrelated party.
(iv) *Appointed 30 March 2009, Resigned 10 February 2010*.
(v) *Resigned as director 30 March 2009, continued as Company Secretary* - Churchill Services Pty Ltd, an entity associated with Ian Hobson, was paid $60,000 for company secretarial services.

3 Service agreements

Mr Derek Lenartowicz (Chairman) is employed through an Executive Services Agreement (ESA) commencing 18 June 2007 with his Company Voitek Pty Limited. His employment continues on a month to month basis at the following remuneration:

- Base salary of $180,000 exclusive of superannuation.
- Director's fees of $30,000 inclusive of superannuation.

An ESA was entered into with Milos Bosnjakovic on 11 June 2010, the details of which are:

- Term of agreement – 3 years commencing 11 June 2010.
- Base salary of $180,000 exclusive of superannuation and director's fees reviewed annually.
- Termination: By Company with reason - 3 months notice if incapacitated or mentally unstable; 1 months notice if incompetent or serious breach of the agreement; By Company without reason - 3 months notice and 9 months salary; or 12 months in lieu of notice. By executive – 3 months notice or after 28 days if the Company has failed to remedy a serious breach of the agreement.

DIRECTORS' REPORT (Continued)

Remuneration Report (audited) (continued)

3 Service agreements (continued)

Mr Michael Ralston (Managing Director) is employed through an ESA commencing on 1 August 2011 with no fixed term. His employment continues until terminated by the Company in accordance with the termination clauses of the ESA.

- Base salary of $250,000 exclusive of superannuation;
- Termination: By Company with reason - 3 months notice if incapacitated or mentally unstable; 1 months notice if incompetent or serious breach of the agreement; By Company without reason - 6 months notice and or 6 months in lieu of notice. By executive – 3 months notice or after 28 days if the Company has failed to remedy a serious breach of the agreement.

There is a continuing service agreement with Kevin Alexander (Chief Geologist) as follows:

- Employed pursuant to an Employment Agreement dated 24 July 2007
- Base salary of $150,000 plus superannuation reviewed annually. No fixed term.
- Termination: By Company - 4 weeks notice or payment in lieu of notice. By employee – 3 months notice.

Mr Jerry Monzu the Company Secretary is engaged through a Consultancy Agreement with Monzu Corporate Consulting, with no fixed date of expiry. Termination by the Company is with 3 months notice or payment in lieu thereof. Termination by the consultant is with 3 months notice. Consulting fees are on an hourly rate of $160 (GST exclusive).

Mr Michael Hale is a Non Executive Director of the Company and is not subject to a service agreement. He serves until he resigns, is removed, ceases to or is prohibited from holding the position under the provisions of the *Corporations Law 2001*, or is not re-elected to office. He is remunerated on a monthly basis with no termination payments payable.

4 Share-based compensation

During the period, the following share-options were issued to directors or key personnel in consideration for services rendered:

Name:	Grant Date	No Issued at grant date	No of options vested	Value at grant date	Amount Vested	Expiry Date
Milos Bosnjakovic	19/05/11	7,000,000	7,000,000	159,767	100%	19/05/14
Mike Ralston	19/05/11	7,000,000	7,000,000	159,767	100%	19/05/14
Derek Lenartowicz	19/05/11	7,000,000	7,000,000	159,767	100%	19/05/14
Kevin Alexander	19/05/11	3,000,000	3,000,000	68,472	100%	19/05/14

During the year, there have been:

- No modifications to share-based payments;
- No options exercised; or
- No options lapsing due to service conditions not being met.

For further details, including the inputs to the calculation of these options, refer to note 18.

The consolidated entity does not have a policy on executives and directors hedging equity remuneration received.

(End of audited Remuneration Report)

DIRECTORS' REPORT (Continued)

Additional information

(a) Shares Under Option

At 30 June 2011 there were 34,000,000 ordinary shares under option (2010: 49,000,000) made up of:

- 10,000,000 options with an exercise price of 1 cent on or before 21 October 2013, and
- 24,000,000 options with an exercise price of 3 cents on or before 19 May 2014.

(b) Insurance of Officers

During the financial year the Company paid a premium of $17,623 (2010: $18,016) to insure the directors and officers of the Company. The liabilities insured are legal costs that may be incurred in defending civil or criminal proceedings that may be brought against the officers in their capacity as officers of the Company and any other payments arising from liabilities incurred by the officers in connection with such proceedings. This does not include such liabilities that arise from conduct involving a willful breach of duty by the officers or the improper use by the officers of their position or of information to gain advantage for them or someone else or to cause detriment to the Company. It is not possible to apportion the premium between amounts relating to the insurance against legal costs and those relating to other liabilities.

(c) Agreement to Indemnify Officers

The Company has entered into agreements to provide access to Company records and to indemnify the directors of the Company. The indemnity relates to any liability:

1. As a result of being, or acting in their capacity as, an officer of the Company to the maximum extent permitted by law; and

2. for legal costs incurred in successfully defending civil or criminal proceedings.

No liability has arisen under these indemnities as at the date of this report.

(d) Proceedings on Behalf of the Company

No person has applied to the court under Section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of the Company, or to intervene in any proceedings to which the Company is a party, for the purpose of taking responsibility on behalf of the Company for all or part of those proceedings.

No proceedings have been brought or intervened in on behalf of the Company with leave of the court under Section 237 of the *Corporations Act 2001*.

(e) Auditor

MGI Perth Audit Services Pty Ltd is the appointed auditor of the Company, approved at the Annual General Meeting on 30 November 2010, and remains in office in accordance with Section 327 of the *Corporations Act 2001.* The auditor (MGI Perth) has not been indemnified under any circumstance.

(f) Audit Services

During the financial year $34,043 (2010: $31,825) was paid or is payable for audit services provided by the auditor, MGI Perth.

(g) Non-Audit Services

There were no non-audit services provided by the auditors (MGI Perth) during the financial year. However, the Company may in the future decide to employ the auditor on assignments additional to their statutory audit duties where the auditors' expertise and experience with the Company are important.

DIRECTORS' REPORT (Continued)

(h) Auditors' Independence Declaration

A copy of the auditors' independence declaration as required under Section 307C of the *Corporations Act 2001* is set out on page 16 of the Annual Report.

Signed in accordance with a resolution of the directors,
On behalf of the directors

Michael Ralston
Managing Director
Perth, 21 September 2011

mgi
BUSINESS SOLUTIONS
WORLDWIDE

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Lead auditor's independent declaration under section 307C of the Corporations Act 2001

To the directors of Sultan Corporation Limited

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 there have been:

(i) no contraventions of the auditor's independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

MGI Perth Audit Services Pty Ltd

TJ Spooner CA FCA(UK) ACIS
Director

Perth, 21 September 2011

CORPORATE GOVERNANCE STATEMENT (Continued)

Sultan Corporation Limited and the board of directors ("Board") are committed to achieving and demonstrating the highest standards of corporate governance.

The directors are responsible to the shareholders for the performance of the Company in both the short and the longer term and seek to balance sometimes competing objectives in the best interests of the Company as a whole. Their focus is to enhance the interests of shareholders and other key stakeholders and to ensure the Company is properly managed.

Day to day management of the Company's affairs and the implementation of the corporate strategy and policy initiatives are undertaken by the board. These are reviewed on an annual basis.

Compliance with the Corporate Governance Council Recommendations

The Board endorses the ASX Corporate Governance Council's - Corporate Governance Principles and Recommendations, and has adopted corporate governance charters and policies reflecting those recommendations to the extent appropriate having regard to the size and circumstances of the Company. Where the Company has not adhered to the policies set out in its board charter for corporate governance it has stated that fact in this statement.

The corporate governance charters and policies adopted by the Board are available from the Company's registered office and website www.sultan.net.au. In accordance with the recommendations of the ASX, information published on the Company's website includes charters (for the board and its sub-committees), codes of conduct and other policies and procedures relating to the board and its responsibilities.

Major Corporate Governance Practices

A description of the Company's current corporate governance practices is set out below.

The Board of Directors

The Board operates in accordance with the broad principles set out in its charter. The charter details the board's composition and responsibilities.

Composition

The Board's composition changed during the year. Consistent with the size of the Company and its activities, the board currently comprises four (4) directors, one (1) of which, Mr Michael Hale, the Company considers meets the criteria set by the Corporate Governance Council to be considered to be an independent director. The Board's policy is that the majority of directors shall be independent, non-executive directors. Due to the size of the Company and the stage of the Company's development, the Board does not consider it can justify the appointment of more independent non executive directors, and therefore, the composition of the board does not currently conform to the best practice recommendations of the ASX Corporate Governance Council.

Details of the members of the Board, their experience, expertise, qualifications, term of office and status are set out in the Directors' Report under the heading "Information on Directors".

Mr Derek Lenartowicz is the Executive Chairman of the Company and Mr Mike Ralston is the Managing Director.

Board Responsibilities

The responsibilities of the Board include:

(i) Providing strategic guidance to the Company including contributing to the development of and approving the corporate strategy;
(ii) Reviewing and approving business plans and financial plans including available resources and major capital expenditure initiatives;
(iii) Overseeing and monitoring organisational performance and the achievement of the Company's strategic goals and objectives;
(iv) Compliance with the Company's code of conduct;
(v) Progressing major capital works and other significant corporate projects including any acquisitions or divestments;

CORPORATE GOVERNANCE STATEMENT (Continued)

Board Responsibilities (continued)

(vi) Monitoring financial performance including approval of the annual and half-year financial reports and liaison with the Company's auditors;
(vii) Appointment, performance assessment and, if necessary, removal of the directors;
(viii) Ratifying the appointment and/or removal and contributing to the performance assessment for the members of the senior management team including the chief financial officer and the Company secretary;
(ix) Ensuring there are effective management processes in place and approving major corporate initiatives;
(x) Enhancing and protecting the reputation of the organisation; and
(xi) Overseeing the operation of the Company's system for compliance and risk management reporting to shareholders.

Commitment

The number of meetings of the Board of directors held during the year ended 30 June 2011, and the number of meetings attended by each director is disclosed in the Directors' Report under the heading "Meetings of Directors'"

Independent professional advice

Directors have the right, in connection with their duties and responsibilities, to seek independent professional advice at the Company's expense.

Performance assessment – the Board and Senior Executives

The corporate governance policy provides that the Board undertake an annual self assessment of its collective and individual performance and formal evaluations of senior executives. For the current period, these assessments were not undertaken due to changes in the Board composition resulting in two of the four directors being appointed for less than 1 year. A formal performance with the senior executive did not occur as he works closely with the managing director on a daily basis.

Remuneration

The Remuneration Report outlines the director remuneration arrangements of the Company in accordance with the requirements of the *Corporations Act 2001* and the *Corporations Regulations 2001*. It also provides the remuneration disclosure required by AASB124 Related Party Disclosures.

The Company currently has three executive directors and one non-executive director that are remunerated at market rates for comparable companies for the time, commitment and responsibilities.

The Board determines the remuneration paid to directors having regard to market practices and the size and nature of the Company and its operations, subject to the maximum aggregate remuneration approved by the shareholders at a general meeting.

All directors received a fixed fee including an amount equivalent to a superannuation contribution. Incentive options were issued to directors during the period, for services rendered, refer to note 18 for further details.

Trading in the Company's Shares

The Company has established a policy concerning trading in securities by directors, senior executives and employees and has lodged this with the ASX. In summary, no directors, senior executives and employees may trade in the Company's securities at any time when they are in possession of unpublished price sensitive information in relation to those securities. The security trading policy also provides details for closed periods in which trading is not permitted (subject to certain specific exceptions).

As required by the ASX Listing Rules, the Company is to notify the ASX of any transaction conducted by any director in the listed securities of the Company.

CORPORATE GOVERNANCE STATEMENT (Continued)

Corporate reporting

The managing director and company secretary have made the following certifications as to the Financial Report for the reporting period ended 30 June 2011:

(i) that the Company's Consolidated Financial Report is complete and presents a true and fair view, in all material respects, of the financial condition and operational results of the Group; and

(ii) That the above statement is founded on a sound system of risk management and internal compliance and control which implements the policies adopted by the Board and that system is operating efficiently and effectively in all material respects.

Board committees

The Board's charter calls for the establishment of committees to assist in the execution of its duties and to allow detailed consideration of complex issues. As at the date of this report, no committees have been established as the structure of the Board, the size of the Company and the scale of its activities allows all directors to participate fully in all decision making. When the circumstances require it, an audit committee, nomination committee, risk management committee and remuneration committee will be established and each committee will have its own charter approved by the Board that will set the standards for the operation of the committees.

External auditors

The Company's policy is to appoint external auditors who clearly demonstrate quality and independence. The performance of the external auditor is reviewed annually and if deemed appropriate having regards to the assessment of performance, existing value and costs , applications for tender of external audit services can be requested,

It is the policy of MGI Perth to:

1. rotate audit engagement partners on listed companies at least every five years; and

2. Provide an annual declaration of their independence to the Company.

An analysis of fees paid to the external auditors, including a break-down of fees for non-audit services, is provided in the Directors' Report and in Note 20 to the financial statements.

The external auditor is requested to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the Audit Report.

Risk assessment and management

The Company risk management policies are designed to ensure strategic, operational, legal, reputation and financial risks are identified, assessed, effectively and efficiently managed and monitored to enable achievement of the Company's business objectives.

Considerable importance is placed on maintaining a strong control environment. There is an organisation structure with clearly drawn lines of accountability and delegation of authority. Adherence to the code of conduct is required at all times and the Board actively promotes a culture of quality and integrity.

The Company's risk management policy and the operation of the risk management and compliance system are managed by the Board. Control procedures cover management accounting, financial reporting, project appraisal, compliance and other risk management issues.

The Company's current activities expose it to minimal risk. However, as activities increase there may be exposure to market, credit, and liquidity risks. The Company currently has currency risk as it has advanced monies to the Montenegro subsidiary to meet administrative expenses and obligations of the subsidiary settled in EUR.

There is further commentary on financial risk management at Note 2 to the financial statements.

CORPORATE GOVERNANCE STATEMENT (Continued)

Code of Conduct

The Company has developed a statement of values and a code of conduct which has been fully endorsed by the Board and applies to all directors and any employees if and when they are engaged. The code is regularly reviewed and updated as necessary to ensure it reflects the highest standards of behaviour and professionalism and the practices necessary to maintain confidence in the Company's integrity.

In summary, the code requires that at all times all Company personnel act with the utmost integrity, objectivity and in compliance with the letter and the spirit of the law and Company policies.

The directors are satisfied that the Company has complied with its policies on ethical standards, including trading in securities.

Gender Diversity Policy

The Company does not currently have a Gender Diversity policy in place and is therefore not in compliance with recommendation 3.2 of the ASX Corporate Governance Principles and Recommendations (effective for financial year-ends commencing on or after 1 January 2011) during the financial year. The Company only has five full time employees at the date of this report and the Board does not consider it appropriate to have such a policy at this stage of the Company's development. The Board will continue to review the development of the Company and will adopt a Gender Diversity Policy at the appropriate time.

Continuous disclosure and shareholder communication

The Company has written policies and procedures on information disclosure that focus on continuous disclosure of any information concerning the Company that a reasonable person would expect to have a material effect on the price of the Company's securities. These policies and procedures also include the arrangements the Company has in place to promote communication with shareholders and encourage effective participation at general meetings.

The Company Secretary has been nominated as the person responsible for communications with the Australian Securities Exchange (ASX). This role includes responsibility for ensuring compliance with the continuous disclosure requirements in the ASX Listing Rules and overseeing and co-ordinating information disclosure to the ASX, analysts, brokers, shareholders, the media and the public.

Shareholders that have made an election receive a copy of the Company's Annual Report by mail. Otherwise, the Annual Report is available on the Company's website.

Non-Compliance with ASX Principles and Recommendations

The Company has not complied with the following ASX Principles and Recommendations:

Recommendation Ref	Notification of Departure	Explanation for Departure
1.3 2.6	Performance Evaluations	Evaluations of the Board, committees and executives did not occur during the year as set out above.
2.1	A majority of the Board should be independent directors.	As stated above, the majority of the Board was not independent. The Board considered that given the size and activities of the Company, the current Board was a cost effective and practical way of directing and managing the Company. Although the Board is not considered "Independent", Directors still exercise independence in decision making on behalf of the Company

CORPORATE GOVERNANCE STATEMENT (Continued)

Recommendation Ref	Notification of Departure	Explanation for Departure
2.2 2.3	The chair should be an independent director. The roles of chair and chief executive officer should not be exercised by the same individual.	The Company does have an Executive Chairman and has appointed a Managing Director. It is the Board's view that the size and complexity of the Company does not warrant the appointment of an independent chairman at this point in time. This position will be reviewed as the Company development matures.
2.4	The Board should establish a nomination committee.	Currently, the Company has decided not to have a nomination committee given its size and scope. The Board, as a whole, serves to identify, appoint and review Board membership through an informal assessment process and in consultation with the Company's external professional advisors.
3.2	The Board should establish a policy concerning diversity and disclose the policy or a summary of that policy.	The Board does not consider it appropriate to have such a policy at this stage of the Company's development. The Board will continue to review the development of the Company and will adopt a Gender Diversity Policy at the appropriate time.
4.1 4.2 4.3	The Board should establish an audit committee. The audit committee should be structured so that it: (a) Consists only of non-executive directors (b) Consists of a majority of independent directors (c) Is chaired by an independent chair, who is not chair of the Board; and (d) Has at least three members. The audit committee should have a formal charter	The directors do not consider the Company's affairs are of such a size and complexity as to merit the establishment of a separate audit committee. Until this situation changes the full Board will carry out any necessary audit committee functions.
7.2	The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being managed effectively. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risk.	The Company has one senior manager who works closely with the managing director on a daily basis and monitors material business risks. The Board also reviews business risks on a regular basis at board meetings and may call upon the use of consultants with the requisite experience and qualifications to advise on business risks and mitigation strategies.
8.1	The Board should establish a remuneration committee	The directors do not consider the Company's affairs are of such a size and complexity as to merit the establishment of a separate remuneration committee. Until this situation changes the full Board will carry out any necessary remuneration committee functions.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 $	2010 $
Interest revenue		32,306	22,604
Other income	9	125,000	-
Employee and consultant costs		(596,419)	(346,432)
Directors' remuneration		(488,033)	(420,150)
Share-based payments	18	(578,350)	(132,348)
Other expenses	5	(726,080)	(486,938)
Interest expense		(33,354)	-
Exploration costs expensed as incurred		(717,686)	(385,252)
Unrealised foreign exchange gain/(loss)		37,353	(58,639)
Impairment of advances		-	(88,105)
Loss before income tax expense		(2,945,263)	(1,895,260)
Income tax expense	6	-	-
Loss after tax		**(2,945,263)**	**(1,895,260)**
Other comprehensive income for the year			
Foreign Currency Translation Reserve		(24,771)	-
Total comprehensive loss for the year attributable to the owners of the Group		**(2,970,034)**	(1,895,260)
Basic and diluted loss per share (cents per share)	24	(0.27)	(0.23)

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

	Note	2011 $	2010 $
Current assets			
Cash and cash equivalents	7	5,310,278	458,774
Trade and other receivables	8	122,715	10,781
Advance	9	-	-
Other assets	10	46,294	52,805
Total current assets		**5,479,287**	**522,360**
Non-current assets			
Other assets	10	356,383	228,837
Plant and equipment	11	22,884	19,771
Exploration and evaluation assets	12	3,237,240	3,237,240
Total non-current assets		**3,616,507**	**3,485,848**
Total assets		***9,095,794***	***4,008,208***
Current liabilities			
Trade and other payables	13	298,702	154,448
Borrowings	15	390,086	-
Provisions	14	28,969	22,946
Total current liabilities		**717,757**	**177,394**
Total liabilities		**717,757**	**177,394**
Net assets		***8,378,037***	***3,830,814***
Equity			
Issued capital	16	46,877,911	39,979,448
Reserves	17	594,023	1,979,500
Accumulated losses		(39,093,897)	(38,128,134)
Total equity		***8,378,037***	***3,830,814***

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2011

	Issued Capital	Convertible Note Reserve	Share Based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
	$	$	$	$	$	$
Balance at 1 July 2010	39,979,448	-	1,979,500	-	(38,128,134)	3,830,814
Comprehensive income for the year						
Loss for the year	-	-	-	-	(2,945,263)	(2,945,263)
Foreign Currency Translation	-	-	-	(24,771)	-	(24,771)
Total comprehensive income for the year	-	-	-	(24,771)	(2,945,263)	(2,970,034)
Transactions with owners in their capacity as owners:						
Share based payments	-	-	578,350	-	-	578,350
Issue of shares, net of transaction costs	6,571,463	-	-	-	-	6,571,463
Value of conversion rights on convertible note issues	-	71,764	-	-	-	71,764
Conversion of Convertible Note1[1]	327,000	(31,320)	-	-	-	295,680
Options Expired during the period	-	-	(1,979,500)	-	1,979,500	-
Balance at 30 June 2011	**46,877,911**	**40,444**	**578,350**	**(24,771)**	**(39,093,897)**	**8,378,037**

[1] The issued capital is primarily a reduction in debt.

For the year ended 30 June 2010

	Issued Capital	Option Premium Reserve	Share Based Payments Reserve	Foreign Currency Translation Reserve	Accumulated Losses	Total Equity
	$	$	$	$	$	$
Balance at 1 July 2009	38,442,800	587	2,096,800	-	(36,350,761)	4,189,426
Comprehensive income for the year						
Loss for the year	-	-	-	-	(1,895,260)	(1,895,260)
Foreign Currency Translation	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	(1,895,260)	(1,895,260)
Transactions with owners in their capacity as owners:						
Share based payments	-	-	-	-	-	-
Issue of shares, net of transaction costs	1,536,648	-	-	-	-	1,536,648
Options expired	-	(587)	(117,300)	-	117,887	-
Balance at 30 June 2010	**39,979,448**	**-**	**1,979,500**	**-**	**(38,128,134)**	**3,830,814**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2011

	Note	2011 $	2010 $
Cash flows from operating activities			
Payments to suppliers and employees		(1,769,186)	(1,189,398)
Exploration expenditure		(717,686)	(394,247)
Interest received		32,306	21,214
Interest Paid		(11,943)	-
Net cash flows used in operating activities	23	**(2,466,509)**	**(1,562,431)**
Cash flows from investing activities			
Deposits (paid)/returned		(152,317)	(137,492)
Acquisition of plant and equipment		(12,325)	(3,695)
Advance made		-	(126,512)
Advance repaid		125,000	-
Net cash flows used in investing activities		**(39,642)**	**(267,699)**
Cash flows from financing activities			
Proceeds from issue of share capital		6,992,700	1,500,000
Payment of share issue costs		(421,237)	(95,700)
Proceeds from convertible note		787,619	-
Net cash flows provided by financing activities		**7,359,082**	**1,404,300**
Net Increase/(decrease) in cash and cash equivalents		*4,852,931*	*(425,830)*
Exchange rate adjustment		(1,427)	-
Cash and cash equivalents at beginning of the year		458,774	884,604
Cash and cash equivalents at end of the year	7	**5,310,278**	**458,774**

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

NOTES TO THE FINANCIAL STATEMENTS

1 Summary of significant accounting policies

Statement of Compliance
The financial statements of Sultan Corporation Limited for the year ended 30 June 2011 were authorised for issue in accordance with a resolution of the directors on 21 September 2011 and covers Sultan Corporation Limited and its subsidiaries ("consolidated entity") as required by the *Corporations Act 2001.*
The financial statements are presented in the company's functional currency, Australian dollars.
Sultan Corporation Limited is a company limited by shares incorporated in Australia whose shares are publicly traded on the Australian Securities Exchange and the Frankfurt Stock Exchange.

(a) Basis of Preparation

The financial statements are general purpose financial statements which have been prepared in accordance with Australian Accounting Standards (including Australian Interpretations) issued by the Australian Accounting Standards Board and the *Corporations Act 2001*.

The financial statements also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and have been prepared on a historical cost basis. The accounting policies have been consistently applied, unless otherwise stated.

Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the consolidated entity for the annual reporting period ended 30 June 2011. These are outlined in the table below:

Reference	Title	Summary	Application date of standard	Impact on consolidated financial report	Application date for Group
AASB 9 (issued December 2009 and amended December 2010)	Financial Instruments	Amends the requirements for classification and measurement of financial assets. The following requirements have generally been carried forward unchanged from AASB 139 *Financial Instruments: Recognition and Measurement* into AASB 9. These include the requirements relating to: • Classification and measurement of financial liabilities; and • Derecognition requirements for financial assets and liabilities. However, AASB 9 requires that gains or losses on financial liabilities measured at fair value are recognised in profit or loss, except that the effects of changes in the liability's credit risk are recognised in other comprehensive income.	Periods beginning on or after 1 January 2013	Due to the recent release of these amendments and that adoption is only mandatory for the 31 December 2013 year end, the entity has not yet made an assessment of the impact of these amendments. The entity does not have any financial liabilities measured at fair value through profit or loss. There will therefore be no impact on the financial statements when these amendments to AASB 9 are first adopted.	1 July 2013
AASB 10 (issued August 2011)	Consolidated Financial Statements	Introduces a single 'control model' for all entities, including special purpose entities (SPEs), whereby all of the following conditions must be present: • Power over investee (whether or not power used in practice) • Exposure, or rights, to variable returns from investee • Ability to use power	Annual reporting periods commencing on or after 1 January 2013	When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the financial statements because the entity does not have any special purpose entities.	1 July 2013

NOTES TO THE FINANCIAL STATEMENTS

Reference	Title	Summary	Application date of standard	Impact on consolidated financial report	Application date for Group
		over investee to affect the entity's returns from investee.			
AASB 11 (issued August 2011)	Joint Arrangements	Joint arrangements will be classified as either 'joint operations' (where parties with joint control have rights to assets and obligations for liabilities) or 'joint ventures' (where parties with joint control have rights to the net assets of the arrangement). Joint arrangements structured as a separate vehicle will generally be treated as joint ventures and accounted for using the equity method (proportionate consolidation no longer allowed). However, where terms of the contractual arrangement, or other facts and circumstances indicate that the parties have rights to assets and obligations for liabilities of the arrangement, rather than rights to net assets, the arrangement will be treated as a joint operation and joint venture parties will account for the assets, liabilities, revenues and expenses in accordance with the contract.	Annual reporting periods commencing on or after 1 January 2013	When this standard is first adopted for the year ended 30 June 2014, there will be no impact on transactions and balances recognised in the financial statements because the entity has not entered into any joint arrangements.	1 July 2013
AASB 13 (issued September 2011)	Fair Value Measurement	Currently, fair value measurement requirements are included in several Accounting Standards. AASB 13 establishes a single framework for measuring fair value of financial and non-financial items recognised at fair value in the statement of financial position or disclosed in the notes in the financial statements. Additional disclosures required for items measured at fair value in the statement of financial position, as well as items merely disclosed at fair value in the notes to the financial statements. Extensive additional disclosure requirements for items measured at fair value that are 'level 3' valuations in the fair value hierarchy that are not financial instruments, e.g. land and buildings, investment properties etc.	Annual reporting periods commencing on or after 1 January 2013	Due to the recent release of this standard, the entity has yet to conduct a detailed analysis of the differences between the current fair valuation methodologies used and those required by AASB 13. However, when this standard is adopted for the first time for the year ended 30 June 2014, there will be no impact on the financial statements because the revised fair value measurement requirements apply prospectively from 1 July 2013. When this standard is adopted for the first time on 1 July 2013, additional disclosures will be required about fair values.	1 July 2013
AASB 2011-9 (issued	Amendments to Australian Accounting	Amendments to align the presentation of items of other comprehensive income (OCI)	Annual periods commenci	When this standard is first adopted for the year ended 30 June 2013,	1 July 2012

NOTES TO THE FINANCIAL STATEMENTS

Reference	Title	Summary	Application date of standard	Impact on consolidated financial report	Application date for Group
September 2011)	Standards - Presentation of Items of Other Comprehensive Income	with US GAAP. Various name changes of statements in AASB 101 as follows: • *1 statement of comprehensive income* – to be referred to as 'statement of profit or loss and other comprehensive income' • *2 statements* – to be referred to as 'statement of profit or loss' and 'statement of comprehensive income'. OCI items must be grouped together into two sections: those that could subsequently be reclassified into profit or loss and those that cannot.	ng on or after 1 July 2012	there will be no impact on amounts recognised for transactions and balances for 30 June 2013 (and comparatives). However, the statement of comprehensive income will include name changes and include subtotals for items of OCI that can subsequently be reclassified to profit or loss in future (e.g. foreign currency translation reserves) and those that cannot subsequently be reclassified (e.g. fixed asset revaluation surpluses).	
AASB 1054 (issued May 2011)	Australian Additional Disclosures	Moves additional Australian specific disclosure requirements for for-profit entities from various Australian Accounting Standards into this Standard as a result of the Trans-Tasman Convergence Project. Removes the requirement to disclose each class of capital commitment and expenditure commitment contracted for at the end of the reporting period (other than commitments for the supply of inventories).	Annual reporting periods commencing on or after 1 July 2011	When this Standard is adopted for the first time for the year ended 30 June 2012, the financial statements will no longer include disclosures about capital and other expenditure commitments as these are no longer required by AASB 1054.	1 July 2011
AASB 12 (issued August 2011)	Disclosure of Interests in Other Entities	Combines existing disclosures from AASB 127 *Consolidated and Separate Financial Statements*, AASB 128 *Investments in Associates* and AASB 131 *Interests in Joint Ventures*. Introduces new disclosure requirements for interests in associates and joint arrangements, as well as new requirements for unconsolidated structured entities.	Annual reporting periods commencing on or after 1 January 2013	As this is a disclosure standard only, there will be no impact on amounts recognised in the financial statements. However, additional disclosures will be required for interests in associates and joint arrangements, as well as for unconsolidated structured entities.	

Financial Position

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 year ended 30 June 2011 of $2,945,263 (2010: $1,895,260), had a net working capital surplus of $4,761,530 (2010: $344,966) and experienced net cash outflows from operating activities of $2,466,509 (2010: $1,562,431). Accordingly, the Directors believe that there are sufficient funds to meet the consolidated entity's working capital requirements.

However, in order to continue the Company's planned exploration program or if one of the projects proceeds to

NOTES TO THE FINANCIAL STATEMENTS

1 Summary of significant accounting policies (continued)

the development phase, the Company will require further funding in the next 15 months. Should the Company be unable to raise sufficient funds, the planned exploration program may have to be amended and the development of the project may have to be deferred.

The Board is confident in securing sufficient additional funding to provide working capital for at least the next 18 months.

The Directors consider the going concern basis of preparation to be appropriate based on forecast cash flows and confidence in raising additional funds.

Critical accounting estimates
The preparation of financial statements in conformity with Australian Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the consolidated entity's accounting policies. Where these are areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the financial statements, these are disclosed in Note 3.

(b) Revenue Recognition

Revenue from the sale of goods and disposal of other assets is recognised when the consolidated entity has passed control of the goods or other assets to the buyer. Interest revenue is recognised as it accrues on the effective interest method.

(c) Income Tax

The income tax expense or benefit for the period is the tax payable on the current period's taxable income based on the applicable income rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. No deferred income tax will be recognised from the initial recognition of an asset or liability, excluding a business combination, where there is no effect on accounting or taxable profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the statement of comprehensive income except where it relates to items that may be credited directly to equity, in which case the deferred tax is adjusted directly against equity.

Deferred income tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and tax losses.

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation and the anticipation that the consolidated entity will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law. The carrying amount of deferred tax assets is reviewed at each balance date and only recognised to the extent that sufficient future assessable income is expected to be obtained.

(d) Cash and Cash Equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(e) Trade Receivables

Trade receivables are recognised at fair value and subsequently measured at amortised cost, less provision for impairment.

NOTES TO THE FINANCIAL STATEMENTS

1 Summary of significant accounting policies (continued)

(f) Financial Instruments

Investments are classified financial assets at fair value through profit and loss, other assets, held to maturity investments and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired.

(i) Available-for-sale financial assets

Available-for-sale financial assets comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance date.

Available-for-sale financial assets are measured at fair value less impairment losses.

(ii) Other assets

Other assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets. Other assets are measured at amortised cost at the effective interest rate method.

(iii) Compound financial instruments

Compound financial instruments issued by the consolidated entity comprise convertible notes that can be converted to share capital at the option of the holder.

The liability component of a compound financial instrument is recognised initially at the fair value of a similar liability that does not have an equity conversion option. The equity component is recognised initially at the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their initial carrying amounts.

Subsequent to initial recognition, the liability component of a compound financial instrument is measured at amortised cost using the effective interest method. The equity component of a compound financial instrument is not re-measured subsequent to initial recognition.

Interest, dividends, losses and gains relating to the financial liability are recognised in profit or loss. Distributions to the equity holders are recognised against equity, net of any tax benefit.

(g) Plant & Equipment

Plant and equipment is shown at cost less accumulated depreciation and impairment losses (refer note (m)). Subsequent costs are included in the assets carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the consolidated entity and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the statement of comprehensive income during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

Category	Useful Life	Depreciation Rates
Office Furniture & Equipment	0-6.67 years	15-100%
Computer Equipment	3 years	33%
Leasehold Improvements	3 years	33%

NOTES TO THE FINANCIAL STATEMENTS

1 Summary of significant accounting policies (continued)

(h) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of the subsidiaries of Sultan Corporation Limited as at 30 June 2011, and the results of the subsidiary for the period then ended.

Subsidiaries are those entities over which the Company has the power to govern the financial and operating policies, generally accompanying a shareholder of more than one-half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the Company and consolidated entity. Consolidation ceases from the date that control ceases. The acquisition method of accounting is used to account for the acquisition of subsidiaries by the Company and consolidated entity. Any and all intercompany transactions and balances between the Company and its subsidiary are eliminated on consolidation.

(i) Investment in Subsidiary

The subsidiaries are recognised at cost less impairment losses.

(j) Business Combinations

Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The cost of the business combination is measured as the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the consolidated entity in exchange for control of the acquiree. Any costs directly attributable to the business combination are expensed as incurred.

The acquiree’s identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under AASB 3 ‘Business Combinations’ are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale in accordance with AASB 5 ‘Non-current Assets Held for Sale and Discontinued Operations’, which are recognised and measured at fair value less costs to sell.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the consolidated entity’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the consolidated entity’s interest in the net fair value of the acquiree’s identifiable assets liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss. The interest of non-controlling shareholders in the acquiree is initially measured at the minority’s proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

(k) Goodwill

Goodwill acquired in a business combination is initially measured at its cost, being the excess of the cost of the business combination over the acquirer’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. Goodwill is subsequently measured at cost less any impairment losses.

For the purpose of impairment testing, goodwill is allocated to each of the consolidated entity’s cash-generating units (CGUs) or groups of CGUs, expected to benefit from the synergies of the business combination. CGUs (or groups of CGUs) to which goodwill has been allocated are tested for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill might be impaired.

(l) Exploration and Development Assets and Mining Tenements

Exploration, evaluation and development costs are accumulated in respect of each separate area of interest. Exploration and evaluation costs, excluding the cost of acquiring areas of interest, are expensed as incurred. Acquisition cost is carried forward where the right of tenure of the area of interest is current and they are either expected to be recouped through sale or successful development and exploitation of the area of interest or the activities in the area of interest have not reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves and active and significant operations in, or in relation to, the area of interest are continuing.

NOTES TO THE FINANCIAL STATEMENTS

1 Summary of significant accounting policies (continued)

(l) Exploration and Development Assets and Mining Tenements (continued)

When an area of interest is abandoned or the directors decide that it is not commercial, any accumulated costs in respect of that area are written off in the financial year the decision is made.

Each area of interest is also reviewed at the end of each accounting year and accumulated costs written off to the extent that they will not be recoverable in the future.

Mining tenements are recognised at cost less impairment losses.

Exploration and evaluation assets are assessed and tested for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, or (ii) facts and circumstances suggest that the carrying amount exceeds the recoverable amount. For the purposes of impairment testing, exploration and evaluation assets are allocated to cash-generating units to which the exploration activity relates. The cash generating unit shall not be larger than the area of interest.

(m) Impairment of Assets

(i) Financial assets (including receivables)

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Consolidated Entity on terms that the Consolidated Entity would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment.

The consolidated entity considers evidence of impairment for receivables and held-to-maturity investment securities at an individual asset level.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against receivables. Interest on the impaired asset continues to be recognised through the unwinding of the discount. When a subsequent event causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

(ii) Non-financial assets (other than Goodwill)

Non-financial assets other than goodwill are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

The consolidated entity assesses at each reporting date whether any objective indications of impairment are present. Where such an indicator exists, a formal assessment of recoverable amount is then made and where this is in excess of carrying amount, the asset is written down to its recoverable amount.

Recoverable amount is the greater of fair value less costs to sell and value in use. Value in use is the present value of the future cash flows expected to be derived from the asset or cash generating unit. In estimating value in use, a pre-tax discount rate is used which reflects the current market assessments of the time value of money and the risks specific to the asset. Any resulting impairment loss is recognised immediately in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

1 Summary of significant accounting policies (continued)

(m) Impairment of Assets (continued)

Where an impairment loss subsequently reverses, the carrying amount of the asset (CGU) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (CGU) in prior years. A reversal of an impairment loss is recognised in profit or loss immediately.

(n) Trade and Other Payables

These amounts represent liabilities for goods and services provided to the consolidated entity prior to the end of the financial period which are unpaid. The amounts are unsecured and usually paid within 30 days of recognition.
Trade and other payables are measured at amortised cost, using the effective interest method.

(o) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the consolidated entity as lessee are classified as operating leases (Note 21(b)). Payments made under operating leases (net of any incentives received from the lessor) are charged to the statement of comprehensive income on a straight-line basis over the period of the lease.

(p) Employee Benefits

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employee's services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated cash outflows.

(q) Issued Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction from the proceeds.

(r) Loss per Share

Basic loss per share ("LPS") is calculated by dividing the profit attributable to equity holders of the consolidated entity by the weighted number of shares outstanding during the year.

Diluted LPS adjusts the figures used in the calculation of basic LPS to take into account the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares and the weighted average number of shares assumed or known to have been issued in relation to dilutive potential ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS

1 Summary of significant accounting policies (continued)

(s) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the relevant tax office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the statement of financial position are shown inclusive of GST. Cash flows are presented in the statement of cash flow on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(t) Segments

The Group determines and present operating segments based on the internal information that is provided to the Board, who is the Group's chief operating decision maker.

Operating segments that meet the quantitative criteria as prescribed by AASB 8 are reported separately. However, an operating segment that does not meet the quantitative criteria is still reported separately where information about the segment would be useful to users of the financial statements.

Information about other business activities and operating segments that are below the quantitative criteria are combined and disclosed in a separate category for "all other segments".

(u) Foreign currency translation

Both the functional and presentation currency of Sultan Corporation Limited is Australian dollars. Each entity in the consolidated entity determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions:
Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date.

All exchange differences in the consolidated financial report are taken to profit or loss with the exception of differences on foreign currency borrowings that provide a hedge against a net investment in a foreign entity. These are taken directly to equity until the disposal of the net investment, at which time they are recognised in profit or loss.

Tax charges and credits attributable to exchange differences on those borrowings are also recognised in equity.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction.

Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Foreign Subsidiaries Translation:
The functional currency of the foreign operation, North Mining Doo Limited, is Euro (Eur). As at the reporting date the assets and liabilities of these subsidiaries are translated into the presentation currency Sultan Corporation Limited at the rate of exchange ruling at the balance date and their income statements are translated at the weighted average exchange rate for the year.

Equity accounts are translated at their historical exchange rates. The exchange differences arising on the translation are taken directly to a separate component of equity.

On disposal of a foreign entity, the deferred cumulative amount recognised in equity relating to that particular foreign operation is recognised in statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

2 Financial Risk Management

Risk management is carried out by the Board of Directors under policies approved by the Board. The Board identifies and evaluates financial risks and provides written principles for overall risk management. The current activities of the consolidated entity expose it to minimal financial risk. However, as activities increase there may be exposure to market, credit and liquidity risks.

The Groups financial instruments are measured in accordance with the most appropriate accounting standards, discounted to its present value when settlement is expected to be greater than 12 months. At the reporting date, there were no differences between the carrying value and fair value of any financial instruments.

(a) Market Risk

Market risk is the risk that changes in market prices, such as equity prices, foreign exchange rates and interest rates will affect the income or the value of financial instruments of the consolidated entity.

Price risk

The consolidated entity is not exposed to equity securities price risk as there is no holding of investments in securities classified on the statement of financial position as available-for-sale or at fair value through profit or loss.

The consolidated entity is not exposed to commodity price risk as its mining assets are not in production.

Currency Risk

The consolidated entity is not ordinarily exposed to currency risk as it receives its income and pays its liabilities in Australian dollars. However, during the period

1. In July 2010 a USD $4m convertible loan note was issued to the entity by La Jolla Cove Investments Inc. To 30 June 2011, the notes were partially drawn down to a value of USD $750,000, with USD $312,080 being converted to date. The strengthening of the AUD caused a foreign exchange gain of $37,353.

2. Administrative costs incurred by the subsidiary, North Mining Doo, in Montenegro are met in Euros from advances made by the Company to the subsidiary to meet these expenses. The Company has also advanced funds to allow the subsidiary to provide security against a Euro bank guarantee provided in respect to the Montenegro mining license. Exchange rate movements will affect the value of the assets/liabilities when reported in AUD, with the corresponding increase/decrease recognised in the Foreign Currency Translation Reserve. An amount of $24,771 was recognised in the Foreign Currency Translation Reserve during the current period.

The following sensitivity analysis is based on the foreign currency risk exposures in existence at the reporting date based on historical information and market trends, management's assessment of the possible change in foreign exchange rates are between the ranges of 10% either way. The potential effect on post-tax loss and equity are as follows:

	2011	**2010**
FX Sensitivity Analysis:	**$**	**$**
Increase in AUD against foreign currencies by 10%	39,525	(1,805)
Decrease in AUD against foreign currencies by 10%	(39,525)	1,805

2 Financial Risk Management (continued)

Interest Rate Risk

The consolidated entity has interest bearing financial instruments in the form of cash and cash equivalents and convertible loan notes; therefore the consolidated entity's income and operating cash flows are subject to changes in the market rates. The convertible notes have a fixed interest rate of 4.75% and therefore have no risk to changes in interest rates.

The exposure of the consolidated entity to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market rates, and the weighted average interest rates on classes of financial assets and financial liabilities, are as follows:

	Weighted Average Interest Rate	Floating Interest rate	Fixed Interest rate	Non-interest bearing	Total
2011 Consolidated					
Financial Assets:		$	$	$	$
Cash and cash equivalents	3.5%	5,290,624	-	19,654	5,310,278
Other assets	4.0%	386,004	-	-	386,004
Total Financial Assets		5,676,628	-	19,654	5,696,282
Financial Liabilities					
Borrowings		-	(390,086)	(298,702)	(688,788)
Total Financial Liabilities		-	(390,086)	(298,702)	(688,788)
Net Financial Assets		5,676,628	(390,086)	(279,048)	5,007,494
2010 Consolidated					
Financial Assets:		$	$	$	$
Cash and cash equivalents	3.03%	361,403	-	97,371	458,774
Trade & other receivables		-	-	10,781	10,781
Other assets	5.5%	147,492	-	28,116	175,608
Total Financial Assets		508,895	-	136,268	645,163
Financial Liabilities					
Trade & other payables		-	-	(154,448)	(154,448)
Total Financial Liabilities		-	-	(154,448)	(154,448)
Net Financial Assets		508,895	-	(18,180)	490,715

The risk of market changes in interest rates will not have a material impact on the profitability or operating cash flows of the consolidated entity. If interest rates had moved at 30 June and all other variables held constant, the loss before tax and cash flow would be affected as illustrated in the following table:

	Increase/Decrease in Equity	
	2011	**2010**
Consolidated Entity	**$**	**$**
+1% (100 basis points)	49,005	3,614
- 0.5% (50 basis points)	(24,503)	(1,807)

NOTES TO THE FINANCIAL STATEMENTS

2 Financial Risk Management (continued)

The consolidated entity does not hedge against interest rate risk.

The carrying value of financial assets and financial liabilities recorded in the financial statements represent their respective fair values, determined in accordance with the accounting policies disclosed in note 1 to the financial statements. Due to their liquid nature, the carrying amount of cash and cash equivalents is the fair value. Due to the short term nature, the receivables and payables carrying amounts reflect the fair value.

(b) Credit Risk

Credit risk is the risk of financial loss if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Other than the Company having all of its cash and cash equivalents with one major Australian bank, the consolidated entity would not ordinarily have a significant concentration of credit risk.

An advance made in previous years of US$500,000 in aggregate (fully impaired in previous years) that was to be applied against a fee on the procurement of mining permits has now been settled. The mining permits were not procured and the advance was repayable in full. During the year, there has been a partial recovery of $125,000 from the creditors. This amount has been recognised in the Statement of Comprehensive Income, refer to note 9 for further details.

(c) Capital Risk Management and Liquidity Risk

Capital is the funding required to continue the activities of the consolidated entity. Capital risk is the risk that capital cannot be raised as and when required to fund the operations of the consolidated entity. Liquidity risk is the risk that the consolidated entity cannot meet its financial obligations as and when due.

The consolidated entity objective in managing capital is to safeguard the ability to continue as a going concern to provide a return to shareholders and reduce the cost of capital. In order to maintain the capital structure, the capital raisings have been undertaken.

The consolidated entity manages liquidity risk by continuously monitoring forecast and actual cash flows and requirements for future capital raisings. The consolidated entity has no committed credit lines available, which is appropriate given the nature of the operations. Surplus funds are invested in a cash management account with Westpac Banking Corporation which is available as required.

The material liquidity risk for the consolidated entity is the ability to raise equity in the future. Historically capital has been raised sufficient to fund operations. Two placements were successfully completed during the year.

Trade and other payables are expected to be settled within 30 to 45 days. The Convertible note will be repaid in the short-term future, as the shareholders did not approve the transaction and therefore no further draw downs were incurred.

3 Critical Accounting Estimates and Judgements

Estimates and judgments are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances. The following critical accounting estimates and / or assumptions have been made during the preparation of the Financial Report:

Exploration: Exploration and evaluation costs (other than the cost of acquiring the interests) continue to be expensed as incurred and not carried forward, to reduce the risk of uncertainty that the expenditure can be recouped through the sale or successful development and exploitation of the areas of interest. Management believe that there is no need to impair the acquisition costs, as it is likely that these will be recouped in the future.

NOTES TO THE FINANCIAL STATEMENTS

3 Critical Accounting Estimates and Judgements (continued)

Recognition of deferred tax assets: The consolidated entity has not recognised a deferred tax asset for tax losses as the consolidated entity does not believe it probable to be recovered by future taxable income.

Share Based Payments: The consolidated entity measures the cost of equity settled transactions with employees, vendors and consultants by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using a Black-Scholes valuation model, refer to note 18.

Convertible Note: The consolidated entity has used a discount rate of 10% to calculate the fair value the convertible note at the date of issue, based on the weighted average cost of capital, and other comparable interest rates. For further details on the convertible note, refer to note 15.

4 Segment Information

Description of Business Segment

In accordance with AASB 8, the reportable segments are based on aggregated operating segments determined by the similarity of the minerals targeted for the same jurisdiction, as these are the sources of the consolidated entity's major risks and have the most effect on the rates of return.

Once reportable segments have been identified, all remaining segments that do not satisfy the thresholds are to be aggregated together to form an all other segments reporting segment. In accordance with *AASB 8*

Segment Reporting, corporate and administration activities are to be included in the 'other segments' reporting segment.

The consolidated entity is an explorer for prospective zinc and copper tenements in New South Wales and zinc and lead in Montenegro, and the Board considers the entity from both a commodity type, and a geographical perspective, and at this stage just has the two reportable segments. There is no profit or loss attributable to the reportable segments.

(i) Segment assets - 30 June 2011

	Montenegro Exploration $	**Australia Exploration $**	**Total $**
Segments assets	275,038	3,318,585	3,593,623

Reconciliation of segment assets to the statement of financial position

Total reportable segment assets	3,593,623
Cash and cash equivalents	5,310,278
Trade and other receivables	122,715
Other assets	46,294
Plant and equipment	22,884
Total Assets	**9,095,794**

(ii) Segment assets – 30 June 2010

	Montenegro Exploration $	**Australia Exploration $**	**Total $**
Segments assets	147,492	3,318,585	3,466,077

NOTES TO THE FINANCIAL STATEMENTS

4 Segment Information (continued)

Reconciliation of segment assets to the statement of financial position

Total reportable segment assets	3,466,077
Cash and cash equivalents	486,890
Trade and other receivables	10,781
Prepayments	24,689
Plant and equipment	19,771
Total Assets	**4,008,208**

(iii) Segment profit and loss

	Montenegro Exploration $	Australia Exploration $	Total $
Reportable segment loss 2011	(333,937)	(383,749)	(717,686)
Reportable segment loss 2010	-	(385,252)	(385,252)

A reconciliation of reportable segment loss to operating loss before income tax is provided as follows:	2011 $	2010 $
Total loss for reportable segment	(717,686)	(385,252)
Interest revenue	32,306	22,604
Other income	125,000	-
Employee and consultant costs	(596,419)	(346,432)
Directors' Remuneration	(488,033)	(420,150)
Share-based payments	(578,350)	(132,348)
Other expenses	(726,080)	(486,938)
Interest expense	(33,354)	-
Unrealised foreign exchange gain/(loss)	37,353	(58,639)
Impairment of advances	-	(88,105)
Loss before income tax from continuing operations	**(2,945,263)**	**(1,895,260)**

5 Expenses

Other expenses include:	2011 $	2010 $
Accounting Fees	(28,358)	(59,282)
ASIC & ASX Listing Fees	(28,937)	(25,447)
Depreciation	(9,212)	(13,562)
Insurance	(58,121)	(30,072)
Legal Fees	(64,914)	(21,610)
Office Rent	(78,275)	(80,326)
Office Utilities, Maintenance & Supplies	(252,451)	(150,327)
Share registry Maintenance	(23,932)	(16,609)
Travel & Accommodation	(181,880)	(89,703)
	(726,080)	**(486,938)**

NOTES TO THE FINANCIAL STATEMENTS

6 Income Tax Expense & Deferred Tax

(a) Income Tax Expense

	2011 $	2010 $
Current tax	-	-
Deferred tax	-	-
	-	-

(b) Numerical Reconciliation of Income Tax Expense to Prima Facie Tax Payable

	2011	2010
Loss from continuing operations before income tax expense	(2,945,263)	(1,895,260)
Tax at the Australian tax rate of 30% (2010: 30%)	(883,579)	(568,579)
Tax effect of amounts not deductable (allowable) in calculating taxable income:		
Over/(under) provision for tax loss in prior year	(28,926)	54,076
Share based payments	173,505	39,704
Creditors & Accruals	-	-
Annual Leave	-	-
Asset Impairment	-	-
Unrealised exchange loss	-	-
Expenses incurred on foreign projects	100,181	30,205
Entertainment	-	855
Allowable deductions	(56,042)	(30,761)
Tax losses not recognised	694,861	474,500
Income tax expense	-	-

(c) Unrecognised Deferred Tax Assets

The following deferred tax assets have not been brought to account:

	2011	2010
Tax losses - revenue	3,192,467	2,395,051
Temporary differences - exploration	(971,172)	(971,172)
Temporary differences - other	151,816	254,371
	2,373,111	**1,678,250**

Deferred tax assets have not been recognised as it is not probable that taxable income will be available against which the deferred tax deductions can be utilized, in respect of the following:

	2011 $	2010 $
Exploration	(971,172)	(971,172)
Advance	-	174,115
Trade & other payables	8,691	7,459
Section 40-880 expenses	143,126	72,797
Tax loss carry-forward	3,192,467	2,395,051
	2,373,111	**1,678,250**

7 Cash and Cash Equivalents

	2011	2010
Cash at bank	**5,310,278**	**458,774**

8 Trade and Other Receivables

	2011	2010
GST receivable	**122,715**	**10,781**

NOTES TO THE FINANCIAL STATEMENTS

9 Other Income and Impairment of 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 (US$400,000 in 2009 and US$100,000 in 2010) as an advance against the fee of US$700,000 payable to the consultant on procurement of the mining permits.

The consultant was unable to perform the services within the term and the advance was repayable to the Company without deduction. The Company had taken out a second mortgage on the residence of the principals of the consultant; however there as there was no reasonable certainty that there would be equity in the property on realisation, the entire amount was impaired in the prior year. This resulted in a cumulative impairment loss of $580,383 with $88,105 written off in 2010.

During the current period, a settlement deed was entered into, whereby the consulting company was ordered to pay a one-off sum of AUD $125,000, which has been received in cash during the month of September, and therefore a reversal of the original impairment. This amount has been recognised as other income in the statement of comprehensive income.

10 Other Assets

	2011 $	2010 $
Current:		
Security Deposit for Visa Card	29,621	28,116
Prepayments	16,673	24,689
	46,294	**52,805**
Non- Current:		
Tenement Bonds – Australia	81,345	81,345
Deposits - Montenegro	275,038	147,492
	356,383	**228,837**

These deposits are lodged with the respective governments, for the grant of the applicable exploration and mining leases. The 30 June 2010 Montenegro deposit has been re-classified this period to other assets, from cash and cash equivalents. As these deposits are in place for the entity's exploration projects, they will be classified as non-current assets.

11 Plant & Equipment

	Computer Equipment $	Office Furniture and fittings $	Total $
Year ended 30 June 2011			
Opening net book amount	5,907	13,864	19,771
Additions – at cost	10,861	1,464	12,325
Depreciation charge	(5,856)	(3,356)	(9,212)
Closing net book amount	**10,912**	**11,972**	**22,884**
As at 30 June 2011			
Cost	42,054	35,641	77,695
Accumulated depreciation	(31,142)	(23,669)	(54,811)
Net book amount	**10,912**	**11,972**	**22,884**

NOTES TO THE FINANCIAL STATEMENTS

11 Plant & Equipment (Continued)

	Computer Equipment $	Office Furniture and fittings $	Total $
Year ended 30 June 2010			
Opening net book amount	12,654	16,984	29,638
Additions – at cost	2,113	1,582	3,695
Depreciation charge	(8,860)	(4,702)	(13,562)
Closing net book amount	**5,907**	**13,864**	**19,771**
As at 30 June 2010			
Cost	31,193	34,177	65,370
Accumulated depreciation	(25,286)	(20,313)	(45,599)
Net book amount	**5,907**	**13,864**	**19,771**

	2011 $	2010 $
12 Exploration and evaluation expenditure		
Opening balance	3,237,240	3,237,240
Additions	-	-
Closing Balance	**3,237,240**	**3,237,240**

The recoverability of the carrying amount is dependent on the successful development and commercial exploitation or sale of the areas of interest.

No mining tenements were acquired during the year.
Note that only the acquisition cost of the projects are capitalised, whilst all further exploration costs are expensed through profit or loss.

	2011 $	2010 $
13 Trade and Other Payables		
Trade payables	233,612	155,103
Other payables and accruals	65,090	(655)
Total trade and other payables	**298,702**	**154,448**

These amounts generally arise from transactions within the usual operating activities of the Group.

14 Provisions

Annual Leave	**28,969**	**22,946**

15 Convertible Note

In July 2010 the Company secured up to an aggregate of US$4m through an agreement to issue two consecutive convertible notes of US$2m each. The finance is provided by La Jolla Cove Investments Inc. To date only one note has been issued, with cash drawn down on a monthly basis of US$150,000 payments. The amount drawn down to date is US$750,000, making up 37.5% of the first note. The notes are unsecured, have an interest rate of 4.75% and convertible into equity of the parent entity, at the option of the holder, or repayable 2 years from the issue date of the notes. The convertible note is presented in the balance sheet as follows;

NOTES TO THE FINANCIAL STATEMENTS

15 Convertible Note (continued)

	30 June 2011 $	30 June 2010 $
Face Value of Notes Issued	787,619	-
Convertible note reserve – value of conversion rights	(40,444)	-
Amount converted to issued capital	(327,000)	-
	420,175	-
Interest expense*	34,099	-
Interest paid/payable	(26,835)	-
Foreign Exchange Gain	(37,353)	-
Total Liability	390,086	-

* Interest expense is calculated by applying the effective interest rate of 10% to the liability component.

On 30 November 2010, the shareholders voted against the issue of further convertible notes at the Annual General Meeting, and therefore no further draw-downs could take place on the facility. The shareholders have however approved the allotment of shares upon the conversion of the convertible notes already issued. On this basis, it is expected that the convertible note will be extinguished within 12 months, and the debt proportion has been classified as a current liability.

16 Issued Capital

	30 June 2011		30 June 2010	
Movement in ordinary shares	**Number of shares**	**$**	**Number of shares**	**$**
Opening balance	901,772,304	39,979,448	738,537,435	38,442,800
Placement Shares[1]	457,162,500	6,992,700	150,000,000	1,500,000
Conversion of convertible notes[2]	85,723,684	327,000	-	-
Share based payments[3]	-	-	13,234,869	132,348
Capital raising costs	-	(421,237)	-	(95,700)
Closing balance	**1,444,658,488**	**46,877,911**	**901,772,304**	**39,979,448**

1. *2011:* Includes – 55m shares issued at $0.006 in December 2010 to raise $330,000, 156m shares at $0.008 in February 2011 to raise $1,248,500 and 246.1m shares at $0.022 in May 2011 to raise $5,414,200 (before costs).
2010: Includes – 150m shares issued at $0.01 in November 2009 to raise $1,500,000 (before costs).
2. *2011:* Part conversion of convertible note by La Jolla to the value of USD $312,080 – prior to rejection of the issue of the notes by shareholders.
3. *2010:* Issued to directors in lieu of services performed.

17 Reserves

(a) Reserves	**2011 $**	**2010 $**
Option Premium Reserve	-	-
Share Based Payments Reserve	578,350	1,979,500
Convertible Note Reserve	40,444	-
Foreign Currency Translation Reserve	(24,771)	-
	594,023	**1,979,500**

NOTES TO THE FINANCIAL STATEMENTS

17 Reserves (continued)

(b) Nature and Purpose of Reserves

The option premium reserve arises pursuant to an issue of options pursuant to an issue, placement or entitlement. The share based payments reserve arises from an issue of options as consideration for a service or an acquisition transaction. Details on options issued, exercised and lapsed during the financial year, and options outstanding at the end of the reporting period is set out in note 18.

The foreign currency translation reserve is used to record exchange differences arising from the translation balances of foreign subsidiaries.

The convertible note reserve is to show the residual between the fair value of the liability and the face value of the convertible note. This amount shall remain the same at each reporting period, until the liability is extinguished.

(c) Movement in Reserves

(i) Options Premium Reserve

Date	Details	Number of options	Amount $
01/07/2009	Opening balance	23,500,000	587
31/12/2009	Expiry of 1 cent options unexercised	(23,500,000)	(587)
30/06/2010	*Balance*	-	-
30/06/2011	**Closing Balance**	**-**	**-**

(ii) Share Based Payments Reserve

Date	Details	Number of options	Amount $
01/07/2009	Opening balance	52,000,000	2,096,800
31/12/2009	Options not exercised by expiry date	(3,000,000)	(117,300)
30/06/2010	*Balance*	*49,000,000*	*1,979,500*
31/12/2010	Expiry of 2 cent options unexercised	(49,000,000)	(1,979,500)
21/10/2010	Issue of 1 cent options to consultant	10,000,000	30,577
19/05/2011	Issue of 3 cent options to Directors & Executives	24,000,000	547,773
30/06/2011	**Closing Balance**	**34,000,000**	**578,350**

(iii) Foreign Currency Translation Reserve

	2011 $	2010 $
At start of period	-	-
Currency translation differences	(24,771)	-
Balance at 30 June	**(24,771)**	**-**

NOTES TO THE FINANCIAL STATEMENTS

18 Share Based Payments

10,000,000 unlisted share options were granted to consultants during the year (2010: Nil). These options were issued in consideration for services provided to assist with the listing of the Company on the Frankfurt Stock Exchange. The fair value of the options is estimated as at the date of grant using the Black-Scholes calculation, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used in the valuation:

Expected volatility (%)	120
Risk-free interest rate (%)	4.50
Exercise price	$0.01
Share price at grant date	$0.005
Fair value per option at grant date	$0.0031
Grant Date	21 October 2010
Expiry date	21 October 2013

Furthermore to the above, shareholders approved at the General Meeting held on 19 May 2011 the issue of 24,000,000 unlisted incentive options (2010: Nil) to Key Management Personnel of the Company (Refer to Remuneration report section 4 for further details). The fair value of the options is estimated as at the date of grant using the Black-Scholes calculation, taking into accounts the terms and conditions upon which the options were granted. The following table lists the inputs to the model used in the valuation:

Expected volatility (%)	151
Risk-free interest rate (%)	5.01
Exercise price	$0.03
Share price at grant date	$0.028
Fair value per option at grant date	$0.0228
Grant Date	19 May 2011
Expiry date	19 May 2014

Set out below is a summary of the options on hand at 30 June 2011:

Expiry date	Exercise price	Balance at start of period	Granted during the period	Exercised during the period	Expired/ Lapsed during the period	Balance unvested at period end	Balance vested and exercisable
31/12/2010	$0.02	49,000,000	-	-	(49,000,000)	-	-
21/10/2013	$0.01	-	10,000,000	-	-	-	10,000,000
19/05/2014	$0.03	-	24,000,000	-	-	-	24,000,000
		49,000,000	**34,000,000**	**-**	**(49,000,000)**	**-**	**34,000,000**

19 Related Party Disclosures

(a) Investments in controlled entities

	% Owned		Book value of shares held		Contribution to consolidated profit/(loss)	
			2011	2010	2011	2010
	2011	2010	$	$	$	$
Parent entity						
Sultan Corporation Limited			n/a	n/a		
Controlled entities						
Isabella Minerals Pty Ltd	100%	100%	1	1	-	-
North Mining Doo	100%	100%	1	1	(164,823)	(12,503)
			2	**2**	**(164,823)**	**(12,503)**

NOTES TO THE FINANCIAL STATEMENTS

19 Related Party Disclosures (continued)

(a) Investments in controlled entities (continued)

Sultan Corporation Limited is the parent and ultimate parent company and is incorporated in Australia.

Isabella Minerals Pty Ltd is incorporated in Western Australia.

North Mining Doo is registered in Montenegro.

(b) Key management personnel remuneration	**2011**	**2010**
	$	**$**
Short-term benefits	692,898	623,363
Post-employment benefits	30,600	20,287
	723,498	**643,650**

Detailed remuneration disclosures are provided in the Remuneration Report in the Directors' Report.

(c) Key management personnel equity holdings

(i) Option holdings

The numbers of options over ordinary shares in the Company held during the financial year by each director and executive of Sultan Corporation Limited, including their personally related parties, are set out below:

2011 **Name**	**Balance at the start of the year**	**Granted during the year**	**Other changes during the year**	**Balance at the end of the year**	**Vested and exercisable at year end**
Directors					
Derek Lenartowicz	25,000,000	7,000,000	(25,000,000)	7,000,000	7,000,000
Milos Bosnjakovic	-	7,000,000	-	7,000,000	7,000,000
Mike Ralston	-	7,000,000	-	7,000,000	7,000,000
Michael Hale	-	-	-	-	-
Other Executives					
Jerry Monzu	-	-	-	-	-
Ian Hobson	-	-	-	-	-
Kevin Alexander	9,000,000	3,000,000	(9,000,000)	3,000,000	3,000,000
	34,000,000	**24,000,000**	**(34,000,000)**	**24,000,000**	**24,000,000**

2010 **Name**	**Balance at the start of the year**	**Granted during the year**	**Other changes during the year**	**Balance at the end of the year**	**Vested and exercisable at year end**
Directors					
Derek Lenartowicz	25,000,000	-	-	25,000,000	25,000,000
Milos Bosnjakovic	-	-	-	-	-
Jimmy Lee	-	-	-	-	-
Other Executives					
Ian Hobson	1,000,000	-	(1,000,000)	-	-
Kevin Alexander	9,000,000	-	-	9,000,000	9,000,000
	35,000,000	**-**	**-**	**34,000,000**	**34,000,000**

No options on issue are under escrow periods at year-end.

NOTES TO THE FINANCIAL STATEMENTS

19 Related Party Disclosures (continued)

(c) Key management personnel equity holdings (continued)

(ii) Share holdings

The numbers of shares in the Company held during the financial year by each director and executive of Sultan Corporation Limited, including their personally related parties, are set out below:

2011	Balance at the start of the year	Market transactions	Granted as compensation during the year	Other changes during the year	Balance at the end of the year
Director					
Derek Lenartowicz	59,412,531	8,000,000	-	-	67,412,531
Jimmy Lee	1,830,952	-	-	(1,830,952)	-
Milos Bosnjakovic	74,138,095	(8,000,000)	-	-	66,138,095
Mike Ralston	-	-	-	-	-
Michael Hale	-	-	-	-	-
Other Executives					
Ian Hobson	3,500,000	-	-	(3,500,000)	-
Jerry Monzu	-	-	-	-	-
Kevin Alexander	12,048,333	(7,880,000)	-	-	4,168,333
	150,929,911	(7,880,000)	-	**(5,330,952)**	**137,718,959**

2010	Balance at the start of the year	Market transactions	Granted as compensation during the year	Other changes during the year	Balance at the end of the year
Director					
Derek Lenartowicz	59,412,531	-	-	-	59,412,531
Jimmy Lee	1,830,952	-	-	-	1,830,952
Milos Bosnjakovic	66,638,095	-	-	7,500,000	74,138,095
Other Executives					
Ian Hobson	5,000,000	(1,500,000)	-	-	3,500,000
Kevin Alexander	7,000,000	5,048,333	-	-	12,048,333
	139,881,578	3,548,333	-	**7,500,000**	**150,929,911**

Shareholder approval was sought and obtained to issue shares to Jimmy Lee as consideration for consultancy services rendered. However, at the direction of Jimmy Lee those shares were issued to a non-related third party.

(d) Other transactions with key management personnel

	2011 $	2010 $
The following transactions recognised as an expense/(income) occurred with a related party for supply of services on normal terms and conditions at market rates:		
MB Point Pty Ltd, a company related to Milos Bosnjakovic, provided consultancy services. Shares were issued in satisfaction of the amount outstanding. The issues were approved by shareholders on 14 May 2010	-	75,000

NOTES TO THE FINANCIAL STATEMENTS

20 Remuneration of Auditors	**2011 $**	**2010 $**
During the year the following fees were paid or payable for services provided by the auditor of the Company:		
Audit Services		
Audit of financial report and other audit work under the *Corporations Act 2001*	34,043	31,825
Total remuneration for audit services	**34,043**	**31,825**

It is the Company's policy to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company are important. These assignments are principally tax advice and due diligence reporting on acquisitions, or where the auditor is awarded assignments on a competitive basis. It is the Company's policy to seek competitive tenders for all major material consulting projects.

21 Commitments

(a) Lease Commitments	**2011 $**	**2010 $**
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
Within 1 year	53,035	53,035
Later than one year but not later than five years	-	53,035
Later than five years	-	-
	53,035	**106,070**
Representing:		
Non-cancellable operating leases	**53,035**	**106,070**

The Company leases premises at 350 Hay Street Subiaco under a non-cancellable operating lease. The Company exercised the option to extend the lease for two years from 30 June 2010.

(b) Tenement Expenditure Commitments	**2011 $**	**2010 $**
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
Within 1 year	258,500	211,500
Later than one year but not later than five years	109,000	76,000
Later than five years	-	-
	367,500	**287,500**

(c) Contractual Commitments

The Montenegro Government holds a deposit for the grant of the 25 year exploration and mining lease, the security deposit is currently 200,000 Euro. Furthermore to this, the Australian government is holding deposits to the value of $81,345 over exploration licenses issued. With exceptions to those noted above, there are no further contractual commitments.

NOTES TO THE FINANCIAL STATEMENTS

22 Events Occurring After the Balance Date

1. La Jolla Cove Investors ("LJCI")(the Company which has provided Sultan with a convertible note facility) has lodged a claim against Sultan in the San Diego courts seeking Sultan shares as settlement of a convertible note, this claim subsequently failed. This note had not been honoured as a result of Sultan shareholders' rejection of the resolution to issue shares. The claim has been re-lodged and since been removed from San Diego court and is currently the subject of a motion to dismiss. Both Sultan and LJCI are seeking to settle the matter without further reference to the court and both are seeking to settle with shares, this process is ongoing at this stage a final settlement has not been reached or estimated.

2. At a general meeting held on the 26 of August 2011 Shareholders of the Company approved the adoption of the Sultan Director and Employee Share Plans. At the same meeting Shareholders also approved the issue of shares under the plans to Directors Mr Derek Lenartowicz, Mr Michael Ralston and Mr Milos Bosnjakovic. A total of 292 million Shares (issued at a price of 2.2 cents per share) have been issued to Directors and Employees under the terms and conditions of these plans. Under the terms and conditions of the director and employee share plans, the shares may not be sold or otherwise dealt with until all loans in respect of those shares have been fully repaid.

3. On 16 September the Company announced that it had acquired 85% of a Polish base metals exploration project (the "Bogdan" tenement) through a company called Polmetal. The terms of the deal are as follows:

   - An upfront payment of $100,000 as a 12 month Option Fee, payable upon signing the legal agreement and delivery of a valid permit to drill at Bogdan;
   - A committed exploration programme for a minimum 2,500 meters for $300,000 within the first 12 month period;
   - A cash payment of $400,000 – at Sultan's discretion, payable within 12 months; and.
   - A one-off payment of $800,000 at any stage over the three years after payment for the initial $100,000 fee, purely at Sultan's discretion.

4. On 16 September the Company issued 10 million fully paid ordinary shares to a section 708(A) investor who elected to exercise his 1 cent October 2013 options.

With exception to the above, there have been no other matters or circumstances that have arisen since 30 June 2011 that has significantly affected, or may significantly affect:

(i) The consolidated entity's operations in future financial years, or
(ii) The results of those operations in future financial years, or
(iii) The consolidated entity's state of affairs in future financial years.

23 Reconciliation of Loss After Income Tax to Net Cash Outflow from Operating Activities	**2011 $**	**2010 $**
Loss for the year:	(2,945,263)	(1,895,260)
Add back:		
Share based payments	578,350	132,348
Depreciation	9,212	13,562
Impairment of advance	(125,000)	88,105
Unrealised foreign currency loss	(28,831)	58,639
Changes in operating assets and liabilities:		
(Increase) / Decrease trade and other receivables	(111,934)	119,884
(Increase) / Decrease in other assets	6,511	(5,944)
Increase / (Decrease) in trade and other payables	144,423	(71,523)
Increase / (Decrease) in employee provisions	6,023	(2,242)
Net cash outflow from operating activities	**(2,466,509)**	**(1,562,431)**

NOTES TO THE FINANCIAL STATEMENTS

24 Loss Per Share

(a) Basic and Diluted Loss Per Share

	2011 Cents	2010 Cents
Loss from continuing operations attributable to the ordinary equity holders of the Company	(0.27)	(0.23)
	(0.12)	**(0.23)**

(b) Reconciliation of Loss used in Calculating Loss Per Share	**2011 $**	**2010 $**
Basic loss per share		
Loss from continuing operations attributable to the ordinary equity holders of the Company	(2,945,263)	(1,895,260)
Diluted loss per share		
Loss from continuing operations attributable to the ordinary equity holders of the Company	(2,945,263)	(1,895,260)

(c) Weighted Average Number of Shares Used as the Denominator	**2011 Number**	**2010 Number**
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share	1,072,920,789	831,317,428
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted loss per share	1,072,920,789	831,317,428

(d) Information Concerning the Classification of Securities

The Group is in a loss making position and it is unlikely that the conversion of options to ordinary share capital would lead to diluted earnings per share that shows an inferior view of earnings per share. For this reason, the diluted loss per share for the year ended 30 June 2011 is the same as basic loss per share.

25 Contingencies

There are no contingencies at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS

26 Parent Entity Disclosures

Financial position	30 June 2011 $	30 June 2010 $
Assets		
Current assets	5,462,096	501,426
Non-current assets	3,831,910	3,563,527
Total assets	**9,294,006**	**4,064,953**
Liabilities		
Current liabilities	717,738	176,261
Non-current liabilities	-	-
Total liabilities	**717,738**	**176,261**
Equity		
Issued capital	46,877,911	39,979,448
Retained earnings	(38,920,436)	(38,070,256)
Reserves	618,794	1,979,500
Total equity	**8,576,269**	**3,888,692**

	Year ended 30 June 2011 $	Year ended 30 June 2010 $
Financial performance		
Loss for the year	(2,812,890)	(1,837,383)
Other comprehensive income	-	-
Total comprehensive income	**(2,812,890)**	**(1,837,383)**

The parent entity has not provided any guarantees in relation to the debts of its subsidiaries.

For details on commitments, see note 21. All commitments are in relation to the Parent entity only.

DIRECTORS' DECLARATION

The directors of the company declare that:

1. The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, and accompanying notes, are in accordance with the Corporations Act 2001 and:

   (a) comply with Accounting Standards and the Corporations Regulations 2001; and

   (b) Give a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date.

2. The company has included in the notes to the financial statements an explicit and unreserved statement of compliance with International Financial Reporting Standards.

3. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

4. The remuneration disclosures included in pages 10 to 13 of the directors' report (as part of the audited Remuneration Report), for the year ended 30 June 2011, comply with section 300A of the *Corporations Act 2001.*

5. The directors have been given the declarations by the chief executive officer and the chief financial officer required by section 295A.

This declaration is made in accordance with a resolution of the directors.

Derek Lenartowicz
Director

Perth
21 September 2011

mgi
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Independent auditor's report to the members of Sultan Corporation Limited

Report on the financial report

We have audited the accompanying financial report of Sultan Corporation Limited, which comprises the consolidated statement of financial position as at 30 June 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the 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. In Note 1(a), the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

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

Opinion

In our opinion:

(a) the financial report of Sultan Corporation Limited is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(a).

Report on the remuneration report

We have audited the remuneration report included of the directors' report for the year ended 30 June 2011. The directors of the company are responsible for the preparation and presentation of the remuneration report in accordance with Section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the remuneration report, based on our audit conducted in accordance with Australian Auditing Standards.

Opinion

In our opinion, the remuneration report of Sultan Corporation Limited for the year ended 30 June 2011, complies with Section 300A of the *Corporations Act 2001*.

MGI Perth Audit Services Pty Ltd

T J Spooner CA FCA(UK) ACIS
Director

Perth, 21 September 2011

Additional Information

Additional Information required by the Australian Securities Exchange Limited Listing Rules and not disclosed elsewhere in this report is set out below.

The shareholder information was applicable as at 19 September 2011.

(a) Substantial Shareholders

As communicated to the Company (via a section 604 Substantial Shareholder Notice) the number of shares held by substantial shareholders and their associates are set out below:

Shareholder:

	Number held	Percentage of quoted equity securities
MBL Constructions Pty Ltd/ M Bosnjakovic	166,138,095	9.5%
D Lenartowicz	167,412,531	9.6%

(b) Voting Rights

Ordinary Shares

On a show of hands every member present at a meeting of shall have one vote and upon a poll each share shall have one vote.

Options

There are no voting rights attached to the options

(c) Distribution of Equity Security Holders

Category	Ordinary Fully Paid Shares	Percentage of quoted equity securities
1 – 1,000	277,154	0.02
1,001 – 5,000	766,817	0.04
5,001 – 10,000	691,233	0.04
10,001 – 50,000	16,517,386	0.94
50,001-100,000	40,805,546	2.33
100,001 and over	1,689,667,019	96.62
Total	**1,748,725,155**	**100.00**

There were 1,572 holders of less than a marketable parcel of ordinary shares.

ASX Additional Information (Continued)

(d) Equity Security Holders

Twenty largest quoted equity security holders

The names of the twenty largest holders of quoted equity securities are listed below:

Name	Number Held	Percentage of Issued Shares
MBL CONSTRUCTIONS PTY LTD <The MB Point Family Trust>	100,000,000	5.72%
DEREK LENARTOWICZ	100,000,000	5.72%
CITICORP NOMINEES PTY LIMITED	86,466,104	4.94%
MICHAEL RALSTON & SHARON RALSTON < The Ralston Family Trust>	75,000,000	4.29%
MBL CONSTRUCTION PTY LTD < MB Point Family Account>	56,400,000	3.23%
DEREK LENARTOWICZ<Lenlee Superannuation Fund>	40,016,669	2.29%
GOLDRIM INVESTMENTS PROPRIETARY Limited	31,600,000	1.81%
MR GUL CHANDIRAM MAHTANI & MR AVEEN GUL MAHTANI & MRS MANJIT KAUR	26,750,000	1.53%
DEREK LENARTOWICZ	25,000,000	1.43%
MR MEJED ALAMEDDINE	20,000,000	1.14%
NATIONAL NOMINEES LIMITED	16,701,606	0.96%
ARRAKIS COMPANY LIMITED	16,250,000	0.93%
JP MORGAN NOMINEES AUSTRALIA LIMITED <Cash Income Account>	16,033,051	0.92%
KEVIN RAYMOND ALEXANDER	15,000,000	0.86%
MASTERBRANDS (AUS) PTY LTD	13,550,000	0.77%
MR ANDREW MARK GILLESPIE	13,500,000	0.77%
MR RICKY WONG	13,000,000	0.74%
NJLH INVESTMENTS PTY LTD	12,681,818	0.73%
ADVIDES GLOBAL INVEST LTD	10,000,000	0.57%
MR CENGIZ UYKUN	8,800,000	0.50%
MR MARK PHILIP SHAWCROSS	8,370,000	0.48%
	705,119,248	**40.32%**

Unquoted equity securities

	Number on Issue	Number of Holders
Options – exercisable at 3 cents (Expiry May 2014)	24,000,000	4

Substantial option holders are:

	Number Held
D Lenartowicz	7,000,000
MBL CONSTRUCTION PTY LTD < MB Point Family Account>	7,000,000
MICHAEL RALSTON & SHARON RALSTON < The Ralston Family Trust>	7,000,000
KEVIN RAYMOND ALEXANDER	3,000,000

ASX Additional Information (Continued)

(e) Interests in Tenements

	Description	Status	Interest
EL 2934	Peelwood	Granted	100%
EL 6081	Single Tree Hill	Granted	100%
EL 6082	Junction Point	Granted	100%
EL 6767	Elsieonora	Granted	100%
EL 6831	Limerick	Granted	100%
EL 6955	Mount Costigan	Granted	100%
EL 7002	Isabella	Granted	100%