

**SULTAN CORPORATION LIMITED**  
***ABN 84 061 219 985***

**Financial Report**  
**30 June 2008**

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**CORPORATE DIRECTORY**

**Directors**

Derek Lenartowicz  
Ian Hobson  
Trevor Benson (Appointed 7 August 2007)  
Ross Warner (Resigned 7 August 2007)

**Company Secretary**

Ian Hobson

**Auditors**

Ord Partners  
Level 2 47 Colin Street  
West Perth WA 6005

**Bankers**

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

**Registered Office**

Suite 6  
245 Churchill Ave  
Subiaco WA 6008  
Telephone: +61 8 9217 3300  
Facsimile: +61 3 9388 3006

**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 Code: SSC

**DIRECTORS' REPORT**  
**30 June 2008**

Your directors submit their report on the consolidated entity (the "Group") for the year ended 30 June 2008.

There are no consolidated comparatives for 2007 because the consolidated entity was formed on 10 July 2007 when it acquired 100% of Isabella Minerals Pty Ltd, the holder of zinc-copper tenements in New South Wales.

**Directors**

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

Derek Lenartowicz	(Appointed 2 May 2007)
Trevor Benson	(Appointed 7 August 2007)
Ian Hobson	(Appointed 26 July 2006)
Ross Warner	(Appointed 22 November 2006, Resigned 7 August 2007)

**Review and Results of Operations**

The operating loss for the year for the Group was \$5,772,906 (2007: Company Operating Loss \$750,128 including a loss from discontinued operations of \$234,531 on the restructure of the Company pursuant to the Deed of Company Arrangement).

**Principal Activities**

During the year the principal continuing activity was the exploration of the Peelwood zinc – copper project, incorporating the John Fardy deposit, and estimation of a JORC compliant resource.

The Company maintained its interest in Hong Kong Dragon Industries Ltd ("HKD") at 30%.

**Dividends**

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

**Significant Changes in the State of Affairs**

The following significant changes in the state of affairs of the consolidated entity occurred during the financial year:

1. Settled the acquisition of Isabella Minerals Pty Ltd ("Isabella") (holder of Exploration Licence Application ELA3081 in New South Wales) on 10 July 2007;
2. Settled the acquisition of the Peelwood zinc – copper project incorporating the John Fardy deposit (Exploration Licences EL2934, EL6081 and EL6082 granted in New South Wales) on 10 August 2007;
3. Settled the acquisition of Exploration Licence Application ELA 2980, being tenements adjoining the Peelwood zinc – copper project on 5 November 2007;
4. Settled the acquisition of EL6767 from Iron Bark Zinc Limited on 30 November 2007;
5. Completed a placement of 61.8 million shares at 4.2 cents per share on 2 August 2007 raising \$2.6 million (before costs of issue);
6. Completed a Share Purchase Plan on 17 August 2007 at 4.2 cents per share raising \$69,300; and
7. Commenced a placement of 41.425 million shares at 2.4 cents per share to raise \$994,200 (before costs of issue).

**DIRECTORS' REPORT**  
**30 June 2008**

**Matters Subsequent to the End of the Financial Year**

A placement of 41,425,000 shares was completed on 2 July 2008 at 2.4 cents per share to raise \$994,200. Otherwise, since 30 June 2008 there has been no matter or circumstance that has arisen (other than that disclosed herein) that has significantly affected, or may significantly affect:

1. the Company's operations in future financial years, or
2. the results of those operations in future financial years, or
3. the Company'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 Company that were not finalised at the date of this report.

**Environmental Regulation**

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

**Information on Directors**

**Derek Lenartowicz BS Eng MSE** (Executive Director, age 50)

**Experience and Expertise**

Mr Lenartowicz was previously Managing Director of View Resources Ltd, a company which he grew through the development of the Carnilya Hill Nickel Mine and the purchase of the Bronzewing Gold Mine. Prior to View Resources, Mr Lenartowicz held senior positions within WMC Limited and North Limited.

**Other Current Directorships**

Korab Resources Limited, non executive director since May 2006.  
GulfX Limited, Chairman and non-executive director since 15 January 2008.

**Former Directorships in the Last Three Years**

View Resources Limited, appointed 2002 and resigned April 2006.

**Special Responsibilities**

Managing Director

**Interests in Shares and Options**

33,016,669 ordinary shares in Sultan Corporation Limited.  
25,000,000 options to acquire ordinary shares in Sultan Corporation Limited.

**Ian Richard Hobson** (Non-Executive director, age 43)

**Experience and Expertise**

Mr Hobson holds a Bachelor of Business Degree and is a Chartered Accountant. He provides company secretarial services and corporate, management and accounting advice to a number of companies involved in the resource, technology and retail industries.

**Other Current Directorships**

Non-Executive Director, MKY Corporation Limited (director since 13 June 2006).  
Non-Executive Director, TVN Corporation Limited (director since 22 November 2006).  
Non-Executive Director, TPL Corporation Limited (director since 5 February 2008).

**Former Directorships in the Last Three Years**

GSF Corporation Ltd (appointed 15 August 2006, resigned 12 July 2007).  
Comdeck Limited (appointed 29 November 2006, resigned 1 October 2007).

**DIRECTORS' REPORT**  
**30 June 2008**

**Special Responsibilities**  
Company Secretary

**Interests in Shares and Options**

5,000,000 ordinary shares in Sultan Corporation Limited.  
1,000,000 options to acquire ordinary shares in Sultan Corporation Limited.

**Trevor Benson BSC** (Non-Executive director, age 49)

**Experience and Expertise**

Mr Benson has been involved within the stockbroking, corporate finance and investment banking industries, and treasury departments of major Australian corporations for over 20 years. Mr Benson currently heads the operation of Tolhurst Limited in Western Australia.

**Other Current Directorships**

Elixir Petroleum Ltd (appointed 12 November 2007)

**Former Directorships in the Last Three Years**

Gawler Resources Ltd (appointed 1 March 2007, resigned 12 November 2007).

**Special Responsibilities**

None

**Interests in Shares and Options**

3,000,000 ordinary shares in Sultan Corporation Limited (escrowed until 30 October 2008).  
3,000,000 options to acquire ordinary shares in Sultan Corporation Limited.

**Company Secretary**

The Company secretary is Ian Hobson who holds a Bachelor of Business Degree and is a Chartered Accountant. Mr Hobson was appointed to the position of Company secretary on 26 July 2007. As Mr Hobson is also a director of the Company, information on him and his qualifications for the position are included above under information on directors.

**Meetings of Directors**

The numbers of meetings of the Company's board of directors held during the year ended 30 June 2008, and the numbers of meetings attended by each director were:

<b>Name of Director</b>	<b>Number of Meetings – A</b>	<b>Number of Meetings - B</b>
Ian Hobson	17	17
Derek Lenartowicz	15 (i)	17
Trevor Benson	12	12
Ross Warner	4	5

A = Number of meetings attended

B = Number of meetings held during the time the director held office during the year

(i) = No attendance at two meetings as had an interest in the agenda matter

**DIRECTORS' REPORT**  
**30 June 2008**

**Remuneration Report**

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 under headings 1 to 4 above includes remuneration disclosures that are required under Accounting Standard AASB 124, Related Party Disclosures. These disclosures have been transferred from the financial report and have been audited.

**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 personnel*

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. The executive director did not receive any security based payments as part of his compensation package during the financial year. The key executive did receive a share based payment as part of his compensation package during the financial year. There is no remuneration based on the financial performance of the Company.

*Non-executive directors*

Fees to non-executive directors are determined by the Board as appropriate and in line with market and are reviewed annually. A non-executive director did receive a security based payment as part of his compensation package during the financial year. There are no fees payable based on the financial performance of the Company.

*Retirement allowances and benefits for directors*

There are no retirement allowances or other benefits paid to directors (other than statutory superannuation).

**DIRECTORS' REPORT**  
30 June 2008

**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 table. The key management person in addition to the directors who has authority and responsibility for planning, directing and controlling was Kevin Alexander, Chief Geologist.

2008		Short-term employee benefits				Post-employment benefits	Long-term benefits	Security based payments	Total
		Cash salary and fees	Cash bonus	Non-monetary benefits	Other	Super - annuation	Long service leave	Shares & Options	
Name of director		\$	\$	\$	\$	\$	\$	\$	\$
<b>Executive Director</b>									
Derek Lenartowicz		193,761	-	-	-	17,438	-	-	211,199
<b>Non-Executive Directors:</b>									
Ian Hobson	(i)	60,000	-	-	-	-	-	-	60,000
Trevor Benson	(ii)	25,229	-	-	-	2,270	-	260,100	287,599
Ross Warner	(ii)	5,000	-	-	-	-	-	-	5,000
<b>Key Personnel:</b>									
Kevin Alexander	(iii)	140,616	-	-	-	12,655	-	715,700	868,971
<b>Totals</b>		<b>424,606</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>32,363</b>	<b>-</b>	<b>975,800</b>	<b>1,432,769</b>
2007		Short-term employee benefits				Post-employment benefits	Long-term benefits	Security based payments	Total
		Cash salary and fees	Cash bonus	Non-monetary benefits	Other	Super - annuation	Long service leave	Shares & Options	
Name of director		\$	\$	\$	\$	\$	\$	\$	\$
<b>Executive director</b>									
Derek Lenartowicz	(iv)	27,300	-	-	-	2,700	-	-	30,000
<b>Non-Executive Directors:</b>									
Ian Hobson	(i)	55,000	-	-	-	-	-	-	55,000
Ross Warner	(ii)	35,000	-	-	-	-	-	-	35,000
Hugh Warner	(ii)	45,000	-	-	-	-	-	-	45,000
Peter Remta	(ii)	27,500	-	-	-	-	-	-	27,500
<b>Totals</b>		<b>189,800</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,700</b>	<b>-</b>	<b>-</b>	<b>192,500</b>

- (i) Churchill Services Pty Ltd, an entity associated with Ian Hobson, was paid \$60,000 (2007:\$55,000) for director's fees and company secretarial services.
- (ii) Refers to director's fees earned for the period acting as a Director.
- (iii) Kevin Alexander was appointed chief geologist on 24 July 2007.
- (iv) Derek Lenartowicz was appointed Executive Director on 2 May 2007. The remuneration above is for the period from appointment until 30 June 2007.



**DIRECTORS' REPORT**  
**30 June 2008**

**3 Service agreements (audited)**

Service agreements have been entered into with Derek Lenartowicz (Managing Director) and Kevin Alexander (Chief Geologist) as follows:

Derek Lenartowicz, Managing Director

- Term of agreement – 3 years commencing 18 June 2007.
- Base salary of \$180,000 plus superannuation reviewed annually.
- Director's fees of \$30,000 inclusive of superannuation reviewed annually.
- Payment of a termination benefit on early termination by the Company, other than for gross misconduct, equal to 12 months of the base salary.

Kevin Alexander, Chief Geologist

- Base salary of \$150,000 plus superannuation. No fixed term. Reviewed annually.
- 7,000,000 shares and 9,000,000 2 cent options escrowed pending completion of 2 years continuous employment with the Company.

Ian Hobson and Trevor Benson are not subject to a service agreement. Churchill Services Pty Ltd, an entity associated with Ian Hobson, is remunerated at \$5,000 per month for the term it provides company secretarial services. Trevor Benson is remunerated at \$2,500 per month for the term he acts in the role as a director. He was issued 3 million fully paid ordinary shares and 3 million options expiring 30 December 2009 at an exercise price of 5 cents as part of his remuneration. The shares are escrowed until 30 October 2008.

**4 Share-based compensation (audited)**

During the period, shares and options were issued as follows to:

1. certain directors, key personnel and consultants in consideration for services rendered; and
2. vendors of mining tenements, including interests associated with Derek Lenartowicz.

Issue Date	Issued to:	Expiry Date	Allocated to:	Issued	Value \$
<b>(a) Shares</b>					
5/11/2007	Trevor Benson		Administration	3,000,000	142,800
5/11/2007	Kevin Alexander		Administration	7,000,000	333,200
5/11/2007	Peter Nesveda		Consultant	1,000,000	47,600
10/7/2007	Derek Lenartowicz		Exploration and evaluation	25,000,000	1,155,000
10/8/2007	Adanak Exploration Pty Ltd		Exploration and evaluation	30,000,000	1,164,000
5/11/2007	Elephant Mines Pty Ltd		Exploration and evaluation	5,000,000	238,000
30/11/2007	Iron Bark Zinc Pty Ltd		Exploration and evaluation	5,000,000	199,500
<b>(b) Options</b>					
<b>2 cent options</b>					
10/7/2007	Derek Lenartowicz	31 December 2010	Exploration and evaluation	25,000,000	1,060,000
10/8/2007	Adanak Exploration Pty Ltd	31 December 2010	Exploration and evaluation	15,000,000	537,000
5/11/2007	Kevin Alexander	31 December 2010	Administration	9,000,000	382,500
<b>5 cent options</b>					
5/11/2007	Derek Steinepreis	30 June 2009	Administration	3,000,000	109,500
5/11/2007	Trevor Benson	31 December 2009	Exploration and evaluation	3,000,000	117,300
<b>10 cent options</b>					
5/11/2007	Derek Steinepreis	30 June 2009	Administration	3,000,000	96,900

**DIRECTORS' REPORT**  
**30 June 2008**

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

The option value is determined using a pricing model that factors in the share price at grant date, the expected price volatility of the underlying share, and the risk free rate for the assumed term of the option. The inputs are:

<b>Input to model</b>	<b>25,000,000 options</b>	<b>15,000,000 options</b>	<b>9,000,000 options</b>	<b>3,000,000 options</b>	<b>3,000,000 options</b>	<b>3,000,000 options</b>
Expiry date	31 Dec 2010	31 Dec 2010	31 Dec 2010	30 June 2009	31 Dec 2009	30 June 2009
Exercise price	2 cents each	2 cents each	2 cents each	5 cents each	5 cents each	10 cents each
Market price of a share	4.62 cents	3.88 cents	4.76 cents	4.76 cents	4.76 cents	4.76 cents
Fair value per option	4.24 cents	3.58 cents	4.25 cents	3.65 cents	3.91 cents	3.23 cents
Volatility factor	1.561	1.67	1.826	1.826	1.826	1.826
Risk free interest rate	6.75%	6.75%	6.75%	6.75%	6.75%	6.75%
Grant date	10/7/2007	10/8/2007	5/11/2007	5/11/2007	5/11/2007	5/11/2007

**Shares Under Option**

At 30 June 2008 there were 81,500,000 ordinary shares under option made up as follows:

- (i) 23,500,000 options with an exercise price of 1 cent on or before 31 December 2009
- (ii) 40,000,000 options with an exercise price of 2 cents on or before 31 December 2010
- (iii) 3,000,000 options with an exercise price of 5 cents on or before 30 June 2009
- (iv) 3,000,000 options with an exercise price of 5 cents on or before 31 December 2009
- (v) 3,000,000 options with an exercise price of 10 cents on or before 30 June 2009
- (vi) 9,000,000 options with an exercise price of 2 cents on or before 31 December 2010 but escrowed pending 2 years of completed employment with the Company.

**Insurance of Officers**

During the financial year the Company paid a premium of \$17,206 (2007: \$17,734) 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.

**Agreement to Indemnify Officers**

During the financial year, the Company entered into an agreement to provide access to Company records and to indemnify the directors and secretary 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.

**DIRECTORS' REPORT**  
**30 June 2008**

**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.

**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.

**Audit Services**

During the financial year \$27,500 was paid or is payable for audit services provided by the auditor, Ord Partners (2007:\$15,000 to Nexia Court & Co).


**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.

**Auditor**

Ord Partners were appointed auditors of the Company during the reporting period and remain in office in accordance with section 327 of the *Corporations Act 2001*.

Signed in accordance with a resolution of the directors.



**Derek Lenartowicz**  
**Managing Director**  
Perth  
17 September 2008

17 September 2008

To the Board of Directors of Sultan Corporation Limited

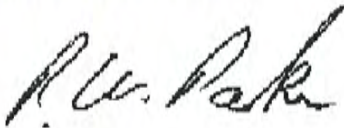
Dear Sirs

**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 2008, 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

*Ian K Macpherson CA*

*Robert W Parker CA*

*Craig A Vivian 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 Board continues to review the framework and practices to ensure they meet the interests of shareholders. Where the Company has not adhered to the policies set out in its Charter or the ASX Corporate Governance Council principles and recommendations for corporate governance it has stated that fact in the Annual Report.

The Company's corporate governance framework is reported against the best practice recommendations released by the Australian Stock Exchange Corporate Governance Council in March 2003.

Whilst the board is committed to adoption, generally the structure of the board, the size of the Company and the scale of its activities does not require full adoption of the policies and recommendations at this time. However, when the circumstances require it, policies will be implemented and complied with as they become applicable.

The corporate governance charters and policies adopted by the Board are available from the Company's registered office. A description of the Company's main corporate governance practices are set out below.

### **Board**

#### ***Composition***

Consistent with the size of the Company and its activities, the Board is comprised of three (3) directors, two of whom are non-executive directors. The Board's policy is that the majority of directors shall be independent, non-executive directors.

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".

#### ***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;
- (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 2008, 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 undertakes an annual self assessment of its collective performance, the performance of the managing director and of its non-executive directors. The current year assessment was undertaken in August 2008 at a Board meeting.

***Corporate reporting***

The Board has made the following certifications as to the financial report for the reporting period ended 30 June 2008:

- (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 or where those policies are not adhered to that fact is stated in the annual report and that the Company's risk management and internal compliance and control 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 once established.

**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 the notes 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 Board is responsible for ensuring there are adequate policies in relation to risk management, compliance and internal control systems. In summary, the Company 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.

### **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.

A copy of the code and the trading policy are included in the board charter and are available at the Company's registered office.

### **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. A summary of these policies and procedures is included in the board charter and is available at the Company's registered office.

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.

All shareholders (except those that have elected not to receive a copy) receive a copy of the Company's annual report.

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

<b>Recommendation Ref</b>	<b>Notification of Departure</b>	<b>Explanation for Departure</b>
2.1	A majority of the Board is not independent	Only one of the two non-executive Directors is considered to be independent. It is the company's intention to ensure a majority of independent directors when the size of the company warrants it.
2.2	There is no independent director that can act as Chair	The Company presently does not have a Chairperson due its size. If and when appointed, the Chairman will be responsible for leading the Board, ensuring directors are properly briefed in all matters relevant to their role and responsibilities, and facilitating Board discussions.
2.3	The role of chair person and chief executive officer is not separated.	The Company presently does not have a Chairperson due its size and recent restructure.
2.4	A separate Nomination Committee has not been formed.	The Board considers that the Company is not currently of a size to justify the formation of a nomination committee. The Board as a whole will undertake the process of reviewing the skill base and experience of existing Directors to enable identification or attributes required in new Directors. Where appropriate, independent consultants may be engaged to identify possible new candidates for the Board.
4.2, 4.3, 4.4	A separate Audit Committee has not been formed.	The Board considers that the Company is not of a size, nor is its financial affairs of such complexity, to justify the formation of an audit committee. The Board as a whole undertakes the selection and proper application of accounting policies, the identification and management of risk and the review of the operation of the internal control systems.
9.2	There is no separate Remuneration Committee.	The Board considers that the Company is not currently of a size, nor are its affairs of such complexity, to justify the formation of a remuneration committee. The Board as a whole is responsible for the remuneration arrangements for directors and the executives of the Company.



**SULTAN CORPORATION LIMITED**

**INCOME STATEMENT**  
**For the year 30 June 2008**

	<b>Note</b>	<b>Consolidated 2008 \$</b>	<b>Company 2008 \$</b>	<b>2007 \$</b>
Revenue from continuing operations	5	162,605	162,605	40,385
Administration expenses	7	(2,435,024)	(2,435,024)	(455,982)
Interest expense		(898)	(898)	-
Exploration costs expensed as incurred		(1,284,589)	(1,284,589)	-
Impairment of investment in subsidiary	8	-	(2,215,000)	-
Impairment of goodwill	10	(2,215,000)	-	-
Impairment loss on investments	8	-	-	(100,000)
<b>Loss before income tax expense</b>		<b>(5,772,906)</b>	<b>(5,772,906)</b>	<b>(515,597)</b>
Income tax expense	11	-	-	-
<b>Loss from continuing operations</b>		<b>(5,772,906)</b>	<b>(5,772,906)</b>	<b>(515,597)</b>
Loss from discontinued operations (DOCA)	6	-	-	(234,531)
<b>Loss for the year</b>		<b>(5,772,906)</b>	<b>(5,772,906)</b>	<b>(750,128)</b>
Basic and diluted loss per share (cents per share)	30	(1.18)	(1.18)	(0.40)

*The income statement should be read in conjunction with the accompanying notes.*

**SULTAN CORPORATION LIMITED**

**BALANCE SHEET**  
As at 30 June 2008

	Note	Consolidated	Company	
		2008 \$	2008 \$	2007 \$
<b>Current assets</b>				
Cash and cash equivalents	12	1,845,259	1,845,259	1,717,850
Trade and other receivables	13	30,833	30,833	33,613
Other financial assets	14	25,348	25,348	-
<b>Total current assets</b>		<b>1,901,440</b>	<b>1,901,440</b>	<b>1,751,463</b>
<b>Non-current assets</b>				
Other assets	15	91,345	91,345	11,345
Plant and equipment	16	40,794	40,794	42,665
Exploration and evaluation assets	17, 18	3,237,240	3,237,240	-
Investments	8	-	-	-
<b>Total non-current assets</b>		<b>3,369,379</b>	<b>3,369,379</b>	<b>54,010</b>
<b>Total assets</b>		<b>5,270,819</b>	<b>5,270,819</b>	<b>1,805,473</b>
<b>Current liabilities</b>				
Trade and other payables	19	176,359	176,359	110,613
Other liabilities	20	-	-	195,250
Provision	21	23,303	23,303	5,165
<b>Total current liabilities</b>		<b>199,662</b>	<b>199,662</b>	<b>311,028</b>
<b>Total liabilities</b>		<b>199,662</b>	<b>199,662</b>	<b>311,028</b>
<b>Net assets</b>		<b>5,071,157</b>	<b>5,071,157</b>	<b>1,494,445</b>
<b>Equity</b>				
Issued capital	22	36,566,043	36,566,043	30,441,412
Share application proceeds	22	922,200	922,200	-
Reserves	22, 23	2,303,787	2,303,787	1,000
Accumulated losses		(34,720,873)	(34,720,873)	(28,947,967)
<b>Total equity</b>		<b>5,071,157</b>	<b>5,071,157</b>	<b>1,494,445</b>

*The balance sheet should be read in conjunction with the accompanying notes.*

SULTAN CORPORATION LIMITED

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2008

Consolidated	Note	Issued capital \$	Share Application Proceeds \$	Option Premium Reserve \$	Share Based Payments Reserve \$	Accumulated Losses \$	Total Equity \$
<b>Balance at 1 July 2007</b>		30,441,412	-	1,000	-	(28,947,967)	1,494,445
Loss for period						(5,772,906)	(5,772,906)
Share based payments	22	3,327,700			2,303,200		5,630,900
Shares issued (i)	22	2,926,485					2,926,485
Receipt of share application proceeds	22		922,200				922,200
Transfer on exercise of options	22	413		(413)			-
Capital raising costs		(129,967)					(129,967)
<b>Balance at 30 June 2008</b>		<b>36,566,043</b>	<b>922,200</b>	<b>587</b>	<b>2,303,200</b>	<b>(34,720,873)</b>	<b>5,071,157</b>

Company	Note	Issued capital \$	Share Application Proceeds \$	Option Premium Reserve \$	Share Based Payments Reserve \$	Accumulated Losses \$	Total Equity \$
<b>Balance at 1 July 2007</b>		30,441,412	-	1,000	-	(28,947,967)	1,494,445
Loss for period						(5,772,906)	(5,772,906)
Share based payments	22	3,327,700			2,303,200		5,630,900
Shares issued (i)	22	2,926,485					2,926,485
Receipt of share application proceeds	22		922,200				922,200
Transfer on exercise of options	22	413		(413)			-
Capital raising costs		(129,967)					(129,967)
<b>Balance at 30 June 2008</b>		<b>36,566,043</b>	<b>922,200</b>	<b>587</b>	<b>2,303,200</b>	<b>(34,720,873)</b>	<b>5,071,157</b>

For the year ended 30 June 2007

Company		Issued capital \$	Option Premium Reserve \$	Share Based Payments Reserve \$	Accumulated Losses \$	Total Equity \$
<b>Balance at 1 July 2006</b>		28,097,369		-	(28,197,839)	(100,470)
Loss for period					(750,128)	(750,128)
Shares issued (i)		2,429,800	1,000			2,430,800
Capital raising costs	22	(85,757)				(85,757)
<b>Balance at 30 June 2007</b>		<b>30,441,412</b>	<b>1,000</b>	<b>-</b>	<b>(28,947,967)</b>	<b>1,494,445</b>

There was no consolidated statement of changes in equity for 2007 because Isabella Minerals Pty Ltd was not acquired until July 2007.

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

**CASH FLOW STATEMENT**  
 For the year ended 30 June 2008

	Note	Consolidated	Company	
		2008 \$	2008 \$	2007 \$
<b>Cash flows from operating activities</b>				
Receipts from customers		15,978	15,978	-
Payments to suppliers and employees		(1,164,145)	(1,164,145)	(420,208)
Exploration Expenditure		(1,174,701)	(1,174,701)	-
Interest received		147,368	147,368	40,385
Interest paid		(898)	(898)	-
<b>Net cash flows used in operating activities</b>	29	<b>(2,176,398)</b>	<b>(2,176,398)</b>	<b>(379,823)</b>
<b>Cash flows from investing activities</b>				
Acquisition of additional investment in Hong Kong Dragon Industries Ltd		-	-	(50,000)
Deposits paid		(60,000)	(60,000)	-
Acquisition of financial asset		(25,000)	(25,000)	-
Acquisition of mining tenements		(1,098,741)	(1,098,741)	-
Acquisition of plant and equipment		(40,121)	(40,121)	(7,620)
<b>Net cash flows used in investing activities</b>		<b>(1,223,862)</b>	<b>(1,223,862)</b>	<b>(57,620)</b>
<b>Cash flows from financing activities</b>				
Proceeds from issue of share capital		2,735,436	2,735,436	2,335,050
Proceeds from share applications		922,200	922,200	-
Proceeds from issue of options		-	-	1,000
Payment to settle deed of company arrangement	6	-	-	(95,000)
Payment of share issue costs		(129,967)	(129,967)	(85,757)
<b>Net cash flows provided by financing activities</b>		<b>3,527,669</b>	<b>3,527,669</b>	<b>2,155,293</b>
<b>Net Increase in cash and cash equivalents</b>		<b>127,409</b>	<b>127,409</b>	<b>1,717,850</b>
Cash and cash equivalents at beginning of the year		1,717,850	1,717,850	-
<b>Cash and cash equivalents at end of the year</b>	12	<b>1,845,259</b>	<b>1,845,259</b>	<b>1,717,850</b>

The cash flow statement of should be read in conjunction with the accompanying notes.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 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 (the "Group"), comprising Sultan Corporation Ltd (the "Company") and its subsidiary, Isabella Minerals Pty Ltd.

#### (a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001* unless stated otherwise.

The Company is a listed public company domiciled in Australia. The financial statements are presented in Australian dollars, which is the consolidated entity's functional and presentation currency.

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*

Australian Accounting Standards include Australian equivalents to AIFRS. Compliance with AIFRS ensures that the financial statements and notes of the consolidated entity comply with IFRS.

#### *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 AIFRS 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.

#### (b) Revenue

Interest and rental revenue is recognised when receivable.

#### (c) Income Tax

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

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

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or liability is settled. Deferred tax is credited in the income statement 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.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2008

**1 Summary of significant accounting policies (continued)**

**(c) Income Tax (continued)**

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) Investments**

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

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

*(i) Available-for-sale financial assets*

Available-for-sale financial assets (note 8), 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 sheet date.

*(ii) Loans and receivables*

Loans and receivables 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. Loans and receivables are included in trade and other receivables (note 13) in the balance sheet.

*(iii) Held-to-maturity investments*

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount

**(g) Plant & Equipment**

Plant and equipment is shown at cost less accumulated depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may include transfers from equity of any gains/losses on qualifying gains/losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2008

**1 Summary of significant accounting policies (continued)**

**(g) Plant & Equipment (continued)**

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 income statement during the reporting period in which they are incurred.

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

<u>Category</u>	<u>Useful Life</u>	<u>Depreciation Rates</u>
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 2008 and the results of the subsidiary for the period then ended.

Subsidiaries are those entities over which the Group 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 Group. Consolidation ceases from the date that control ceases. The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. Any and all intercompany transactions and balances between the Company and its subsidiary are eliminated on consolidation.

**(i) Investment in Subsidiary**

The subsidiaries is recognised at cost less impairment losses.

**(j) Business Combinations**

Acquisitions of subsidiaries and businesses are accounted for using the purchase 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, plus any costs directly attributable to the business combination. 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 minority 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.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2008

**1 Summary of significant accounting policies (continued)**

**(k) Goodwill**

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

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

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

Exploration, evaluation and development costs are accumulated in respect of each separate area of interest. Exploration and evaluation costs are expensed as incurred and only carried forward where there is certainty that the right of tenure of the area of interest is current and they are expected to be recouped through sale or successful development and exploitation of the area of interest.

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 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 income statement.

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.



**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2008**

**1 Summary of significant accounting policies (continued)**

**(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.

**(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 27). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

**(p) Employee Benefits**

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

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

(ii) Long service leave

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

**(q) Contributed Equity**

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) Earnings Per Share**

Basic earnings per share ("EPS") 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 EPS adjusts the figures used in the calculation of basic EPS 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 balance sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 30 June 2008**

**1 Summary of significant accounting policies (continued)**

**(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.

**(u) New Accounting Standards and Interpretations**

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2008 reporting periods. The Group's and the parent entity's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 8 Operating Segments and AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8

AASB 8 and AASB 2007-3 are effective for annual reporting periods commencing on or after 1 January 2009. AASB 8 will result in a significant change in the approach to segment reporting, as it requires adoption of a 'management approach' to reporting on financial performance. The information being reported will be based on what the key decision makers use internally for evaluating segment performance and deciding how to allocate resources to operating segments. The Group has not yet decided when to adopt AASB 8. Application of AASB 8 may result in different segments, segment results and different types of information being reported in the segment note of the financial report. However, at this stage, it is not expected to affect any of the amounts recognised in the financial statements.

(ii) Revised AASB 123 Borrowing Costs and AASB 2007-6 Amendments to Australian Accounting Standards arising from AASB 123 [AASB 1, AASB 101, AASB 107, AASB 111, AASB 116 & AASB 138 and Interpretations 1 & 12]

The revised AASB 123 is applicable to annual reporting periods commencing on or after 1 January 2009. It has removed the option to expense all borrowing costs and - when adopted - will require the capitalisation of all borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset. There will be no impact on the financial report of the Group, as the Group already capitalises borrowing costs relating to qualifying assets.

(iii) AASB-I 14 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

AASB-I 14 will be effective for annual reporting periods commencing on or after 1 January 2008. The Group will apply AASB-I 14 from 1 July 2008. Adoption of the standard it is not expected to have any impact on the Group's financial statements as the Group has no defined benefit plans.

(iv) Revised AASB 101 Presentation of Financial Statements and AASB 2007-8 Amendments to Australian Accounting Standards arising from AASB 101

A revised AASB 101 was issued in September 2007 and is applicable for annual reporting periods beginning on or after 1 January 2009. It requires the presentation of a statement of comprehensive income and makes changes to the statement of changes in equity, but will not affect any of the amounts recognised in the financial statements. If an entity has made a prior period adjustment or has reclassified items in the financial statements, it will need to disclose a third balance sheet (statement of financial position), this one being as at the beginning of the comparative period. The Group intends to apply the revised standard from 1 July 2009.

**NOTES TO THE FINANCIAL STATEMENTS**

**For the year ended 30 June 2008**

**1 Summary of significant accounting policies (continued)**

**(v) 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 Company and consolidated entity have each incurred a net loss after tax for the year ended 30 June 2008 of \$5,772,906 (2007: \$750,128) and experienced net cash outflows from operating activities of \$2,176,398 (2007: \$379,823).

The Directors believe that there are sufficient funds to meet the Company and the consolidated entity's working capital requirements. However, the Director recognise that the ability of the Company and the consolidated entity to continue as going concerns and to pay their debts as and when they fall due is dependent on the ability of the Company and the consolidated entity 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 \$3.6m excluding capital raising costs through the issue of 117.8 million ordinary fully paid shares.

Based on the above, the Directors are confident that the Company will successfully raise additional funds to meet its financial obligation in the future period.

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 Company and the consolidated entity will be able to continue as going concerns.

Should the Company and the consolidated entity be unable to continue as going concerns, they may be required to realise their assets and extinguish their 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.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

2 Financial Risk Management

The consolidated entity's activities expose it to a variety of financial risks; market risk (including fair value interest rate risk and price risk), credit risk, liquidity risk and cash flow interest rate risk. The consolidated entity's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the consolidated entity.

Risk management is carried out by the Board under policies approved by the Board. The Board identifies and evaluates financial risks and provides written principles for overall risk management. The consolidated entity holds the following financial instruments:

	Consolidated 2008	Parent 2008	2007
<b>Financial assets</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Cash and cash equivalents	1,845,258	1,845,258	1,717,850
Trade and other receivables	122,179	122,179	44,958
Other financial assets	25,348	25,348	11,345
	<b>1,992,785</b>	<b>1,992,785</b>	<b>1,774,153</b>
<b>Financial liabilities</b>			
Trade and other payables	176,359	176,259	110,613
<b>Equity</b>			
Placement monies received	922,200	922,200	195,250

(a) Market Risk

*Price risk*

The consolidated entity is not exposed to equity securities price risk as it holds no investments in securities classified on the balance sheet either as available-for-sale or at fair value through profit or loss. The consolidated entity is not exposed to commodity price risk.

*Currency Risk*

The consolidated entity is not exposed to currency risk as it receives its income and pays its liabilities in Australian dollars.

*Interest Rate Risk*

Interest rate risk is not deemed material to the consolidated entity. It has no interest bearing debts or liabilities. Cash and cash equivalent assets are the only interest bearing financial instruments of the consolidated entity. Whilst the consolidated entity's income and operating cash flows are subject to changes in the market rates, 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. A movement in interest rates of +/- 100 basis points will result in less than a +/- \$18,000 impact on the consolidated entity's income and operating cash flows (2007: \$17,000). The consolidated entity does not hedge against interest rate risk.

(b) Credit Risk

The Company has no significant concentration of credit risk.

(c) Liquidity Risk

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 does not have committed credit lines available, which is appropriate given the nature of the consolidated entity's operations. Surplus funds are invested in a cash management account with Westpac Banking Corporation which are available as required.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

### 2 Financial Risk Management (continued)

The material liquidity risk for the consolidated entity is the ability to raise equity in the future. The consolidated entity's base case cash flow forecast show that current funds are sufficient to fund the operations of the company until at least 31 December 2009. The consolidated entity has historically raised sufficient capital to fund its operations and is planning to raise equity during the current year. The consolidated entity is however at the risk of financial markets which dictate the ability to fund the operation beyond December 2009. It is noted that the consolidated entity is able to reduce costs to preserve cash resources.

### 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. No critical accounting estimates and / or assumptions have been made during the preparation of the financial report other than in valuing share based payments.

Share Based Payments: The Group 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 model.

### 4 Segment Information

#### Business Segment

The consolidated entity is organised into the following divisions by product and service type:

##### *Telecommunications*

Investment in Hong Kong Dragon Industries Ltd.

##### *Exploration*

Prospective zinc-copper tenements in New South Wales.

#### Geographical Segment

The consolidated entity is domiciled in Australia and operates solely within Australia.

2008	Telecom \$	Exploration \$	Unallocated \$	Total \$
<b>Segment revenue</b>	-	-	-	-
Unallocated revenue	-	-	14,886	14,886
Interest Income	-	-	147,719	147,719
<b>Segment result</b>	-	<b>(1,284,589)</b>	<b>(4,488,318)</b>	<b>(5,772,906)</b>
<b>Profit before Income tax</b>	-	<b>(1,284,589)</b>	<b>(4,488,318)</b>	<b>(5,772,906)</b>
Income tax expense	-	-	-	-
<b>Loss for the year</b>	-	<b>(1,284,589)</b>	<b>(4,488,318)</b>	<b>(5,772,906)</b>
<b>Segment assets and liabilities</b>				
<b>Segment assets</b>	-	3,317,240	1,953,579	5,270,819
<b>Segment liabilities</b>	-	142,745	56,917	199,662
<b>Other Segment Information</b>				
Depreciation expense	-	-	17,447	17,447
Impairment of goodwill	-	2,215,000	-	2,215,000
<b>Cash flow information</b>				
Net cash outflow from operating activities	-	(1,174,701)	(1,001,679)	(2,176,398)
Net cash outflows used in investing activities	-	(1,098,741)	(125,121)	(1,223,862)
Net cash inflow from financing activities	-	-	(3,527,669)	(3,527,669)

There are no comparatives for 2007 because the consolidated entity was formed on 10 July 2007.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2008**

5 Revenue from continuing operations	Consolidated	Company	
	Entity	2008	2007
	2008	2008	2007
<i>Other revenue:</i>	\$	\$	\$
Rent	10,912	10,912	-
Other	3,974	3,974	-
Interest received	147,719	147,719	40,385
	<b>162,605</b>	<b>162,605</b>	<b>40,385</b>

6 Discontinued Operations	Consolidated	Company	
	Entity	2008	2007
	2008	2008	2007
	\$	\$	\$
Loss due to deed of company arrangement	-	-	139,531
Payments pursuant to a deed of company arrangement	-	-	95,000
<b>Loss pursuant to a deed of company arrangement</b>	<b>-</b>	<b>-</b>	<b>234,531</b>

The varied DOCA and the Recapitalisation Proposal provided that upon payment of the \$95,000, the secured creditors released their registered charges against the Company, and all the claims of the creditors against the Company (whether secured or unsecured) at the date of Administration were extinguished by a compromise of those claims. The DOCA was wholly effectuated on 7 July 2006.

7 Expenses	Consolidated	Company	
	Entity	2008	2007
	2008	2008	2007
	\$	\$	\$
Administration Costs include:			
Depreciation	17,447	17,447	-
Office Rent	50,146	50,146	27,157
Employee Benefits – Share based payments	763,300	763,300	3,836
Employee Benefits – Cash	210,616	210,616	-
Directors' Remuneration – Share based payments	260,100	260,100	-
Directors' Remuneration - Cash	286,284	286,284	192,500

8 Investments	Consolidated	Company	
	Entity	2008	2007
	2008	2008	2007
	\$	\$	\$
<b>Available-for-sale financial asset:</b>			
Investment in Hong Kong Dragon Industries Ltd	100,000	100,000	100,000
Less: Provision for impairment loss	(100,000)	(100,000)	(100,000)
	-	-	-
Investment in Subsidiary: Isabella Minerals Pty Ltd	-	2,215,000	-
Less: Provision for impairment loss	-	(2,215,000)	-
	-	-	-

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, does not participate in the financial and operating policy decisions of HKD and does not have the ability to participate in the financial and operating policy decisions of HKD.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2008**

**9 Acquisition of subsidiary**

On 10 July 2007 the Company acquired 100% of the issued capital of Isabella Minerals Pty Ltd (holder of Exploration Licence Application ELA3081 in New South Wales) from Derek Lenartowicz, a director of the Company. The consideration was 25,000,000 ordinary shares and 25,000,000 2 cent options expiring 31 December 2010.

Name of business acquired	Principal activity	Date of acquisition	Portion of shares acquired	Cost of Acquisition \$
Isabella Minerals Pty Ltd	Zinc Exploration	10 July 2007	100%	2,215,000

Net assets acquired	Book Value	Fair value adjustment	Fair value on acquisition \$
Mining tenements	-	-	-
Goodwill on acquisition			2,215,000

The directors assessed the recoverable amount of tenement ELA 3081 held by Isabella Minerals Pty Ltd at nil and therefore the acquisition of Isabella Minerals Pty Ltd comprised goodwill of \$2,215,000.

Consideration for the acquisition of Isabella Minerals Pty Ltd was the issue of securities in the Company as at 10 July 2007. The methodology used to calculate the fair value of the cost of the acquisition is set out as follows:

Securities issued:	Basis	Fair Value \$
25 million ordinary shares	4.62 cents per share, being Sultan's weighted average share price at 10 July 2007	1,155,000
25 million options exercisable at 2 cents each prior to 31 December 2010	Black Scholes methodology (refer to page 10 for inputs)	1,060,000
		<u>2,215,000</u>

10 Goodwill	Consolidated 2008 \$	Company 2008 \$
Amount recognised from business combination occurring during the period (note 9)	2,215,000	-
Impairment loss	(2,215,000)	-
<b>Carrying value at year end</b>	<u>-</u>	<u>-</u>

During the financial year, the consolidated entity assessed the recoverable amount of goodwill and determined that goodwill associated with Isabella Minerals Pty Ltd was impaired by \$2,215,000. The recoverable amount of the uranium exploration operation was assessed by reference to the cash generating unit's value in use.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

11	Income Tax Expense & Deferred Tax	Consolidated Entity 2008	Company	
(a)	Income Tax Expense	\$	2008 \$	2007 \$
	Current tax	-	-	-
	Deferred tax	-	-	-
	Under (over) provided in prior years	-	-	-
		-	-	-
	Income tax expense is attributable to:	-	-	-
	Loss from continuing operations	-	-	-
	Aggregate income tax expense	-	-	-
	Deferred income tax (revenue) expense included in income tax expense comprises:	-	-	-
	Decrease (increase) in deferred tax assets	-	-	-
	(Decrease) increase in deferred tax liabilities	-	-	-
		-	-	-
		-	-	-
(b)	Numerical Reconciliation of Income Tax Expense to Prima Facie Tax Payable	Consolidated Entity 2008 \$	Company 2008 \$	2007 \$
	Loss from continuing operations before income tax expense	(5,772,906)	(5,772,906)	(515,597)
	Loss from discontinued operations before income tax expense	-	-	(234,531)
		(5,772,906)	(5,772,906)	(750,128)
	Tax at the Australian tax rate of 30% (2007 30%)	1,731,872	1,731,872	225,038
	Tax effect of amounts which are not deductible (taxable) in calculating taxable income:			
	Add back:			
	Share Based Payments	(383,220)	(383,220)	-
	Creditors & Accruals	(6,991)	(6,991)	(19,967)
	Annual Leave	-	-	(1,550)
	Reconstruction Costs	-	-	(28,613)
	Asset Impairment	(664,500)	(664,500)	(30,000)
	Loss pursuant to a deed of company arrangement	-	-	(70,359)
	Allowable deductions			
	Exploration	329,580	329,580	-
	Tax losses not recognised	1,006,741	1,006,741	74,549
	Income tax expense	-	-	-
(c)	Deferred Tax			

Deferred tax assets and liabilities have not been recognised as it is not probable that taxable income will be available against which the deferred tax deductions can be utilised.



**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2008

**11 Income Tax Expense & Deferred Tax (continued)**

Tax Losses	Consolidated	Company	
	Entity	2008	2007
	2008	2008	2007
	\$	\$	\$
Unused tax losses for which no deferred tax asset has been recognised	3,355,803	3,355,803	248,497
Potential tax benefit at 30%	1,006,741	1,006,741	74,548

All unused tax losses were incurred by Australian entities. Tax losses related to the entity prior to the reconstruction that were not used have been lost.

12 Current Assets – Cash and Cash Equivalents	Consolidated	Company	
	Entity	2008	2007
	2008	2008	2007
	\$	\$	\$
Cash at bank	1,845,259	1,845,259	1,717,850

13 Current Assets – Trade and Other Receivables	Consolidated	Company	
	Entity	2008	2007
	2008	2008	2007
	\$	\$	\$
GST receivable	30,833	30,833	33,613

14 Current Assets – Other financial assets	Consolidated	Company	
	Entity	2008	2007
	2008	2008	2007
	\$	\$	\$
Security Deposit for Visa Card	25,348	25,348	-

15 Non- Current Assets – Trade and Other Receivables	Consolidated	Company	
	Entity	2008	2007
	2008	2008	2007
	\$	\$	\$
Security Deposits / Tenement Bonds	91,345	91,345	11,345

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

22 Capital	Company 2008	Company 2008	Company 2007	Company 2007
(a) Share Capital	Shares	\$	Shares	\$
Ordinary shares fully paid	504,193,775	36,566,043	344,195,312	30,441,412
(b) Other Equity Securities	Company 2008	Company 2008	Company 2007	Company 2007
	Options	\$	Options	\$
Options exercisable at 1 cent expiring 31 December 2009	23,500,000	587	30,000,000	1,000
Options exercisable at 2 cents expiring 31 December 2010	49,000,000	1,979,500		
Options exercisable at 5 cents expiring 30 June 2009	3,000,000	109,500		
Options exercisable at 5 cents expiring 31 December 2009	3,000,000	117,300		
Options exercisable at 10 cents expiring 30 June 2009	3,000,000	96,900		
	<b>81,500,000</b>	<b>2,303,787</b>	<b>30,000,000</b>	<b>1,000</b>

(c) Movement in Ordinary Share Capital

Date	Details	Number of shares	Issue price	Amount \$
1/7/2007	Opening balance	344,195,312		30,441,412
6/7/2007	Placement	13,016,667	\$0.0015	195,250
10/7/2007	Part-Consideration for purchase of Isabella Mines Pty Ltd	25,000,000	\$0.0462	1,155,000
2/8/2007	Placement	57,331,796	\$0.0420	2,407,935
9/8/2007	Options Exercised	300,000	\$0.0100	3,000
10/8/2007	Part-Consideration for purchase of the Peelwood Zinc-Copper Project	30,000,000	\$0.0388	1,164,000
10/8/2007	Placement	4,500,000	\$0.0420	189,000
24/8/2007	Options Exercised	4,700,000	\$0.0100	47,000
24/8/2007	Share Purchase Plan	1,650,000	\$0.0420	69,300
4/9/2007	Options Exercised	1,000,000	\$0.0100	10,000
5/11/2007	Part-Consideration for purchase of ELA 2980	5,000,000	\$0.0476	238,000
5/11/2007	Consideration for consultancy services	1,000,000	\$0.0476	47,600
5/11/2007	Remuneration	11,000,000	\$0.0476	523,600
14/11/2007	Options Exercised	500,000	\$0.0100	5,000
30/11/2007	Consideration for purchase of EL6767	5,000,000	\$0.0399	199,500
	Transfer from Share Premium Reserve			413
	Capital Raising Costs			(129,967)
<b>30/6/2008</b>	<b>Balance</b>	<b>504,193,775</b>		<b>\$36,566,043</b>

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2008

**17 Acquisition of mining tenements (continued)**

The fair value calculation is set out as follows:

<b>Tenement:</b>	<b>Shares</b>	<b>Options</b>	<b>Cash</b>	<b>Stamp Duty</b>	<b>Total Fair Value</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
EL2934	388,000	179,000	333,333	21,747	922,080
EL6081	388,000	179,000	333,333	21,747	922,080
EL6082	388,000	179,000	333,334	21,746	922,080
ELA 2980	238,000	-	20,000	8,010	266,010
EL6767	199,500	-	-	5,490	204,990
<b>Total</b>	<b>\$1,601,500</b>	<b>\$537,000</b>	<b>\$1,020,000</b>	<b>\$78,740</b>	<b>\$3,237,240</b>

**18 Exploration and evaluation expenditure**

	<b>Consolidated Entity</b>	<b>Company</b>	
	<b>2008</b>	<b>2008</b>	<b>2007</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Opening balance	-	-	-
Additions	3,237,240	3,237,240	-
<b>Closing Balance</b>	<b>3,237,240</b>	<b>3,237,240</b>	<b>-</b>

**19 Current Liabilities – Trade and Other Payables**

	<b>Consolidated 2008</b>	<b>Company 2008</b>	<b>Company 2007</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Trade payables	164,000	164,000	69,236
Other payables	12,359	12,359	41,377
<b>Total trade and other payables</b>	<b>176,359</b>	<b>176,359</b>	<b>110,613</b>

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

**20 Current Liabilities – Other Liability**

Unallotted placement monies received	-	-	<b>195,250</b>
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**21 Current Liabilities – Employee Provisions**

Annual Leave	<b>23,303</b>	<b>23,303</b>	<b>5,165</b>
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**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2008

**16 Non-Current Assets – Plant & Equipment**

Consolidated and Company	Computer Equipment	Office Furniture and fittings	Total
	\$	\$	\$
<b>Year ended 30 June 2007</b>			
Opening net book amount	-	-	-
Additions – at cost	25,068	17,597	42,665
Depreciation charge	-	-	-
<b>Closing net book amount</b>	<b>25,068</b>	<b>17,597</b>	<b>42,665</b>
<b>As at 30 June 2007</b>			
Cost or fair value	25,068	17,597	42,665
Accumulated depreciation	-	-	-
<b>Net book amount</b>	<b>25,068</b>	<b>17,597</b>	<b>42,665</b>
<b>Year ended 30 June 2008</b>			
Opening net book amount	25,068	17,597	42,665
Additions – at cost	2,032	13,544	15,576
Depreciation charge	(8,130)	(9,317)	(17,447)
<b>Closing net book amount</b>	<b>18,970</b>	<b>21,823</b>	<b>40,794</b>
<b>As at 30 June 2008</b>			
Cost or fair value	27,100	31,141	58,241
Accumulated depreciation	(8,130)	(9,317)	(17,447)
<b>Net book amount</b>	<b>18,970</b>	<b>21,823</b>	<b>40,794</b>

**17 Acquisition of mining tenements**

During the year, the Company:

1. Acquired Exploration Licences EL2934, EL6081 and EL6082 (Peelwood zinc – copper project) granted in New South Wales, on 10 August 2007. The consideration was \$1,000,000 cash plus 30,000,000 ordinary shares and 15,000,000 2 cent options expiring 31 December 2010;
2. Acquired Exploration Licence Application ELA 2980 on 5 November 2007, being tenements adjoining the Peelwood zinc – copper project. The consideration was 5,000,000 ordinary shares and \$20,000 in cash; and
3. Acquired EL6767 from Iron Bark Zinc Pty Ltd on 30 November 2007. The consideration was 5,000,000 ordinary shares.

The methodology used to calculate the fair value of the cost of the acquisition is set out as follows:

Acquisitions:	Securities Issued	Basis
EL2934		Shares at 3.88 cents per share
EL6081	30 million shares and 15	Options – black scholes
EL6082	million options exercisable at	methodology
ELA 2980	2 cents prior to 31/12/2010	
EL6767	5 million shares	4.76 cents per share
	5 million shares	3.99 cents per share

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

**22 Capital (continued)****(d) Share application proceeds**

	Company 2008 \$	Company 2007 \$
Balance at beginning of financial year	-	-
Proceeds from unissued shares at 2.4 cents each pursuant to a share placement. Shares were subsequently issued post year end (refer note 28).	922,200	-

**(e) Movement in Reserves****(i) Options Premium Reserve**

Date	Details	Number of options	Amount \$
1/7/2007	Opening balance	30,000,000	1,000
9/8/2007	Exercised	(300,000)	
24/8/2007	Exercised	(4,700,000)	
4/9/2007	Exercised	(1,000,000)	
14/11/2007	Exercised	(500,000)	
	Transfer to Contributed Equity		(413)
30/6/2008	Balance	<u>23,500,000</u>	<u>587</u>

The above options are exercisable 1 cent each at any time on or before 31 December 2009.

**(ii) Share Based Premium Reserve**

Date	Details		Number of options	Amount \$
1/7/2007	Opening balance		-	
10/7/2007	Part-Consideration for purchase of Isabella Mines Pty Ltd	(i)	25,000,000	1,060,000
10/8/2007	Part-Consideration for purchase of the Peelwood Zinc-Copper Project	(i)	15,000,000	537,000
5/11/2007	Executive Remuneration	(i)	9,000,000	382,500
5/11/2007	Part-Consideration for corporate advisory services	(ii)	3,000,000	109,500
5/11/2007	Part-Consideration for corporate advisory services	(iii)	3,000,000	96,900
5/11/2007	Director Remuneration	(iv)	3,000,000	117,300
30/6/2008	Balance		<u>58,000,000</u>	<u>2,303,200</u>

(i) The options issued on 10 July 2007, 10 August 2007 and 5 November 2007 are exercisable at 2 cents on or before 31 December 2010.

(ii) These options issued on 5 November 2007 are exercisable at 2 cents on or before 31 December 2010.

(iii) These options issued on 5 November 2007 are exercisable at 5 cents on or before 30 June 2009.

(vi) These options issued on 5 November 2007 are exercisable at 5 cents on or before 31 December 2009.

## NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2008

## 22 Capital (continued)

Other than the exercise date and price, the 58,000,000 options 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.

## (e) Movement in Escrowed Shares

Date	Details		Number of Shares	Issue price	Amount \$
1/7/2007	Opening balance		-	-	
10/8/2007	Part-Consideration for purchase of the Peelwood Zinc-Copper Project	(i)	30,000,000	\$0.0388	1,164,000
5/11/2007	Part-Consideration for employment service	(ii)	1,000,000	\$0.0476	47,600
5/11/2007	Part-Consideration for employment service	(iii)	7,000,000	\$0.0476	333,200
2/11/2007	Part-Consideration for corporate advisory services	(iv)	3,000,000	\$0.0476	142,800
30/11/2007	Consideration for purchase of EL6767	(v)	5,000,000	\$0.0399	199,500
10/06/2008	Released from escrow	(ii)	(1,000,000)		(47,600)
30/6/2008	Balance		<b>45,000,000</b>		<b>1,839,500</b>

The shares are held in escrow until:

- (i) Anadak Exploration Pty Ltd 30,000,000 shares – escrowed until 10 August 2008
- (ii) Dean Gathercole 1,000,000 shares - escrowed pending completion of 1 year continuous employment with the Company (released June 2008);
- (iii) Kevin Alexander 7,000,000 shares - escrowed pending completion of 2 years continuous employment with the Company;
- (iv) Trevor Benson 3,000,000 shares – escrowed until 30 October 2008
- (v) Iron Bark Zinc Pty Ltd 5,000,000 shares – escrowed until 30 November 2008

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2008

<b>23 Reserves and Accumulated Losses</b>	<b>Consolidated 2008</b>	<b>Company 2008</b>	<b>Company 2007</b>
<b>(a) Reserves</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Option Premium Reserve	587	587	1,000
Share Based Payments Reserve	2,303,200	2,303,200	-
	<u>2,303,787</u>	<u>2,303,787</u>	<u>1,000</u>
<b>Movements in Option Premium Reserve</b>			
Balance at the beginning of the year	1,000	1,000	-
Premium received on options issued by way of placement			1,000
<b>Options Exercised</b>	(413)	(413)	
<b>Balance at the end of the year</b>	<u>587</u>	<u>587</u>	<u>1,000</u>
<b>Movements in Share Based Payments Reserve</b>			
Balance at the beginning of the year	-	-	-
Options issued as consideration	2,303,787	2,303,787	-
<b>Balance at the end of the year</b>	<u>2,303,787</u>	<u>2,303,787</u>	<u>-</u>

<b>(b) Accumulated Losses</b>	<b>Consolidated 2008</b>	<b>Company 2008</b>	<b>Company 2007</b>
Movements in accumulated losses were as follows:	<b>\$</b>	<b>\$</b>	<b>\$</b>
Balance at the beginning of the year	(28,947,967)	(28,947,967)	(28,197,839)
Net loss for the year	(5,772,906)	(5,772,906)	(750,128)
<b>Balance at the end of the year</b>	<u>(34,720,873)</u>	<u>(34,720,873)</u>	<u>(28,947,967)</u>

**(c) Nature and Purpose of Reserves**

The share based payments reserve arises pursuant to an issue of shares as consideration for a service or an acquisition transaction.

The option premium reserve arises pursuant to an issue of options as consideration for a service or an acquisition transaction.

**24 Dividends**

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

**25 Related Party Disclosures**

**(a) Equity interest in related party subsidiary**

Details of the percentage of ordinary shares held in the subsidiary, Isabella Minerals Pty Ltd, is disclosed in note 9.

<b>(b) Key management personnel remuneration</b>	<b>Consolidated 2008</b>	<b>Company 2007</b>	<b>Company 2007</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Short-term benefits	424,606	424,606	193,636
Post-employment benefits	32,363	32,363	3,045
Security based payments	975,800	975,800	-
	<u>1,432,769</u>	<u>1,432,769</u>	<u>196,681</u>

**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2008

**25 Related Party Disclosures (continued)**

The consolidated entity has taken advantage of the relief provided by Corporations Regulations 2M.3.03 and 2M.6.04 and has transferred the detailed remuneration disclosures to the directors' report under the heading Remuneration Report.

**(c) Key management personnel equity holdings**

*(i) Option holdings*

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

2008	Balance at the start of the year	Granted during the year	Exercised during the year	Balance at the end of the year	Vested and exercisable at the end of the year
<b>Name</b>					
<b>Directors</b>					
Derek Lenartowicz	-	25,000,000 (i)	-	25,000,000	25,000,000
Trevor Benson	-	3,000,000 (ii)	-	3,000,000	3,000,000
Ian Hobson	1,000,000		-	1,000,000	1,000,000
<b>Executive</b>					
Kevin Alexander	-	9,000,000 (iii)	-	9,000,000	9,000,000
	<b>1,000,000</b>	<b>37,000,000</b>	<b>-</b>	<b>38,000,000</b>	<b>38,000,000</b>

(i) Issued as part-consideration for the purchase of Isabella Mines Pty Ltd

(ii) Issued as remuneration

(iii) Issued as remuneration

2007	Balance at the start of the year	Granted during the year	Exercised during the year	Balance at the end of the year	Vested and exercisable at the end of the year
<b>Name</b>					
<b>Directors</b>					
Derek Lenartowicz	-	-	-	-	-
Trevor Benson	-	-	-	-	-
Ian Hobson	-	1,000,000 (a)	-	1,000,000	1,000,000
<b>Executive</b>					
Kevin Alexander	-	-	-	-	-
	<b>-</b>	<b>1,000,000</b>	<b>-</b>	<b>1,000,000</b>	<b>1,000,000</b>

(a) Issued on reconstruction of the Company with shareholder approval

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:



**NOTES TO THE FINANCIAL STATEMENTS**  
For the year ended 30 June 2008

**25 Related Party Disclosures (continued)**

2008	Balance at the start of the year	Received during the year on the exercise of options	Granted		Balance at the end of the year
<b>Name</b>					
<b>Directors</b>					
Trevor Benson	-	-	3,000,000	(i)	3,000,000
Ian Hobson	5,000,000	-	-		5,000,000
Derek Lenartowicz	-	-	33,016,669	(ii)	33,016,669
<b>Executive</b>					
Kevin Alexander	-	-	7,000,000		7,000,000
	<b>5,000,000</b>	<b>-</b>	<b>43,016,669</b>		<b>48,016,669</b>
<b>2007</b>	<b>Balance at the start of the year</b>	<b>Received during the year on the exercise of options</b>	<b>Granted</b>		<b>Balance at the end of the year</b>
<b>Name</b>					
<b>Directors</b>					
Trevor Benson	-	-	-		-
Ian Hobson	-	-	5,000,000	(iii)	5,000,000
Derek Lenartowicz	-	-	-		-
<b>Executive</b>					
Kevin Alexander	-	-	-		-
	<b>-</b>	<b>-</b>	<b>5,000,000</b>		<b>5,000,000</b>

(i) Issued as remuneration

(ii) 25,000,000 share issued as part-consideration for the purchase of Isabella Mines Pty Ltd and 8,016,669 shares taken up in placements and offers

(iii) Issued on reconstruction of the Company with shareholder approval

**(d) Other transactions with key management personnel**

Details of the acquisition of the subsidiary, Isabella Minerals Pty Ltd, from Derek Lenartowicz, a director of the Company, is disclosed in note 9.

**26 Remuneration of Auditors**

During the year the following fees were paid or payable for services provided by the auditor of the Company:

	Consolidated 2008	Company 2008	Company 2007
	\$	\$	\$
<b>Audit Services</b>			
Audit of financial report and other audit work under the <i>Corporations Act 2001</i>	27,500	27,500	15,000
Total remuneration for audit services	<b>27,500</b>	<b>27,500</b>	<b>15,000</b>

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.

**NOTES TO THE FINANCIAL STATEMENTS**

For the year ended 30 June 2008

**27 Commitments**

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

**(b) Lease Commitments**

	<b>Consolidated 2008 \$</b>	<b>Company 2008 \$</b>	<b>Company 2007 \$</b>
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:			
Within 1 year	73,017	73,017	83,007
Later than one year but not later than five years	73,017	73,017	166,015
Later than five years	-	-	-
	<b>146,034</b>	<b>146,034</b>	<b>249,022</b>
Representing:			
Non-cancellable operating leases	<b>146,034</b>	<b>146,034</b>	<b>249,022</b>

**(i) Operating Leases**

The Company leases premises at 350 Hay Street Subiaco under a non-cancellable operating lease for a 3 year term 1 July 2007 to 20 June 2010, with a 2 year option to extend.

**(c) Tenement Expenditure Commitments**

	<b>Consolidated 2008 \$</b>	<b>Company 2008 \$</b>	<b>Company 2007 \$</b>
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:			
Within 1 year	260,000	260,000	-
Later than one year but not later than five years	219,500	219,500	-
Later than five years	-	-	-
	<b>479,500</b>	<b>479,500</b>	<b>-</b>

**28 Events Occurring After the Balance Sheet Date**

A placement of 41,425,000 shares was completed on 2 July 2008 at 2.4 cents per share to raise \$994,200 (before costs of issue). As at 30 June 2008, \$922,200 had been received. Otherwise, since 30 June 2008 there has been no matter or circumstance that has arisen, (other than that disclosed above), that has significantly affected, or may significantly affect:

- (i) the Company's operations in future financial years, or
- (ii) the results of those operations in future financial years, or
- (iii) the Company's state of affairs in future financial years.

**NOTES TO THE FINANCIAL STATEMENTS**  
**For the year ended 30 June 2008**

<b>29 Reconciliation of Profit After Income Tax to Net Cash Outflow from Operating Activities</b>	<b>Consolidated 2008 \$</b>	<b>Company 2008 \$</b>	<b>Company 2007 \$</b>
Loss for the year:	(5,772,906)	(5,772,906)	(750,128)
<i>Add back:</i>			
Loss due to deed of company arrangement			139,531
Payments pursuant to a deed of company arrangement			95,000
Write down of investment			100,000
Share based payments	1,277,400	1,277,400	
Depreciation	17,447	17,447	
Impairment of mining tenement	2,215,000	2,215,000	
<i>Changes in operating assets and liabilities:</i>			
(Increase) / Decrease trade and other receivables - current	2,778	2,778	(33,613)
(Increase) / Decrease trade and other receivables - non-current	-	-	(11,345)
Increase in trade and other payables	65,746	65,746	34,190
Increase / (Decrease) in employee provisions	18,138	18,138	46,542
<b>Net cash outflow from operating activities</b>	<b>(2,176,398)</b>	<b>(2,176,398)</b>	<b>(379,823)</b>

**30 Loss Per Share****(a) Basic and Diluted Loss Per Share**

Loss from continuing operations attributable to the ordinary equity holders of the Company

Loss from discontinued operations

<b>Company 2008 Cents</b>	<b>Company 2007 Cents</b>
(1.18)	(0.28)
-	(0.12)
<b>(1.18)</b>	<b>(0.40)</b>

**(b) Reconciliation of Loss used in Calculating Loss Per Share***Basic loss per share*

Loss from continuing operations attributable to the ordinary equity holders of the Company

Loss from discontinued operations

<b>Company 2008 \$</b>	<b>Company 2007 \$</b>
(5,772,906)	(515,597)
	(234,531)
<b>(5,772,906)</b>	<b>(750,128)</b>

*Diluted loss per share*

Loss from continuing operations attributable to the ordinary equity holders of the Company

Loss from discontinued operations

(5,772,906)	(515,597)
	(234,531)
<b>(5,772,906)</b>	<b>(750,128)</b>

**(d) Weighted Average Number of Shares Used as the Denominator**

Weighted average number of ordinary shares used as the denominator in calculating basic loss per share

Adjustments for calculation of diluted loss per share – Options

Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted loss per share

<b>Company 2008 Number</b>	<b>Company 2007 Number</b>
485,258,704	189,193,290
<b>485,258,704</b>	<b>189,193,290</b>

**(e) Information Concerning the Classification of Securities***Options*

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.

**DIRECTORS' DECLARATION**

In the directors' opinion:

- 1 the financial statements and notes set out on pages 17 to 43 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 Company's financial position as at 30 June 2008 and of its 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; and
- 3 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 the *Corporations Regulations 2001*.

The directors' 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  
17 September 2008

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF  
SULTAN CORPORATION LIMITED**

We have audited the accompanying financial report of Sultan Corporation Limited, which comprises the balance sheet as at 30 June 2008, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

*Ian K Macpherson CA*

We have also audited the remuneration disclosures contained in the directors' report. As permitted by the *Corporations Regulations 2001*, the company has disclosed information about the remuneration of directors and executives ("remuneration disclosures"), required by Accounting Standard AASB 124 *Related Party Disclosures*, under the heading "remuneration report" in pages 7 to 10 of the directors' report and not in the financial report.

*Robert W Parker CA*

*Craig A Vivian CA*

***Directors' responsibility for the financial report and the AASB 124 remuneration disclosure contained in the directors' 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 control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 Presentation of Financial Statements, that compliance with Australian equivalents to International Financial Reporting Standards ensures that the financial report, comprising the financial statements and notes complies with International Financial Reporting Standards.

The directors of the company are also responsible for the remuneration disclosures contained in the directors' report.

***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.

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

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**Independence**

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Sultan Corporation Limited on 17 September 2008, would be in the same terms if provided to the directors as at the date of this auditor's report.

**Qualification**

The financial report for the year ended 30 June 2007 did not include comparatives. The company had obtained reporting relief from ASIC regarding the company's failure to prepare financial report since the 31 December 2003 half year report. Due to the limitation of scope, we are unable to express an opinion on 30 June 2007 comparatives in the income statement, statement of changes in equity and the cash flow statement and related notes.

**Auditor's opinion**

In our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had we been able to satisfy ourselves as to the comparatives in the income statement of changes in equity and the cash flow statement and related notes:

- (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 company's and consolidated entity's financial position as at 30 June 2008 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.

**Auditor's opinion on the AASB 124 remuneration disclosures contained in the directors' report**

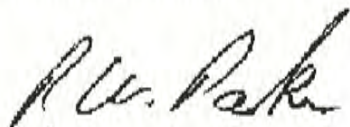
In our opinion, the remuneration disclosures that are contained in pages 7 to 10 of the directors' report comply with Accounting Standard AASB 124.

**Significant uncertainty regarding going concern**

Without qualification to the opinion expressed above, attention is drawn to the following matter. As a result of the matters referred to in Note 1 "Going Concern" to the financial statements, there is significant uncertainty whether the entity will be able to continue as a going concern and therefore whether it will be able to pay its debts as and when they fall due and whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts 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.

**ORD PARTNERS**

Chartered Accountants



Robert Parker  
Partner

Perth, 17 September 2008

## ASX 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 16 September 2008.

### (a) Substantial Shareholders

The number of shares held by substantial shareholders and their associates are set out below:

Shareholder:

	Number held	Percentage
D Lenartowicz	33,016,669	6.22%
Goldrim Investments Pty Ltd	30,000,000	5.65%

### (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	% Issued Capital
1 – 1,000	277,413	0.05
1,001 – 5,000	794,065	0.15
5,001 – 10,000	770,473	0.15
10,001 – 100,000	35,320,338	6.65
100,001 and over	493,456,486	93.00
<b>Total</b>	<b>530,618,775</b>	<b>100.00</b>

There were 1,741 holders of less than a marketable parcel of ordinary shares.

### (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
Goldrim Investments Pty Ltd	30,000,000	5.65%
D Lenartowicz	25,000,000	4.71%
Elliott Holdings Pty Ltd	15,000,000	2.83%
BO Stephens & EJ Stephens	12,000,000	2.26%
Allundy Pty Ltd	10,000,000	1.88%
D Lenartowicz	8,016,669	1.51%
M Bosnjakovic	6,667,667	1.26%
Tyche Investments Pty Ltd	6,000,000	1.13%
BA Drake & RA Drake	5,080,000	0.96%

### ASX Additional Information

V Brizzi & RL Brizzi	5,002,000	0.94%
Churchill Services Pty Ltd	5,000,000	0.94%
Elephant Mines Pty Ltd	5,000,000	0.94%
Edgewater Estates Limited	5,000,000	0.94%
AMK Investments (WA) Pty Ltd	4,900,000	0.92%
S Balenovic	4,800,000	0.90%
GL Jones	4,000,000	0.75%
Arras Pty Ltd	4,000,000	0.75%
Flexiplan Management Pty Ltd	3,700,000	0.70%
M Bosnjakovic	3,571,428	0.67%
Tangled Blue Investments Pty Ltd	3,500,000	0.66%
	<b>166,236,764</b>	<b>31.34%</b>

#### Unquoted equity securities

	Number on Issue	Number of Holders
Ordinary escrowed shares	14,000,000	3
Options – exercisable at 1 cent	23,500,000	6
Options – exercisable at 2 cents	49,000,000	3
Options – exercisable at 5 cents	6,000,000	2
Options – exercisable at 10 cents	3,000,000	1

Substantial option holders are:

	Number Held
<b>Ordinary escrowed shares</b>	
K Alexander	7,000,000
T Benson	3,000,000
<b>Options – exercisable at 1 cent</b>	
Tisia Nominees Pty Ltd	10,000,000
Elliott Holdings Pty Ltd	7,000,000
<b>Options – exercisable at 2 cents</b>	
D Lenartowicz	25,000,000
Goldrim Investments Pty Ltd	15,000,000
<b>Options – exercisable at 5 cents</b>	
D Steinepreis	3,000,000
T Benson	3,000,000
<b>Options – exercisable at 10 cents</b>	
D Steinepreis	3,000,000