

6 October 2011

SEPTEMBER 2011 QUARTERLY ACTIVITIES REPORT

HIGHLIGHTS

PROJECTS & BUSINESS DEVELOPMENT:

- Sultan acquires 85% of the highly prospective Bogdan Base Metals Project in Poland
- Preparations underway to commence the first exploration programme at Bogdan, which is located next to Europe's largest copper producer, the KGHM operation
- Feasibility work continues at the Monty Base Metals Project in Montenegro with metallurgical drilling having commenced in September
- Initial drilling results from Elsenora Project in NSW indicate an extensive zone of near-surface gold mineralisation
- Sultan moving ahead with a second phase of deeper gold exploration drilling programme at Elsenora in October
- Environmental Impact Study continues for the Peelwood Base Metals Project in NSW

CORPORATE:

- Sultan outlines Eastern European base metals consolidation and growth strategy
 - New Managing Director Mike Ralston commenced with Sultan on 1 August 2011
 - Sultan submits tender for Togo Phosphate Project, West Africa
 - Strong shareholder support for Sultan incentive scheme at EGM
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EXECUTIVE SUMMARY

During the September Quarter, Sultan Corporation (ASX: SSC) made significant progress with its new growth strategy targeting the consolidation of a portfolio of quality base metal production and exploration projects in Eastern Europe.

The key highlight for the Quarter was the Company's acquisition of the highly prospective Bogdan base metals exploration project in Poland, adding weight to its existing project portfolio in Eastern Europe which includes the Monty base metals project in the Balkans region (Montenegro), where feasibility work is continuing.

These two projects form the initial cornerstone of this new strategy; Sultan proposes to secure additional base metals projects in this region over the next few months with the objective of building a strong presence in this market over the medium term.

1. OPERATIONAL

Bogdan Project (base metals, Poland – 85%)

During the Quarter, the Company announced the acquisition of the Bogdan Project, which represents a significant new exploration asset for Sultan.

The Bogdan tenement, which covers an area of approximately 40 sq km, is located in south-west Poland, near the town of Lubin and immediately adjacent to the eastern boundary of the world-class copper production complex owned and operated by KGHM Polska Miedz S.A. ("KGHM") – the largest producer of copper in Europe and the third largest producer of silver in the world. All of this metal production comes from this location.

KGHM has delivered over 25 million tonnes of copper from this area over the last 40 years and produced 507,000 tonnes of copper last year. With a series of large underground mines in its portfolio, the company controls resources reported at 1,160 billion tonnes, grading 2.08% copper and 59g/t silver for a total of 24.11 million tonnes copper and 68,748 tonnes of silver* – sufficient to sustain production at these levels for the next 20 years.

The majority of the copper, silver and other base metals mined to date have come from operations located along the same regional feeder fault that extends through Sultan's newly acquired Bogdan tenement, making this project highly prospective as an exploration asset.

With concentrators, smelters and other key infrastructure in the immediate vicinity, Sultan may in future be able to leverage off KGHM's existing infrastructure and processing facilities, potentially avoiding a costly capital works programme if it is able to prove up a mineable reserve at Bogdan.

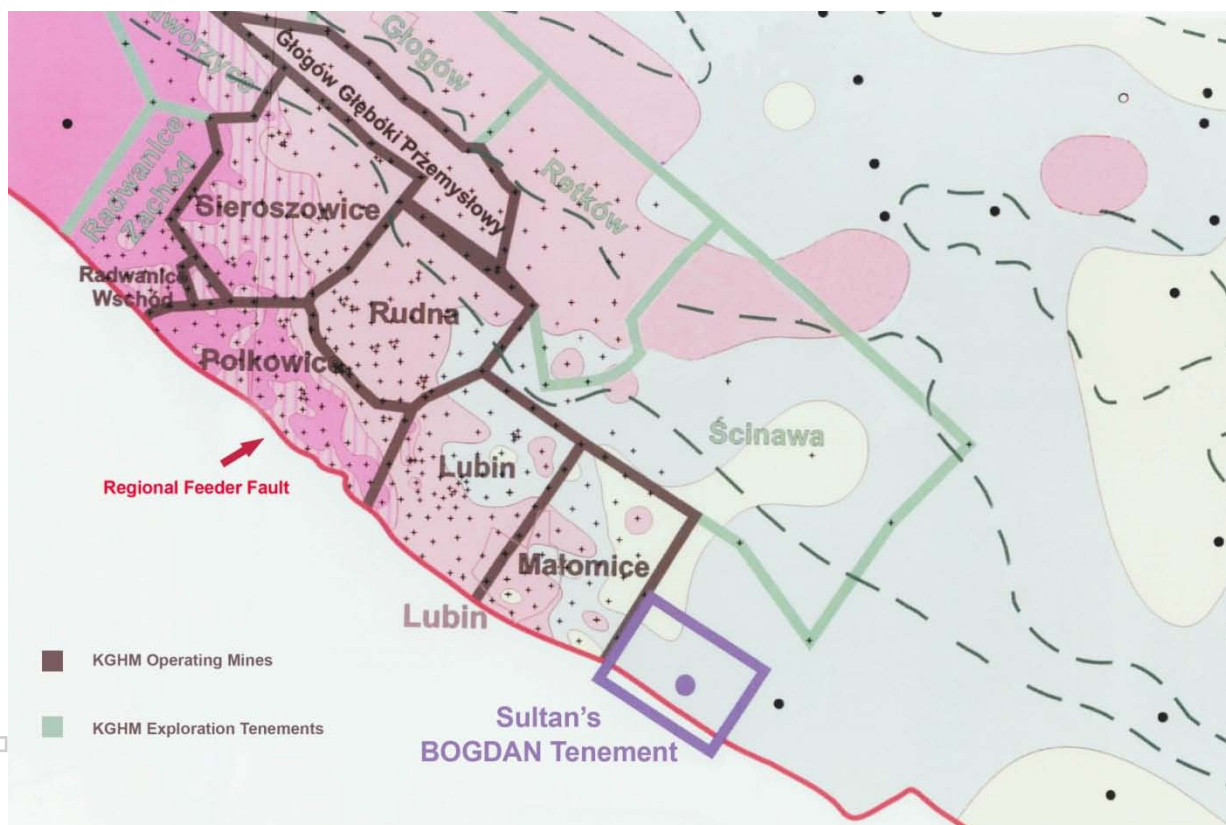


This competitive advantage, together with the low entry price for the project, makes it a valuable addition to Sultan's growing portfolio of base metal projects in Eastern Europe.

A historic drill hole which returned intercepts of both lead and silver indicates that the same style of mineralisation may continue from KGHM's tenements into the Bogdan Project. Sultan will be working on an initial exploration programme over the next few months at Bogdan to establish if this strike of base metal mineralisation does in fact continue into the Bogdan tenement.

** Source: KGHM Annual Report 2010, Marketing version - as displayed on KGHM website*

Location of Sultan's Bogdan tenement in close proximity to the existing KGHM mining operations, and along the same feeder fault system



The key terms for Sultan to acquire an 85% interest in the Bogdan Project are:

- a) an up-front 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;
- b) a committed exploration programme for a minimum 2,500 metres of drilling for expenditure of \$300,000 within the first 12-month period;



- c) a cash payment of \$400,000 – at Sultan’s discretion, payable within 12 months; and
- d) 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.

Sultan also intends to target the acquisition of other nearby tenements in the region to secure additional prospective ground, due to its location near significant operating mines and its close proximity to extensive infrastructure.

Sultan is currently engaging local geologists and drilling companies to manage the permitting process and all associated requirements to commence its first exploration programme.

Monty Project (base metals, Montenegro – 100%)

During the Quarter, Sultan continued to progress the Feasibility Study for its cornerstone Monty base metals project in Eastern Europe, with drilling having commenced in September to extract metallurgical samples.

This programme will take approximately one month to recover around 200-300kg of core for laboratory test work relating to the concentrate recovery of zinc, lead, copper and silver.

This laboratory work is expected to take until the end of 2011 as Sultan seeks the optimum recovery mix of all metals in the concentrate. The Company will then use this information to design the processing plant.

Simultaneously, work will be undertaken on mine planning to complete the pit design and other key requirements. Sultan is aiming to begin construction of the plant commencing from 2H 2012 with a view to progressing Monty towards production sometime around mid-2013.

Monty is a polymetallic resource with a JORC compliant Inferred Resource of **9.2Mt grading 3.8% zinc, 1.2% lead and 0.36% copper, containing 350,000t of contained zinc, 110,400t of lead and 33,120t of copper**. Sultan believes there is potential to further expand this resource; accordingly, the Company will continue to explore for extensions to the mineralisation in parallel with progressing its plans to mine this asset from 2013.

As Monty was previously mined, Sultan is confident that the metallurgical sampling will show good recovery of all these metals and provide the basis for a strong, diversified revenue stream.

In addition, Sultan believes that forecast costs of production at Monty will be significantly lower than a similar project in Australia (in particular, lower cost of labour and power representing two of the most significant operating costs), thus generating a robust margin.



Sultan is targeting initial production of 200,000tpa of ore throughput at Monty, rising to around 400,000tpa once fully ramped up.

Elsienora Project (gold and base metals, NSW/Australia – 100%)

Sultan remains sufficiently optimistic about the gold prospectivity of its Elsenora Project to invest appropriate resources to continue to develop this asset, which is one of the key tenements within the overall Peelwood Project (copper, lead, zinc and silver).

Sultan's geologists believe that Elsenora hosts a similar style of near-surface mineralisation to that found at the large McPhillamy's gold project (Newmont/Alkane Resources), located approximately 50km to the north, which has a stated +3M oz gold resource.

Sultan completed a shallow first phase exploration programme during the last quarter to establish evidence of this mineralisation, with a view to building confidence for a more extensive and deeper diamond drilling programme over the next quarter targeting more substantial gold zones.

This second exploration programme will commence shortly and will take around two months to complete. Sultan expects initial results by late 2011/early 2012.

Peelwood (base metals, NSW/Australia – 100%)

Sultan continues to work through the EIS (Environmental Impact Study) for the Peelwood Project with a targeted completion by the end of 2011.

The Company has engaged a very capable Project Manager for this process and does not expect any major issues; however, it is a process that takes time to address each and every detail. Sultan is aiming to have this project ready for production by early 2012 with a view to ascertaining the best option for plant construction thereafter and, ultimately, mining this asset.

2. CORPORATE

Strategy

Experienced mining executive Mike Ralston commenced as the new Managing Director of Sultan from 1 August with the former MD Derek Lenartowicz moving to the role of Executive Chairman.

Milos Bosnjakovic remains an Executive Director, with particular emphasis on business development.



This change coincides with a new growth strategy outlined by Sultan during the Quarter based on the consolidation of several quality base metals projects in Eastern Europe, leveraging off the Company's key competitive advantage in having in-house capability to secure quality resource assets in this region (and in particular, the network of two of its Executive Directors who are formerly from this region).

Sultan believes that some of the key advantages to this strategy typically might be:

- lower cost entry price for quality resource projects, as compared to other locations;
- supportive Governments and regional authorities (seeking strong resource market growth in their respective countries);
- relative security of tenure (including strengthening bilateral ties with Australia);
- lower capital cost for infrastructure works;
- low per unit production cost – across the board, including most major cost areas for mining operations;
- relatively experienced mining workforce – rich history of mining in the region;
- ease of entry into mining operations, including licensing and permitting - relative to Australia;
- long mining history, including many significant assets in the region;
- close proximity to European markets, with established infrastructure in place; and
- other synergies and economies of scale from projects located within the same region.

Monty and Bogdan represent two important initial projects within this overall consolidation strategy and Sultan intends to add others. The ultimate goal will be to achieve a series of assets that cover the full spectrum from in-production right through to greenfields exploration, building a mid-tier resource company that will target a significant production and operating profit profile from 2013 onwards.

Togo Phosphate Project

Sultan announced during the Quarter that it had submitted a tender for a large phosphate project located in Togo (West Africa). The Company is currently awaiting feedback from the Togo Government regarding the outcome of that process.

Sultan received significant support from several quality partners in its tender and this ultimately helped solidify a strong bid document.

Sultan believes that it is a very capable potential mining partner for the Togo Government in developing a key strategic asset for that country.

In the meantime, while it awaits the outcome of this tender process, Sultan will continue to build its East European consolidation strategy.



La Jolla Cove debt instrument

Sultan wishes to advise the market of a dispute regarding the (\$430,000) legacy debt instrument provided by US-based La Jolla Cove Investors ("LJCI"), which shareholders voted against at the Annual General Meeting of the Company in 2010.

La Jolla Cove Investors, the company which provided Sultan with a convertible note facility in 2010, have lodged a claim against Sultan, seeking Sultan shares as settlement of the convertible note, however this claim subsequently failed due to flawed service of the claim. This note had not been honoured as a result of Sultan shareholders rejection of the resolution to issue shares to LJCI and the Sultan Board's acknowledgement of this position.

The claim was re-lodged and has since been removed from court again by Sultan and is currently the subject of a motion to dismiss. Sultan is still seeking to settle the matter without further reference to the court, but the Company is seeking a fairer and more equitable position on settlement than LJCI is currently prepared to offer.

At this stage, a final settlement has not been reached and Sultan reserves its rights to continue to pursue this matter through legal channels if a commercial settlement cannot be agreed.

3. CASH AND FINANCE

Sultan has approximately \$4.2 million cash in bank as at end September. This represents a strong cash position relative to ongoing commitments and the current corporate cash burn rate.

No further fund raising is considered necessary in the short term.

-ENDS-

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1. Competent Persons Statement

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

Location of Sultan's Monty Project in Montenegro

