SULTAN CORPORATION LIMITED
ABN 84 061 219 985

Annual Report
30 June 2010

CORPORATE DIRECTORY

Directors

Derek Lenartowicz
(Jimmy) Kong Leng Lee
Milos Bosnjakovic

Company Secretary

Ian Hobson

Auditors

Ord Partners
Level 1
47 - 49 Stirling Highway
Nedlands WA 6009

Bankers

Westpac Banking Corporation
109 St George's Terrace
Perth WA 6000

Registered Office

Suite 5
95 Hay Street
Subiaco WA 6008
Telephone: +61 8 9388 8290
Facsimile: +61 3 9388 8256

Principal Place of Business

Level 1
350 Hay Street
Subiaco WA 6008
Telephone: +61 8 6363 5258
Facsimile: +61 3 9388 6040

Share Registry

Link Market Services Limited
80 Stirling Street
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

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DIRECTORS' REPORT
30 June 2010

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 2010.

Directors

The names of the directors of the Company in office during the year and until the date of this report are as follows. The directors were in office for this entire period unless otherwise stated.

Derek Lenartowicz
(Jimmy) Kong Leng Lee
Milos Bosnjakovic

Zoran Kovacev was a director at the beginning of the year until his resignation on 28 February 2010.

Principal Activities

During the year the principal continuing activity was the exploration of the Peelwood zinc and copper project, incorporating the John Fardy deposit.

Review and Results of Operations

During the year, the consolidated entity:

1. Commenced 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 a gold focussed review of the existing Isabella exploration databases and established near surface gold mineralisation;

3. Raised $1,500,000 (before costs of issue) from a placement of 150,000,000 shares at 1 cent; 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 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.

The comprehensive loss for the consolidated entity was $1,895,260 (2009: $1,836,288).

Significant Changes in the State of Affairs

No significant changes in the state of affairs of the consolidated entity occurred during the financial year, other than the grant of a 25 year exploration and mining lease of the former "Brskovo" mine and associated zinc/lead deposits near Mojkovac, Montenegro.

Dividends

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

Matters Subsequent to the End of the Financial Year

Subsequent to balance date:

1. finance up to an aggregate of US$4 million has been secured from La Jolla Cove Investments Inc (LJCI) through an agreement to issue two unsecured 2 year 4.75% pa interest consecutive notes of US$2 million each. The agreement provides that the notes be drawn down by monthly US$150,000 instalments. The first note has issued with the second note to be issued when the principal amount of the first note is less than US$50,000 either by repayment or conversion. A note can be converted wholly or in part at the lesser of A$0.05 or 80% of the average of the three lowest VWAP during the prior 21 trading days, provided LJCI does not acquire a relevant interest of more than 9.99% of the Company;

2. a partial recovery of the impaired US$500,000 advance (see Note 12) has been made with $125,000 received; and

3. the Company has listed on the Frankfurt Stock Exchange.

Other than these matters, there has been no matter or circumstance that has arisen since 30 June 2010 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

There were no likely developments in the operations of the consolidated entity that were not finalised at the date of this report.

Environmental Regulation

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

Information on Directors

Derek Lenartowicz BS Eng MSE (Executive director, age 52)
Appointed 2 May 2007

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.

Special Responsibilities
Managing Director

Interests in Shares and Options
67,412,531 ordinary shares
25,000,000 options to acquire ordinary shares

Information on Directors (continued)

(Jimmy) Kong Leng Lee (Non-Executive director, age 58)
Appointed 10 February 2009

Experience and Expertise
Mr Lee is regarded as specialist in the phosphate industry with the experience gained as Operations Manager and then General Manager of Christmas Island Phosphates. He has also been successful at contract negotiations and company investment strategies. As General Manager of Carey Mining Pty Ltd his responsibilities included contract management, company finance, general management and business development. Mr Lee has worked with a number of major Australian resources companies and has held senior positions with Carey Mining Pty Ltd; Christmas Island Phosphates, WMC Limited and North Limited.

Other Current Directorships
None

Former Directorships in the Last Three Years
Terrain Minerals Limited, appointed 8 September 2005 and resigned 22 May 2008.

Special Responsibilities
None

Interests in Shares and Options
1,830,952 ordinary shares

Milos Bosnjakovic (Non-Executive director, age 52)
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

Special Responsibilities
None

Interests in Shares and Options
66,138,095 ordinary shares

Company Secretary
The company secretary is Ian Hobson who holds a Bachelor of Business Degree and is a Chartered Accountant and Chartered Secretary. Mr Hobson was appointed to the position of Company Secretary on 26 July 2006. Mr Hobson was also a director of the Company from 26 July 2006 until 30 March 2009. Mr Hobson provides company secretarial services and corporate, management and accounting advice to a number of listed public companies involved in the resource and technology industries.

Information on Directors (continued)

Meetings of Directors

The numbers of meetings of the Company's board of directors held during the year ended 30 June 2010, and the numbers of meetings attended by each director were:

Director	Number of Meetings	
	Eligible to attend	Attended
Derek Lenartowicz	10	10
Jimmy Lee	10	8
Zoran Kovacev	6	6
Milos Bosnjakovic	10	10

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 (audited)

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. No executive director or key executive personnel received share based payments as part of their compensation packages during the financial year.

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. No non-executive director received share based payments as part of their director remuneration during the financial year. Share based payments were made for consultancy services (see 4 at page 10 for the details). There are no fees based on the financial performance of the Company and consolidated entity.

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** (audited)

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.

2010		Short term employee benefits					Post employment benefits	Other long term	Termination benefits	Share based payments	Total
		Salary & fees	Cash profit sharing & other bonuses	Non-monetary benefits	Other	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	(i) (iii)	30,000	-	-	-	30,000	-	-	-	57,348	87,348
Zoran Kovacev (appointed 30 Mar 2009 resigned 10 Feb 2010)	(i)	18,349	-	-	-	18,349	1,651	-	-	-	20,000
Key Personnel											
Ian Hobson (resigned as a director 30 Mar 2009)	(iv)	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 (2009: $226,200) for executive director's fees.
(iii) M8 Holdings Pty Ltd, an entity associated with (Jimmy) Kong Leng Lee, was paid $30,000 (2009: $11,506) for director's fees. The shares 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) Churchill Services Pty Ltd, an entity associated with Ian Hobson, was paid $60,000 (2009: $60,000) for company secretarial services.

Remuneration Report (audited) (continued)

2 Details of remuneration (audited) (continued)

2009		Short term employee benefits					Post employment benefits	Other long term	Termination benefits	Share based payments	Total
		Salary & fees	Cash profit sharing & other bonuses	Non-monetary benefits	Other	Total	Super-annuation				
		$	$	$	$	$	$	$	$	$	$
Executive director											
Derek Lenartowicz	(ii)	226,200	-	-	-	226,200	-	-	-	-	226,200
Non-executive directors											
Trevor Benson (resigned 10 Feb 2009)	(i)	18,349	-	-	-	18,349	1,651	-	-	-	20,000
(Jimmy) Kong Leng Lee (appointed 10 Feb 2009	(i) (iii)	11,506	-	-	-	11,506	-	-	-	-	11,506
Zoran Kovacev (appointed 30 Mar 2009)	(i)	6,881	-	-	-	6,881	619	-	-	-	7,500
Milos Bosnjakovic (appointed 2 June 2009)	(i)	-	-	-	-	-	-	-	-	-	-
Key Personnel											
Ian Hobson (resigned as a director 30 Mar 2009)	(iv)	60,000	-	-	-	60,000	-	-	-	-	60,000
Kevin Alexander		150,000	-	-	-	150,000	13,500	-	-	-	163,500
Totals		**472,936**	-	-	-	**472,936**	**15,770**	-	-	-	**488,706**

(v) Refers to director's fees earned for the period acting as a Director.

3 Service agreements (audited)

A service agreement with Derek Lenartowicz (Managing Director) expired on 18 June 2010. 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 Executive Services Agreement 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.

Remuneration Report (audited) (continued)

3 Service agreements (audited)(continued)

There is 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.
- 7,000,000 shares and 9,000,000 2 cent options escrowed pending completion of 2 years continuous employment with the Company (released from escrow 23 July 2009).
- Termination: By Company - 4 weeks notice or payment in lieu of notice. By employee – 3 months notice.

Neither the non-executive director, Jimmy Lee, nor the company secretary, Ian Hobson, are subject to service agreements. They serve until they resign, are removed, cease to or are prohibited from holding the position under the provisions of the *Corporations Law 2001*, or are not re-elected to office. They are remunerated on a monthly basis with no termination payments payable.

4 Share-based compensation (audited)

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

Issue Date	Issued to:	Allocated to:	Issued	Value $
11/06/10	Milos Basnjakovic	Other expenses	7,500,000	75,000

The share value was determined using the quoted closing share price on the allotment date of the shares.

During 2009, no shares or options were issued to directors or key personnel in consideration for services rendered.

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

(End of Remuneration Report)

Additional information

(a) Shares Under Option

At 30 June 2010 there were 49,000,000 ordinary shares under option (2009: 75,500,000) made up of 49,000,000 options with an exercise price of 2 cents on or before 31 December 2010.

(b) Insurance of Officers

During the financial year the Company paid a premium of $18,016 (2009: $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

Ord Partners are the appointed auditors of the Company and remain in office in accordance with Section 327 of the *Corporations Act 2001*.

(f) Indemnity of Auditor

The auditor (Ord Partners) has not been indemnified under any circumstance.

(g) Audit Services

During the financial year $31,825 (2009: $32,375) was paid or is payable for audit services provided by the auditor, Ord Partners.

(h) Non-Audit Services

There were no non-audit services provided by the auditors (Ord Partners) 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.

(i) 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 12 of the Annual Report.

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

Derek Lenartowicz
Managing Director
Perth
30 September 2010

To the Board of Directors of Sultan Corporation Limited

Dear Sirs

AUDITORS INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001

I declare that, to the best of my knowledge and belief, in relation to the audit for the year ended 30 June 2010, there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

Yours faithfully
ORD PARTNERS

Robert Parker
Partner

Perth, 30 September 2010

ORD PARTNERS
CHARTERED ACCOUNTANTS

Ian K Macpherson CA

Robert W Parker CA

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Corporate Governance Statement

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 are 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 composition changed during the year. Consistent with the size of the Company and its activities, the board is currently comprised of three (3) directors, two (2) of whom are non-executive directors (one (1) of which is independent) and one (1) is an executive director. The board's policy is that the majority of directors shall be independent, non-executive directors. The composition of the board does not currently conform to its policy.

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".

The Company does not have a Chairman. This role is assumed by 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;

(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;

Corporate Governance Statement (continued)

Board Responsibilities (continued)

(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 2010, and the number of meetings attended by each director is disclosed in the Directors' Report under the heading "Meetings of Directors'"

Conflict of interests

There were no conflicts of interest during the reporting period.

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 three 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 one executive director and three non-executive directors 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.

No share based payments, bonuses or retirement benefits were paid to any director during the financial year. All directors received a fixed fee. Superannuation contributions were made for and on behalf of the executive director and one non-executive director.

Trading in the Company's Shares

The Company has established a policy concerning trading in securities by directors, senior executives and employees. 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.

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 2010:

(i) that the Company's Financial Report is complete and presents a true and fair view, in all material respects, of the financial condition and operational results of the Company; 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 Ord Partners 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 22 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, and has made an advance in USD (See Note 11 to the financial statements).

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.

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 ASX Principles and Recommendations as follows:

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.
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 not presently have a chairman. That role is assumed by the managing director. It is the Board's view that the size and complexity of the Company does warrant the appointment of a chairman at this time.
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.

Corporate Governance Statement (continued)

Non-Compliance with ASX Principles and Recommendations (continued)

Recommendation Ref	Notification of Departure	Explanation for Departure
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 monitor material business risks.
8.1	The Board should establish a remuneration committee	The Company does not have a remuneration committee due its size.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
For the year ended 30 June 2010

	Note	2010 $	2009 $
Other Revenue	5	22,604	65,461
Employee Benefits – Cash		(248,043)	(241,705)
Directors' & Company Secretary Remuneration - Cash		(480,150)	(310,206)
Other expenses	6	(657,675)	(614,379)
Exploration costs expensed as incurred		(385,252)	(173,661)
Unrealised foreign exchange loss		(58,639)	(69,520)
Impairment of advance	11	(88,105)	(492,278)
Loss before income tax expense		(1,895,260)	(1,836,288)
Income tax expense	8		-
Loss after tax		**(1,895,260)**	**(1,836,288)**
Other comprehensive income		-	-
Total comprehensive loss for the year attributable to the owners of the parent		**(1,895,260)**	**(1,836,288)**
Basic and diluted loss per share (cents per share)	26	(0.23)	(0.31)

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 2010

	Note	2010 $	2009 $
Current assets			
Cash and cash equivalents	9	606,266	884,604
Trade and other receivables	10	35,470	179,643
Advance	11	-	-
Other assets	12	28,116	26,729
Total current assets		669,852	1,090,976
Non-current assets			
Other assets	13	81,345	91,345
Plant and equipment	14	19,771	29,638
Exploration and evaluation assets	15	3,237,240	3,237,240
Investments	7	-	-
Total non-current assets		3,338,356	3,358,223
Total assets		4,008,208	4,449,199
Current liabilities			
Trade and other payables	16	154,448	234,585
Provision	17	22,946	25,188
Total current liabilities		177,394	259,773
Total liabilities		177,394	259,773
Net assets		**3,830,814**	**4,189,426**
Equity			
Issued capital	18	39,979,448	38,442,800
Reserves	19	1,979,500	2,097,387
Accumulated losses	19	(38,128,134)	(36,350,761)
Total equity		**3,830,814**	**4,189,426**

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 2010

	Note	Issued capital $	Share Application Proceeds $	Option Premium Reserve $	Share Based Payments Reserve $	Accumulated Losses $	Total Equity $
Balance at 1 July 2009		**38,442,800**	**-**	**587**	**2,096,800**	**(36,350,761)**	**4,189,426**
Comprehensive Loss for period		-	-	-	-	(1,895,260)	(1,895,260)
Total recognised income and expenses for the year		-	-	-	-	(1,895,260)	(1,895,260)
Shares issued	18	1,632,348	-	-	-	-	1,632,348
Options expired		-	-	(587)	(117,300)	117,887	-
Capital raising costs		(95,700)	-	-	-	-	(95,700)
Balance at 30 June 2010		**39,979,448**	**-**	**-**	**1,979,500**	**(38,128,134)**	**3,830,814**

For the year ended 30 June 2009

	Note	Issued capital $	Share Application Proceeds $	Option Premium Reserve $	Share Based Payments Reserve $	Accumulated Losses $	Total Equity $
Balance at 1 July 2008		36,566,043	922,200	587	2,303,200	(34,720,873)	5,071,157
Comprehensive Loss for period		-	-	-	-	(1,836,288)	(1,836,288)
Total recognised income and expenses for the year		-	-	-	-	(1,836,288)	(1,836,288)
Shares issued	18	1,958,794	(922,200)	-	-	-	1,036,594
Capital raising costs		(82,037)	-	-	-	-	(82,037)
Options expired		-	-	-	(206,400)	206,400	-
Balance at 30 June 2009		**38,442,800**	**-**	**587**	**2,096,800**	**(36,350,761)**	**4,189,426**

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

CONSOLIDATED STATEMENT OF CASH FLOWS
For the year ended 30 June 2010

	Note	2010 $	2009 $
Cash flows from operating activities			
Receipts from customers		-	10,179
Payments to suppliers and employees		(1,189,398)	(1,104,106)
Exploration expenditure		(394,247)	(304,533)
Interest received		21,214	56,207
Net cash flows used in operating activities	25	**(1,562,431)**	**(1,342,253)**
Cash flows from investing activities			
Deposits (paid)/returned		10,000	-
Acquisition of plant and equipment		(3,695)	(1,940)
Advance		(126,512)	(561,797)
Net cash flows used in investing activities		**(120,207)**	**(563,737)**
Cash flows from financing activities			
Proceeds from issue of share capital		1,500,000	1,025,793
Payment of share issue costs		(95,700)	(80,458)
Net cash flows provided by financing activities		**1,404,300**	**945,335**
Net Increase/(decrease) in cash and cash equivalents		**(278,338)**	**(960,655)**
Cash and cash equivalents at beginning of the year		**884,604**	1,845,259
Cash and cash equivalents at end of the year	9	**606,266**	**884,604**

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the Financial Report are set out below. These policies have been consistently applied to the years presented, unless otherwise stated. This Financial Report covers the consolidated entity, comprising Sultan Corporation Ltd (the "Company") and its subsidiaries, Isabella Minerals Pty Ltd and North Mining Doo.

The Company is a listed public company and it and its subsidiary, Isabella Minerals Pty Ltd, are domiciled in Australia. The subsidiary, North Mining Doo, is domiciled in Montenegro. The financial statements are presented in Australian dollars, which is the consolidated entity's functional and presentation currency.

(a) Basis of preparation

This general purpose Financial Report has been prepared in accordance with the *Corporations Act 2001* and Australian Accounting Standards (including Australian Interpretations) issued by the Australian Accounting Standards Board unless stated otherwise.

On 28 June 2010, the government announced the passage of the Corporations Amendment (Corporate Reporting Reform) Bill 2010 ("the Bill"). The changes contained within the Bill came into effect for the financial year ended 30 June 2010. A key change that impacted the financial report of Sultan Corporation Limited is the abolition of the requirement to present parent company financial statements in addition to consolidated financial statements. As a result of this, the separate financial statements of the parent entity, Sultan Corporation Limited, have not been presented within this group financial report. Certain disclosures required by the Corporations Act 2001 in relation to the parent entity are detailed in Note 29 to the financial statements.

The consolidated entity has applied the revised AASB 101 Presentation of Financial Statements which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the group had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

It is recommended that this Financial Report be read in conjunction with any public announcements made by Sultan Corporation Limited and its controlled entity during the year in accordance with continuous disclosure requirements arising under the *Corporations Act 2001*.

Compliance with IFRS
The consolidated Financial Report also complies with International Financial Reporting Standards (IFRS) and Interpretations as issued by the International Accounting Standards Board (IASB).

Historical cost convention
These financial statements have been prepared under the historical cost convention.

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 judgement in the process of applying the consolidated entity's accounting policies. Where these are areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, these are disclosed in Note 3.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

1 Summary of significant accounting policies (continued)

(a) Basis of preparation (continued)

Going concern

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 net loss after tax for the year ended 30 June 2010 of $1,895,261 (2009; $1,836,288) and experienced net cash outflows from operating activities of $1,562,431 (2009: $1,342,353).

The Directors believe that with the financing facility secured in July 2010 of up to US$4 million (refer Note 24) that there are sufficient available funds to meet the consolidated entity's working capital requirements without the need to secure further working capital by the issue of additional equities, debt, entering into negotiations with third parties regarding the sale of non-core assets or farm out of assets, or a combination of debt, equity and/or the sale of assets.

During the year, the Company has successfully raised $1.5 million (2009:$1.9 million) excluding capital raising costs through the issue of 150 million ordinary fully paid shares (2009: 234 million ordinary fully paid shares).

Based on the above, the Directors are confident that the Company could successfully raise additional funds to meet its financial obligation in the future period if and when required.

The directors have reviewed the business outlook and are of the opinion that the use of the going concern basis of accounting is appropriate as they believe the Company and consolidated entity will achieve the matters set out above.

Notwithstanding this, there is significant uncertainty whether the consolidated entity will be able to continue as a going concern.

Should the consolidated entity be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the Financial Report.

The Financial Report does not include any adjustments relating to the recoverability and classification of recorded asset amounts or to the amounts and classification of liabilities that may be necessary should the Company and the consolidated entity be unable to continue as going concerns.

(b) Other income

Interest income is recognised as it accrues on the effective interest method. Rental income is recognised as it is receivable.

(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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

1 Summary of significant accounting policies (continued)

(c) Income Tax (continued)

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.

(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. Listed securities are measured at fair value and unlisted securities at cost 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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

1 Summary of significant accounting policies (continued)

(g) Plant & Equipment (continued)

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	3.3 years	30%
Leasehold Improvements	3 years	33%

(h) Principles of Consolidation

The consolidated financial statements incorporate the assets and liabilities of the subsidiary of Sultan Corporation Ltd as at 30 June 2010 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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

1 Summary of significant accounting policies (continued)

(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 and only 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.

Development costs related to an area of interest are carried forward to the extent that they are expected to be recouped either through sale or successful exploitation of the area of interest.

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 for impairment if (i) sufficient data exists to determine technical feasibility and commercial viability, and (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 both a specific asset and collective level. All individually significant receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant receivables and held-to-maturity investment securities found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together receivables and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment the Consolidated Entity uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

1 Summary of significant accounting policies (continued)

(m) Impairment of Assets (continued)

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.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) 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 (cash-generating unit) 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 23(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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

1 Summary of significant accounting policies (continued)

(p) Employee Benefits (continued)

(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.

(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 Australian 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

A business segment is identified for a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different to those of other business segments. A geographical segment is identified when products or services are provided within a particular economic environment subject to risks and returns that are different from those of segments operating in other economic environments.

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".

Comparative segment information has been re-presented in conformity with the transitional requirements of IFRS 8 Operating Segments. Since the change in accounting policy only affects presentation and disclosure aspects, there has been no impact on earnings per share.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

1 Summary of significant accounting policies (continued)

(u) New Accounting Standards and Interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods.

The consolidated entity assessment of the impact of these new standards and interpretations is set out below.

- AASB 9: Financial Instruments and AASB 2009-11; Amendments to Australian Accounting Standards arising from AASB 9 (applicable for annual reporting periods commencing on or alter 1 January 2013).

  These standards are applicable retrospectively and amend the classification and measurement of financial assets. The consolidated entity has not yet determined the potential impact on the financial statements.

  The changes made to accounting requirements include:
  - simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
  - simplifying the requirements for embedded derivatives;
  - removing the tainting rules associated with held-to-maturity assets;
  - removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
  - allowing an irrevocable election on initial recognition to present gains and losses on investments in equity instruments that are not held for trading in other comprehensive income. Dividends in respect of these investments that are a return on investment can be recognised in profit or loss and there is no impairment or recycling on disposal of the instrument; and
  - reclassifying financial assets where there is a change in an entity's business model as they are initially classified based on;
    a. the objective of the entity's business model for managing the financial assets; and
    b. the characteristics of the contractual cash flows.

- AASB 2009-5; Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (applicable for annual reporting periods commencing from 1 January 2010).

  These standards detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. No changes are expected to materially affect the consolidated entity.

- AASB 2009-8; Amendments to Australian Accounting Standards - Group Cash-settled Share-based Payment Transactions [AASB 2] (applicable for annual reporting periods commencing on or after 1 January 2010).

  These amendments clarify the accounting for group cash-settled share-based payment transactions in the separate or individual financial statements of the entity receiving the goods or services when the entity has no obligation to settle the share-based payment transaction. The amendments incorporate the requirements previously included in Interpretation 8 and Interpretation 11 and as a consequence, these two Interpretations are superseded by the amendments. These amendments are not expected to impact the consolidated entity.

- AASB 2009-10: Amendments to Australian Accounting Standards - Classification of Rights Issues [AASB 132] (applicable for annual reporting periods commencing on or after 1 February 2010).

  These amendments clarify that rights, options or warrants to acquire a fixed number of an entity's own equity instruments for a fixed amount in any currency are equity instruments if the entity offers the rights, options or warrants pro-rata to all existing owners of the same class of its own non-derivative equity instruments. These amendments are not expected to impact the consolidated entity.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

1 Summary of significant accounting policies (continued)

(u) New Accounting Standards and Interpretations (continued)

- AASB Interpretation 19 Extinguishing Financial Liabilities with Equity Instruments (applicable for annual reporting periods commencing on or after 1 July 2010).

  This Interpretation deals with how a debtor would account for the extinguishment of a liability through the issue of equity instruments. The Interpretation states that the issue of equity should be treated as the consideration paid to extinguish the liability, and the equity instruments issued should be recognised at their fair value unless fair value cannot be measured reliably in which case they shall be measured at the fair value of the liability extinguished. The Interpretation deals with situations where either partial or full settlement of the liability has occurred. This Interpretation is not expected to impact the consolidated entity.

The consolidated entity does not anticipate the early adoption of any of the above Australian Accounting Standards.

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 risk. However, as activities increase there may be exposure to market, credit and liquidity risks.

(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 their 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. a USD loan has been made and the movement in the exchange rate from the advancement date to the reporting date has led to an unrealised exchange loss (2010: $38,437 on US$500,000 2009:$69,490 on US$400,000); and

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 $100,000 bank guarantee provided in respect to the Montenegro matter. Exchange rate movements are expensed. The exchange rate loss for 2010 is $20,232.

Interest Rate Risk

The consolidated entity has interest bearing assets in the form of cash and cash equivalents. Therefore the consolidated entity's income and operating cash flows are subject to changes in the market rates.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

2 Financial Risk Management (continued)

(a) Market Risk (continued)

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, is as follows:

	Weighted Average Interest Rate	Floating Interest rate	Non-interest bearing	Total
2010 Consolidated				
Financial Assets:		$	$	$
Cash and cash equivalents	3.03%	361,403	244,863	606,266
Trade & other receivables		-	10,781	10,781
Other		-	28,116	28,116
Total Financial Assets		361,403	283,760	645,163
Financial Liabilities				
Payables		-	154,448	154,448
Total Financial Liabilities		-	154,448	154,448
Net Financial Assets		361,403	129,312	490,715
2009 Consolidated				
Financial Assets:		$	$	$
Cash and cash equivalents	4.62%	484,427	400,177	884,604
Trade & other receivables		-	160,889	160,889
Other assets		-	26,729	26,729
Total Financial Assets		484,427	587,795	1,072,222
Financial Liabilities				
Trade & other payables		13,125	221,460	234,585
Total Financial Liabilities		13,125	221,460	234,585
Net Financial Assets		471,302	366,335	837,637

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:

	Loss before tax and cash flow	
	2010	**2009**
Consolidated Entity	**$**	**$**
+1% (100 basis points)	3,614	4,844
-0.5% (50 basis points)	(1,807)	(2,422)

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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

2 Financial Risk Management (continued)

(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.

In 2010, an advance of US$100,000 (2009: US$400,000) was made that was to be applied against a fee on the procurement of mining permits. The mining permits have not been procured and the advance is repayable. Whilst the advance is secured against property, there is no reasonable certainty that the advance will be recovered in full and it has been fully impaired at balance date (US$500,000 in aggregate). Post-balance date there has been a partial recovery (see Note 24).

(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 can be raised as and when required to fund the operations of the consolidated entity. Liquidity risk is the risk that the consolidated entity can 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.

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions. 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 are 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. A capital raising is planned during the current year. Beyond that date it will be reliant on its ability to reduce costs and raise further capital.

Trade and other payables are expected to be settled within 30 to 45 days.

3 Critical Accounting Estimates and Judgements

Estimates and judgements 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 as there is uncertainty that the expenditure can be recouped through the sale or successful development and exploitation of the areas of interest.

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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

3 Critical Accounting Estimates and Judgements (continued)

Impairment: The consolidated entity assesses impairment at each reporting date by evaluating conditions specific to the consolidated entity that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. The impairment loss recorded in the 2010 was $88,105 (2009:$492,278).

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.

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, 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 all other segments reporting segment.

The consolidated entity is an explorer for prospective zinc and copper tenements in New South Wales and a potential explorer for zinc and lead in Montenegro.

Geographical Segment
The consolidated entity is domiciled in Australia and currently operates solely within Australia. With the grant of the 25 year exploration and mining lease of the former "Brskovo" mine and associated zinc/lead deposits near Mojkovac, Montenegro, activities will be undertaken in the country.

5 Other income

	Consolidated	
Other income:	2010 $	2009 $
Rent	-	8,654
Other	-	600
Interest received	22,604	56,207
	22,604	**65,461**

6 Expenses

	Consolidated	
	2010	2009
Other expenses include:	$	$
Accounting & Audit Fees	59,282	69,037
ASIC & ASX Listing Fees	25,447	30,608
Share Based Payments	132,348	-
Consultants' Fees	38,389	143,454
Depreciation	13,562	14,590
Insurance	30,072	16,644
Legal Fees	21,610	18,907
Office Rent	80,326	71,940
Office Utilities, Maintenance & Supplies	150,327	98,222
Share registry Maintenance	16,609	16,688
Travel & Accommodation	89,703	134,289
	657,675	**614,379**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

7 Investments

	Consolidated 2010 $	2009 $
Available-for-sale financial asset:		
Investment in Hong Kong Dragon Industries Ltd	100,000	100,000
Less: Provision for impairment loss	(100,000)	(100,000)
	-	-

Whilst the Company has a 30% interest in Hong Kong Dragon Industries Ltd ("HKD"), HKD is not an associate of the Company. The Company has no board representation and does not have the ability to participate in the financial and operating policy decisions of HKD.

8 Income Tax Expense & Deferred Tax

(a) Income Tax Expense

	Consolidated 2010 $	2009 $
Current tax	-	-
Deferred tax	-	-
	-	-

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

	2010	2009
Loss from continuing operations before income tax expense	(1,895,260)	(1,836,288)
Tax at the Australian tax rate of 30% (2008 30%)	(568,579)	(550,886)
Tax effect of amounts not deductable (allowable) in calculating taxable income:		
Under provision prior year	54,076	-
Share based payments	39,704	3,240
Creditors & Accruals	-	367
Annual Leave	-	566
Asset Impairment	-	147,683
Unrealised exchange loss	-	20,775
Expenses incurred on foreign projects	30,205	-
Entertainment	855	-
Allowable deductions	(30,761)	(30,069)
Tax losses not recognised	474,500	408,324
Income tax expense	-	-

(c) Unrecognised Deferred Tax Assets

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

	2010	2009
Tax losses - revenue	2,395,051	1,892,299
Temporary differences - exploration	(971,172)	(971,172)
Temporary differences - other	254,371	282,623
	1,678,250	**1,203,750**

Deferred tax assts 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:

	2010	2009
Exploration	(971,172)	(971,172)
Advance	174,115	147,683
Trade & other payables	7,459	28,969
Section 40-880 expenses	72,797	105,971
Tax loss carry-forward	2,395,051	1,892,299
	1,678,250	**1,203,750**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

9 Current Assets – Cash and Cash Equivalents

	Consolidated	
	2010	**2009**
	$	**$**
Cash at bank	**606,266**	**884,604**

10 Current Assets – Trade and Other Receivables

	Consolidated	
	2010	**2009**
	$	**$**
GST receivable	10,781	159,556
Prepayments	24,689	18,744
Receivable due from director	-	1,343
	35,470	**179,643**

11 Current Assets – Advance

	Consolidated	
	2010	**2009**
	$	**$**
Advance	688,310	561,798
Unrealised exchange loss	(107,927)	(69,520)
Impairment	(580,383)	(492,278)
	-	-

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 has been unable to perform the services within the term and the advance is repayable to the Company without deduction. The Company has taken out a second mortgage on the residence of the principals of the consultant. However, there is no reasonable certainty that there would be equity in the property on realisation.

As the advance was made, and is repayable, in USD and the exchange rate has strengthened subsequent to the advancement made in the financial year, an unrealised exchange loss has occurred. The balance of the advance has been fully impaired as there is no reasonable certainty that the advance can and will be repaid.

Had the mining permits been obtained the advance made would have been expensed through profit or loss.

Subsequent to balance date, a partial recovery of the advance was made with $125,000 received.

12 Current Assets – Other assets

	Consolidated	
	2010	**2009**
	$	**$**
Security Deposit for Visa Card	**28,116**	**26,729**

13 Non- Current Assets – Other assets

	Consolidated	
	2010	**2009**
	$	**$**
Tenement Bonds	**81,345**	**91,345**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

14 Non-Current Assets – Plant & Equipment

Consolidated	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**

Consolidated	Computer Equipment	Office Furniture and fittings	Total
	$	$	$
Year ended 30 June 2009			
Opening net book amount	**18,970**	**21,824**	**40,794**
Additions – at cost	1,980	1,454	3,434
Depreciation charge	(8,296)	(6,294)	(14,590)
Closing net book amount	**12,654**	**16,984**	**29,638**
As at 30 June 2009			
Cost	29,080	32,594	61,674
Accumulated depreciation	(16,426)	(15,610)	(32,036)
Net book amount	**12,654**	**16,984**	**29,638**

15 Exploration and evaluation expenditure

	Consolidated 2010	Consolidated 2009
	$	$
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 or in 2009.

The consolidated entity did secure from the Government of Montenegro the concession rights for the exploration and exploitation of the former “Brskovo” mine and associated zinc/lead deposits near Mojkovac, Montenegro.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

	Consolidated 2010 $	Consolidated 2009 $
16 Current Liabilities – Trade and Other Payables		
Trade payables	155,103	207,878
Other payables	(655)	26,707
Total trade and other payables	**154,448**	**234,585**

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

	Consolidated 2010 $	Consolidated 2009 $
17 Current Liabilities – Employee Provisions		
Annual Leave	**22,946**	**25,188**

18 Issued Capital

	Consolidated			
(a) Share Capital	2010 Shares	2010 $	2009 Shares	2009 $
Ordinary shares fully paid	901,772,304	39,979,448	738,537,435	38,442,800

(b) Movement in Ordinary Share Capital

Date	Details	Number of shares	Issue price	Amount $
Year ended 30 June 2010				
1/7/2009	Opening balance	738,537,435		38,442,800
19/11/2009	Placement	150,000,000		1,500,000
	Share based payments	13,234,869		132,348
	Capital Raising Costs			(95,700)
30/6/2010	**Balance**	**901,772,304**		**39,979,448**
Year ended 30 June 2009				
1/7/2008	Opening balance	504,193,775		36,566,043
2/7/2008	Placement	41,425,000	$0.0240	994,200
3/12/2008	Entitlements Issue	49,518,660	$0.0050	247,594
20/3/2009	Entitlements Shortfall Issue	48,000,000	$0.0050	240,000
4/6/2009	Placement	95,400,000	$0.0050	477,000
	Capital Raising Costs			(82,037)
30/6/2009	**Balance**	**738,537,435**		**$38,442,800**

(c) Share application proceeds	2010 $	2009 $
Opening Balance	-	922,200
Shares Issued	-	(922,200)
Balance	-	-

(d) Movement in Escrowed Shares

Date	Details		Number of Shares	Issue price	Amount $
Year ended 30 June 2010					
1/7/2009	Opening balance		7,000,000		333,200
23/07/2009	Released from escrow	(i)	(7,000,000)		(333,200)
30/6/2010	**Balance**		-		-

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

18 Issued Capital (continued)

(d) Movement in Escrowed Shares (continued)

			Number of Shares	Issue price	Amount $
Year ended 30 June 2009					
30/6/2008	Opening Balance		45,000,000		1,839,500
10/8/2008	Released from escrow	(ii)	(30,000,000)		(1,164,000)
30/10/2008	Released from escrow	(iii)	(3,000,000)		(142,800)
30/11/2008	Released from escrow	(iv)	(5,000,000)		(199,500)
30/6/2009	**Balance**		**7,000,000**		**333,200**

(i) Kevin Alexander 7,000,000 shares - escrowed pending completion of 2 years continuous employment with the Company - released on 23 July 2009
(ii) Goldrim Investments Pty Ltd 30,000,000 shares – escrowed until 10 August 2008
(iii) Trevor Benson 3,000,000 shares – escrowed until and released on 30 October 2008
(iv) Iron Bark Zinc Pty Ltd 5,000,000 shares – escrowed until and released 30 November 2008

19 Options, Reserves and Accumulated Losses

(a) Options	Consolidated 2010 Options	Consolidated 2010 $	Consolidated 2009 Options	Consolidated 2009 $
Options exercisable at 1 cent expiring 31 December 2009	-	-	23,500,000	587
Options exercisable at 2 cents expiring 31 December 2010	49,000,000	1,979,500	49,000,000	1,979,500
Options exercisable at 5 cents expiring 31 December 2009	-	-	3,000,000	117,300
Balance	**49,000,000**	**1,979,500**	**75,500,000**	**2,097,387**

Other than the exercise date and price, the 49,000,000 options (2009: 75,500,000) have the same following terms:

1) each option entitles the holder, when exercised, to one (1) share;
2) subject to the Corporations Act 2001, the Constitution and the ASX Listing Rules, the options are fully transferable;
3) the options are exercisable by delivering to the registered office of the Company a notice in writing stating the intention of the option holder to exercise a specified number of options, accompanied by an option certificate, if applicable, and a cheque made payable to the Company for the subscription monies due, subject to the funds being duly cleared funds. The exercise of only a portion of the options held does not affect the holder's right to exercise the balance of any options remaining;
4) all shares issued upon exercise of the options will rank pari passu in all respects with the Company's then issued shares. The Company does not intend to seek quotation of the options;
5) there are no participating rights or entitlements inherent in the options and holders will not be entitled to participate in new issues of options to shareholders during the currency of the options. However, the Company will ensure that, for the purpose of determining entitlements to any issue, option holders will be notified of the proposed issue at least seven (7) business days before the record date of any proposed issue. This will give option holders the opportunity to exercise the options prior to the date for determining entitlements to participate in any such issue;
6) in the event of any reconstruction (including consolidation, subdivision, reduction or return of capital) of the issued capital of the Company prior to the expiry date of the options, all rights of the option holder will be varied in accordance with the ASX Listing Rules; and
7) in the event the Company makes a pro rata issue of securities, the exercise price of the options will change in accordance with the formula set out in ASX Listing Rules.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

19 Options, Reserves and Accumulated Losses (continued)

(b) Reserves	Consolidated 2010 $	Consolidated 2009 $
Option Premium Reserve	-	587
Share Based Payments Reserve	1,979,500	2,096,800
	1,979,500	**2,097,387**
Movements in Option Premium Reserve		
Opening Balance	587	587
Options Expired	(587)	-
Balance	**-**	**587**
Movements in Share Based Payments Reserve		
Opening Balance	2,096,800	2,303,200
Options expired	(117,300)	(206,400)
Balance	**1,979,500**	**2,096,800**

(c) 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.

(d) Movement in Options

(i) Options Premium Reserve

Date	Details	Number of options	Amount $
Year ended 30 June 2010			
1/7/2009	Opening balance	**23,500,000**	**587**
31/12/2009	Expired	(23,500,000)	(587)
30/6/2010	**Balance**	**-**	**-**
Year ended 30 June 2009			
1/7/2008	Opening balance	23,500,000	587
30/6/2009	**Balance**	**23,500,000**	**587**

The options exercisable 1 cent each expired on 31 December 2009 unexercised.

(ii) Share Based Premium Reserve

Date	Details	Number of options	Amount $
Year ended 30 June 2010			
1/7/2009	Opening balance	52,000,000	2,096,800
31/12/2009	Options not exercised by expiry date	(3,000,000)	
30/6/2010	**Balance**	**49,000,000**	**2,096,800**
Year ended 30 June 2009			
1/7/2008	Opening Balance	58,000,000	2,303,200
30/06/2009	Options not exercised by expiry date	(6,000,000)	(206,400)
30/06/2009	**Balance**	**52,000,000**	**2,096,800**

The 49,000,000 unexpired options were issued on 10 August 2007 and 5 November 2007 and are exercisable at 2 cents on or before 31 December 2010.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

19 Options, Reserves and Accumulated Losses (continued)

(e) Accumulated Losses	**Consolidated 2010**	**Consolidated 2009**
Movements in accumulated losses were as follows:	**$**	**$**
Balance at the beginning of the year	**(36,350,761)**	(34,720,873)
Net loss for the year	(1,895,260)	(1,836,288)
Options expired	117,887	206,400
Balance	**(38,128,134)**	**(36,350,761)**

20 Dividends

There were no dividends recommended or paid during the financial year.

21 Related Party Disclosures

(a) Investments in controlled entities

	% Owned		**Book value of shares held**		**Contribution to consolidated profit/(loss)**	
			2010	**2009**	**2010**	**2009**
	2010	**2009**	**$**	**$**	**$**	**$**
Parent entity						
Sultan Corporation Limited						
Controlled entities						
Isabella Minerals Pty Ltd	100%	100%	1	1	-	-
North Mining Doo	100%	-	1	-	(12,503)	(99)
			2	**1**	**(12,503)**	**(99)**

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	**Consolidated 2010**	**Consolidated 2009**
	$	**$**
Short-term benefits	623,363	472,936
Post-employment benefits	20,287	15,770
	643,650	**488,706**

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

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

21 Related Party Disclosures (continued)

(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:

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
Jimmy Lee	-	-	-	-	-
Executive					
Ian Hobson	1,000,000	-	(1,000,000) i	-	-
Kevin Alexander	9,000,000	-	-	9,000,000	9,000,000
	35,000,000	**-**	**(1,000,000)**	**34,000,000**	**34,000,000**

i Options expired 31 December 2009

2009 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
Trevor Benson	3,000,000	-	(3,000,000)	-	-
Ian Hobson	1,000,000		(1,000,000)	-	-
Executive					
Ian Hobson	-	-	1,000,000	1,000,000	1,000,000
Kevin Alexander	9,000,000	-	-	9,000,000	9,000,000
	38,000,000	**-**	**(3,000,000)**	**35,000,000**	**35,000,000**

No options are vested and un-exercisable at the end of the year.

(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:

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
Executive					
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.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

21 Related Party Disclosures (continued)

(c) Key management personnel equity holdings (continued)

2009	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					
Trevor Benson	3,000,000	-	-	(3,000,000)	-
Derek Lenartowicz	33,016,669	-	-	26,395,862	59,412,531
Jimmy Lee	-	-	-	1,830,952	1,830,952
Milos Bosnjakovic	-			66,638,095	66,638,095
Ian Hobson	5,000,000	-	-	(5,000,000)	-
Executive					
Ian Hobson	-	-	-	5,000,000	5,000,000
Kevin Alexander	7,000,000	-	-	-	7,000,000
	48,016,669	**-**	**-**	**91,864,909**	**139,881,578**

(d) Other transactions with key management personnel

	Consolidated 2010 $	Consolidated 2009 $
Derek Lenartowicz was advanced foreign currency when travelling overseas to meet travel and accommodation expenses. The unexpended receivable at the 2009 reporting date was:	-	1,343
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:		
M8 Holdings Pty Ltd, a company related to Jimmy Lee, provided project consultancy services. Shares were issued in 2010 in satisfaction of the amount outstanding at the 2009 reporting date. The issues were approved by shareholders on 14 May 2010 and included an issue of 5,734,869 shares to Jimmy Lee or his nominee. The 5,734,869 shares were issued on 11 June 2010 to an unrelated party nominee of Jimmy Lee.	-	33,440
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	-
Syngas Limited, a company of which Derek Lenartowicz is a shareholder, was paid rental for head office space sub-let to Syngas Limited in 2009.	-	(8,654)

22 Remuneration of Auditors

	Consolidated 2010 $	Consolidated 2009 $
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*	31,825	32,375
Total remuneration for audit services	**31,825**	**32,375**

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

22 Remuneration of Auditors (continued)

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.

23 Commitments

(a) There is no capital expenditure contracted for at the reporting date that has not been recognised as a liability.

(b) **Lease Commitments**	**Consolidated 2010 $**	**Consolidated 2009 $**
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
Within 1 year	53,035	73,017
Later than one year but not later than five years	53,035	-
Later than five years	-	-
	106,070	**73,017**
Representing:		
Non-cancellable operating leases	**106,070**	**73,017**

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.

(c) **Tenement Expenditure Commitments**	**Consolidated 2010 $**	**Consolidated 2009 $**
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
Within 1 year	211,500	207,500
Later than one year but not later than five years	76,000	20,000
Later than five years		
	287,500	**227,500**

(d) **Contractual Commitments**

Pursuant to the agreement with the Montenegro Government for the grant of the 25 year exploration and mining lease, the security deposit is to be increased from 100,000 euro to 500,000 euro. There are on-going negotiations between the parties to reduce the guarantee to 200,000 euro in total. If the negotiations are not settled to the satisfaction of the consolidated entity, the agreement will terminate without the consolidated entity losing the 100,000 euro deposit. If the agreement with the Montenegro Government proceeds to settlement, 120,000 euro is due to a third party as an introduction fee.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

24 Events Occurring After the Balance Date

Subsequent to balance date:

1. finance up to an aggregate of US$4 million has been secured from La Jolla Cove Investments Inc (LJCI) through an agreement to issue two unsecured 2 year 4.75% pa interest consecutive notes of US$2 million each. The agreement provides that the notes be drawn down by monthly US$150,000 instalments. The first note has issued with the second note to be issued when the principal amount of the first note is less than US$50,000 either by repayment or conversion. A note can be converted wholly or in part at the lesser of A$0.05 or 80% of the average of the three lowest VWAP during the prior 21 trading days, provided LJCI does not acquire a relevant interest of more than 9.99% of the Company;

2. a partial recovery of the impaired US$500,000 advance (see 12) has been made with $125,000 received; and

3. the Company has listed on the Frankfurt Stock Exchange.

Other than these matters, there has been no other matter or circumstance that has arisen since 30 June 2010 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.

25 Reconciliation of Loss After Income Tax to Net Cash Outflow from Operating Activities

	Consolidated 2010 $	Consolidated 2009 $
Loss for the year:	(1,895,260)	(1,836,288)
Add back:		
Share based payments	132,348	10,800
Depreciation	13,562	14,590
Impairment of advance	88,105	492,278
Unrealised foreign currency loss	58,639	69,520
Changes in operating assets and liabilities:		
(Increase) / Decrease trade and other receivables - current	119,884	(131,445)
(Increase) / Decrease in prepayments	(5,944)	(18,744)
Decrease in deposits	8,613	
Increase / (Decrease) in trade and other payables	(80,136)	55,151
Increase / (Decrease) in employee provisions	(2,242)	1,885
Net cash outflow from operating activities	**(1,562,431)**	**(1,342,253)**

26 Loss Per Share

	2010 Cents	2009 Cents
(a) Basic and Diluted Loss Per Share		
Loss from continuing operations attributable to the ordinary equity holders of the Company	(0.23)	(0.31)
	(0.23)	**(0.31)**

(b) Reconciliation of Loss used in Calculating Loss Per Share	2010 $	2009 $
Basic loss per share		
Loss from continuing operations attributable to the ordinary equity holders of the Company	(1,895,260)	(1,836,288)
Diluted loss per share		
Loss from continuing operations attributable to the ordinary equity holders of the Company	(1,895,260)	(1,836,288)

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

26 Loss Per Share (continued)

(c) Weighted Average Number of Shares Used as the Denominator	2010 Number	2009 Number
Weighted average number of ordinary shares used as the denominator in calculating basic loss per share	831,317,428	590,025,426
Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted loss per share	831,317,428	590,025,426

(d) Calculation of Weighted Average Used as the Denominator

Balance and Issue dates	Days	Movement	Closing balance	Weighted Average
1/07/2008	2		504,193,775	
2/07/2008	182	41,425,000	545,618,775	2,762,706
31/12/2009	80	49,518,660	595,137,435	272,061,965
20/03/2009	75	48,000,000	643,137,435	130,441,082
4/06/2009	26	95,400,000	738,537,435	132,151,528
30/06/2009			738,537,435	52,608,146
	365			**590,025,427**
1/07/2009	141		738,537,435	
19/11/2009	204	150,000,000	888,537,435	285,298,023
11/06/2010	20	13,234,869	901,772,304	496,607,224
30/06/2010			901,772,304	49,412,181
	365			**831,317,428**

(e) Information Concerning the Classification of Securities

Options are considered to be potential ordinary shares and have been included in the determination of diluted earnings per share to the extent to which they are dilutive. The options have not been included in the determination of basic earnings per share.

28 Contingencies

There are no contingencies at the reporting date.

29 Parent Entity Disclosures

Financial position	**30 June 2010 $**	**30 June 2009 $**
Assets		
Current assets	501,426	1,090,976
Non-current assets	3,563,527	3,358,223
Total assets	4,064,953	4,449,199
Liabilities		
Current liabilities	176,261	259,773
Non-current liabilities	-	-
Total liabilities	176,261	259,773
Equity		
Issued capital	39,979,448	38,442,800
Retained earnings	(38,070,256)	(36,350,761)
Option Premium Reserve	1,979,500	2,097,387
Total equity	3,888,692	4,189,426

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2010

29 Parent Entity Disclosures (continued)

	Year ended 30 June 2010 $	Year ended 30 June 2009 $
Financial performance		
Loss for the year	(1,837,383)	(1,836,288)
Other comprehensive income	-	-
Total comprehensive income	(1,837,383)	(1,836,288)

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

For details on commitments, see Note 23.

DIRECTORS' DECLARATION

In the directors' opinion:

1 the financial statements and notes set out on pages 18 to 46 are in accordance with the *Corporations Act 2001*, including:

(a) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and

(b) giving a true and fair view of the financial position of the consolidated entity as at 30 June 2010 and of their performance for the financial year ended on that date; and

2 there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;

3 the financial statements and notes thereto are in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board; and

4 the audited remuneration disclosures set out on pages 7 to 10 of the directors' report comply with accounting standards AASB 124 *Related Party Disclosures* and section 300A of the *Corporations Act 2001*.

The officers acting in the capacity of Chief Executive Officer and Chief Financial Officer have given the declarations required by Section 295(A) of the *Corporations Act 2001*.

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

Derek Lenartowicz
Director

Perth
30 September 2010

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 statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes 1 to 29 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 Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls 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, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes complies with International Financial Reporting Standards, 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. These Auditing 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, the auditor considers internal control 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 control. 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.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

ORD PARTNERS
CHARTERED ACCOUNTANTS

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Robert W Parker CA

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Independence

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

Auditor's 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 2010 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*; and

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

Material uncertainty regarding going concern

Without qualification to the opinion expressed above, attention is drawn to the following matter. As a result of matters referred to in Note 1(a) "Going Concern" to the financial statements, the ability of the Company to continue as a going concern and meet its planned and committed expenditures, including exploration expenditures, is dependent upon the Company raising further working capital. In the event that the Company cannot raise further working capital there is a material uncertainty whether the Company will be able to pay its debts as and when they become due and payable. Should the Company be unable to continue as a going concern, it may be required to realise its assets and extinguish its liabilities other than in the normal course of business and at amounts different from those stated in the financial report. The financial report does not include any adjustments relating to the recoverability and classification of recorded assets nor to the amounts and classification of liabilities that might be necessary should the entity not continue as a going concern.

Report on the remuneration report

We have audited the remuneration report included in sections 1 to 4 of the directors' report for the year ended 30 June 2010. 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.

Auditor's opinion

In our opinion, the remuneration report of Sultan corporation Limited for the year ended 30 June 2010, that are contained in sections 1 to 4 of the directors' report complies with Section 300A of the *Corporations Act 2001*.

ORD PARTNERS
Chartered Accountants

Robert Parker
Partner

Perth, 30 September 2010

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 22 September 2010.

(a) Substantial Shareholders

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	66,138,095	7.13%
Attelocih Holdings Ltd	63,620,000	6.86%
D Lenartowicz	67,412,531	7.26%

(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	273,964	0.03
1,001 – 5,000	763,937	0.08
5,001 – 10,000	672,382	0.07
10,001 – 50,000	10,777,775	1.16
50,001-100,000	23,154,454	2.50
100,001 and over	892,379,792	96.16
Total	**928,022,304**	**100.00**

There were 1,877 holders of less than a marketable parcel of ordinary shares.

ASX Additional Information

(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
Attelocih Holdings Ltd	63,620,000	6.86%
MBL Constructions Pty Ltd	56,400,000	6.08%
Goldrim Investments Pty Ltd	41,125,000	4.43%
D Lenartowicz <Lenlee Superannuation Fund>	40,016,669	4.31%
D Lenartowicz	25,000,000	2.69%
BO Stephens & EJ Stephens	22,000,000	2.37%
National Nominees Limited	12,498,436	1.35%
K Alexander	11,583,333	1.25%
Guy Jones Pty Ltd	10,000,000	1.08%
PJ Barter & JA Barter	8,000,000	0.86%
J Cannizzaro	8,000,000	0.86%
MBL Constructions Pty Ltd	7,500,000	0.81%
John Wardman & Associates Pty Ltd	7,000,000	0.75%
Dagger Nominees Limited	6,500,000	0.70%
Turnquest Investments Ltd	6,342,484	0.68%
VB Brizzi & RL Brizzi	6,101,472	0.66%
S Balenovic	6,000,000	0.65%
Delphin Investments Limited	5,734,869	0.62%
Katarina Corporation Pty Ltd	5,633,334	0.61%
HSBC Custody Nominees (Australia) Limited	5,606,174	0.60%
S Stavnjak	5,264,787	0.57%
	359,926,558	**38.78%**

Unquoted equity securities

	Number on Issue	Number of Holders
Options – exercisable at 2 cents	49,000,000	3

Substantial option holders are:

	Number Held
D Lenartowicz	25,000,000
Goldrim Investments Pty Ltd	15,000,000

(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%