

Sultan Corporation Ltd

SSC

Friday, 6 June 2008

Deep rich zinc intersections prompt resource upgrade

Recommendation Speculative Buy

Overview

SSC is currently conducting a diamond drilling program at its Peelwood zinc/copper project that is located 70 km south of Bathurst in eastern New South Wales. Recent intercepts include 4.0 metres averaging 23.19% zinc, 1.38% copper and 12.6 g/t silver from a down hole depth of 278 metres in drill hole SJF004. The drilling program commenced in December 2007 and is expected to continue for several more weeks with a planned total metreage of up to 5,000 metres.

The company entered into an agreement to acquire the Peelwood project in May 2007 and has since acquired adjoining tenure to consolidate a land position extending over a prospective strike length of approximately 30 km of Silurian acid volcanics. The project includes several former mines and numerous prospects that were the subject of previous investigations but were not fully evaluated. The most advanced prospect is the John Fardy deposit which had been diamond drilled by several previous explorers. Historical data had recorded the deposit as having a strike length of approximately 100 metres, dipping approximately 60 degrees west and plunging 75 degrees south. It displayed a horizontal width of between two and 25 metres and drilling had intersected it at vertical depths of up to around 270 metres. Based on the historical records the company commissioned a resource estimate which was announced in September 2007. The measured, indicated and inferred resource is 862,000 tonnes averaging 4.2% zinc, 1.0% copper and 13 g/t silver. The resource extends from the base of oxidation at about 20 metres below surface and is extrapolated to a depth of around 350 metres from surface where there were no drill hole intersections.

The current drilling program is designed to test the down plunge extent of the John Fardy deposit and mineralised intercepts obtained to date from several holes at down hole depth of between 250 and 300 metres has prompted the company to commission Cube Consulting to estimate an upgraded JORC Compliant resource. The latest intersections suggest that the south plunge may not be as steep as previously indicated and that the mineralisation may extend to greater depths than previously thought.

In addition to John Fardy the project contains the Central Hill, Peelwood Mine, Black Springs and Single Tree Hill prospects. These four prospects have had only minimal drilling but in all cases have returned significant mineralised intercepts. At the Black Springs prospect, hole BSJ 7 intersected 3.0 metres averaging 12.0% zinc, 4.14% lead and 35 g/t silver.

SSC envisages that the John Fardy resource estimate will be finalised by July 2008 with a final mine design completed in August 2008. The company is currently considering initial open pit mining to a depth of around 50 to 60 metres with underground mining to follow. To minimise capital costs the company is investigating the potential to have the ore treated on a toll milling basis at a suitable treatment plant. This strategy should minimise permitting requirements and allow a possible commencement of open pit mining in 2009. The cash flow generated should allow the progression to underground mining in later years.

The John Fardy deposit is located on freehold land that is not subject to native title. The property is connected by a bitumen road (some gravel sections) to Crookwell in the south and Bathurst in the north.

Impact

SSC could be in production within a relatively short time frame should it pursue a strategy of initial open pit mining of ore and toll treatment. The resource upgrade is expected to increase the tonnage at depth and may enhance the overall grade. The current resource zinc grade is in line with the average head grade of zinc mines as compiled by Brook Hunt.

Snapshot

Last Price	\$0.023
Market Cap (m)	\$11.6
52 Week High	\$0.06
52 Week Low	\$0.014
Sector	Metals & Mining

Investment Fundamentals

Cash reserves	\$1.7 million
Shares on issue	504 million
Options on issue	81.5m unlisted options
Directors	Derek Lenartowicz (Managing) Ian Hobson (Comp. Secretary) Trevor Benson (Non-exec)
Major shareholders	Derek Lenartowicz 7.30%

Price Chart



Business Description

SSC is a base metal exploration company that is currently focused on developing the Peelwood zinc and copper project in eastern New South Wales. The company aims to be in production in 2009.

Analyst: Paul Gooday

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