

SULTAN MINERALS INC.
(an exploration stage company)
CONDENSED INTERIM FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

The accompanying condensed interim financial statements have been prepared by management and approved by the Audit Committee and the Board of Directors. The Company's independent auditors have not performed a review of these condensed interim financial statements.



MANNING ELLIOTT
CHARTERED ACCOUNTANTS

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NOTICE TO READER

On the basis of information provided by management, we have compiled the condensed statements of financial position of Sultan Minerals Inc. as at September 30, 2012 and the condensed statements of operations and comprehensive loss, shareholder's equity and cash flows for the three months and nine months ended September 30, 2012.

We have not performed an audit or a review in respect of these financial statements and, accordingly, we express no assurance thereon.

Readers are cautioned that these statements may not be appropriate for their purposes.

Chartered Accountants

Vancouver, British Columbia

November 27, 2012

SULTAN MINERALS INC.

(an exploration stage company)

Condensed Interim Statements of Financial Position

(Unaudited) (Expressed in Canadian dollars)

	September 30, 2012	December 31, 2011
Assets		
Current assets		
Cash	\$ 4,830	\$ –
Short-term investments (Note 4)	487,250	82,250
Accounts receivable	31,495	57,155
Prepaid expenses	15,581	16,366
	539,156	155,771
Mineral property exploration interests (Note 3)	8,657,057	9,438,584
Long-term investments (Note 5)	117	196
Equipment (Note 6)	563	1,868
Reclamation deposits	21,120	21,120
	\$ 9,218,013	\$ 9,617,539
Liabilities and Equity		
Current liabilities		
Cheques written in excess of funds on deposit	\$ –	\$ 19,932
Accounts payable and accrued liabilities	36,079	79,983
Deferred revenue	–	37,778
Due to related parties (Note 8)	–	36,489
Total liabilities	36,079	174,182
Equity		
Share capital (Note 7)	22,857,034	22,719,474
Warrants (Note 7)	429,049	368,616
Share-based payments reserve	3,307,659	3,307,659
Accumulated other comprehensive loss	(3,799)	(3,721)
Deficit	(17,408,009)	(16,948,671)
	9,181,934	9,443,357
	\$ 9,218,013	\$ 9,617,539

Commitments (Note 11)

Subsequent event (Note 12)

Approved on Behalf of the Board:

/s/ "Arthur G. Troup"

Arthur G. Troup, Director

/s/ "Robin Merrifield"

Robin Merrifield, Director

SULTAN MINERALS INC.

(an exploration stage company)

Condensed Interim Statements of Operations and Comprehensive Loss

(Unaudited) (Expressed in Canadian dollars)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2012	2011	2012	2011
Expenses				
Depreciation	\$ 652	\$ 326	\$ 1,305	\$ 1,603
Legal, accounting and audit	3,770	18,373	42,307	25,830
Management fees	7,500	7,500	22,500	22,500
Office and administration	27,695	28,123	83,905	104,884
Salaries and benefits	45,752	45,930	141,194	141,113
Shareholder communications	33,452	37,906	96,285	133,106
Travel and conferences	–	–	4,484	9,068
Interest and other (recoveries)	210	(121)	864	(1,922)
	119,031	138,037	392,844	436,182
Loss before other items	(119,031)	(138,037)	(392,844)	(436,182)
Interest and other income	2,860	–	3,506	–
Unrealized loss on investments	(10,000)	–	(70,000)	–
Net loss	(126,171)	(138,037)	(459,338)	(436,182)
Other comprehensive income (loss)				
Unrealized gain (loss) on investments	(15)	180	(78)	37
Comprehensive loss	\$ (126,186)	\$ (137,857)	\$ (459,416)	\$ (436,145)
Loss per share, basic and diluted	\$ (0.00)	\$ (0.00)	\$ (0.00)	\$ (0.00)
Weighted average number of common shares outstanding – basic and diluted	134,559,418	130,446,918	134,092,265	130,446,918

The accompanying notes form an integral part of these financial statements.

SULTAN MINERALS INC.

(an exploration stage company)

Condensed Interim Statements of Changes in Shareholders' Equity

(Unaudited) (Expressed in Canadian dollars)

	Common Shares Without Par Value		Warrants Reserve	Share-based Payments Reserve	Accumulated Other Comprehensive Loss	Deficit	Total Shareholders' Equity
	Shares	Amount					
Balance, December 31, 2010	130,446,918	\$ 22,715,974	\$ 368,616	\$ 3,307,659	\$ (3,562)	\$ (16,364,495)	\$ 10,024,192
Other comprehensive loss	—	—	—	—	37	—	37
Loss for the period	—	—	—	—	—	(436,182)	(436,182)
Balance, September 30, 2011	130,446,918	\$ 22,715,974	\$ 368,616	\$ 3,307,569	\$ (3,525)	\$ (16,800,677)	\$ 9,588,047
Balance, December 31, 2011	130,559,418	\$ 22,719,474	\$ 368,616	\$ 3,307,659	\$ (3,721)	\$ (16,948,671)	\$ 9,443,357
Private placement, net of share issuance cost	4,000,000	126,245	66,748	—	—	—	192,993
Warrants exercised	100,000	11,315	(6,315)	—	—	—	5,000
Other comprehensive loss	—	—	—	—	(78)	—	(78)
Loss for the period	—	—	—	—	—	(459,338)	(459,338)
Balance, September 30, 2012	134,659,418	\$ 22,857,034	\$ 429,049	\$ 3,307,659	\$ (3,799)	\$ (17,408,009)	\$ 9,181,934

The accompanying notes form an integral part of these financial statements.

SULTAN MINERALS INC.

(an exploration stage company)

Condensed Interim Statements of Changes in Cash Flows

(Unaudited) (Expressed in Canadian dollars)

	Three months ended September 30,		Nine months ended September 30,	
	2012	2011	2012	2011
Cash provided by (used in)				
Operations				
Net loss	\$ (126,171)	\$ (138,037)	\$ (459,338)	\$ (436,182)
Items not involving cash				
Depreciation	653	326	1,305	1,603
Unrealized loss on investment	10,001	–	70,000	–
Changes in non-cash operating working capital				
Accounts receivable	(9,558)	11,008	25,660	35,110
Due to/from related parties	–	3,415	(36,489)	(7,536)
Prepaid expenses	(1,024)	5,887	785	4,869
Accounts payable and accrued liabilities	(16,130)	15,683	(43,903)	(59,249)
	(142,229)	(101,718)	(441,980)	(461,385)
Investing				
Mineral property exploration interests				
Acquisition costs	–	–	–	(3,730)
Exploration and evaluation costs	(35,041)	(16,591)	(60,453)	(85,875)
Short-term investments redeemed	19,000	103,000	65,000	360,000
Short-term investments purchased	–	–	(300,000)	–
Mineral exploration tax credits received	–	–	169,202	–
Proceeds from option payments	–	–	395,000	–
	(16,041)	86,409	268,749	270,395
Financing				
Proceeds from share issuance	–	–	197,993	–
Increase (decrease) in cash	(158,270)	(15,309)	24,762	(190,990)
Cash (Cheques issued in excess of funds on deposit), beginning of period	163,100	11,496	(19,932)	187,177
Cash, end of period	\$ 4,830	\$ (3,813)	\$ 4,830	\$ (3,813)
Supplemental information				
Share-based payments capitalized to mineral property interests	–	–	–	–
Interest paid	–	–	–	–
Income tax paid	–	–	–	–

SULTAN MINERALS INC.

(an exploration stage company)

Notes to condensed interim financial statements

Interim period ended September 30, 2012

(Unaudited) (Expressed in Canadian dollars)

1. CORPORATE INFORMATION AND NATURE OF OPERATIONS

Sultan Minerals Inc., incorporated in British Columbia, is a public company listed on the TSX Venture Exchange ("TSX-V") and trades under the symbol SUL. The address of the Company's corporate office and its principal place of business is 1066 West Hastings Street, Suite 2000, Vancouver, British Columbia, Canada.

The Company is in the exploration stage and its principal business activity is the exploration and evaluation of mineral properties in Canada. The Company is in the process of exploring and evaluating its mineral properties and has not yet determined whether these properties contain ore reserves that are economically recoverable.

The amounts shown as mineral properties and related capitalized exploration costs represent costs net of recoveries to date, less amounts written off, and do not necessarily represent present or future values. Recoverability of the amounts shown for mineral properties is dependent upon the discovery of economically recoverable mineral reserves, securing and maintaining title and beneficial interest in the properties, the ability of the Company to obtain financing necessary to complete the exploration and development of its mineral property interests, and on future profitable production or proceeds from the disposition of the mineral property interests.

2. BASIS OF PREPARATION

a) Statement of compliance

These condensed interim financial statements are prepared in accordance with International Accounting Standard ("IAS") 34 *Interim Financial Reporting* under International Financial Reporting Standards ("IFRS") issued by the International Accounting Standards Board. These condensed interim financial statements follow the same accounting policies and methods of application as the Company's most recent annual financial statements. Accordingly, these condensed interim financial statements should be read in conjunction with the Company's most recent annual financial statements, which were prepared in accordance with IFRS as issued by the IASB.

The condensed interim financial statements were authorized for issuance by the Board of Directors on November 27, 2012.

b) Going Concern

These interim financial statements are prepared on a going concern basis, which assumes that the Company will continue its operations for a reasonable period of time. The Company has incurred losses since its inception and had an accumulated deficit of \$17,408,009 as of September 30, 2012 which has been funded primarily by issuance of shares. The Company's ability to continue its operations and to realize assets at their carrying values is dependent upon obtaining additional financing or maintaining continued support from its shareholders and creditors, and generating profitable operations in the future. The Company has been successful in the past in raising funds for operations by issuing shares but there is no assurance that it will be able to continue to do so in the future. These factors may cast significant doubt on the use of the going concern basis of accounting.

SULTAN MINERALS INC.

(an exploration stage company)

Notes to condensed interim financial statements

Interim period ended September 30, 2012

(Unaudited) (Expressed in Canadian dollars)

3. MINERAL PROPERTY EXPLORATION INTERESTS

Expenditures on interests in mineral properties are considered exploration and evaluation assets.

	KENA PROPERTY, BRITISH COLUMBIA	JERSEY AND EMERALD PROPERTIES, BRITISH COLUMBIA	MCLEESE LAKE PROPERTY, BRITISH COLUMBIA	STEPHENS LAKE PROPERTY, MANITOBA	MINERAL PROPERTY INTERESTS
Acquisition costs					
As at January 1, 2012	\$ 535,841	\$ 696,447	\$ -	\$ 1	\$ 1,232,289
Incurred during the period					
Option proceeds received	(500,000)	(12,778)	-	-	(512,778)
As at September 30, 2012	35,841	683,669	-	1	719,510
Exploration and evaluation costs					
Incurred during the year					
Assays and analysis	-	-	-	-	-
Geological and geophysical	-	461	-	-	461
Site activities	9,975	30,017	-	-	39,992
Mineral exploration tax credit	-	(169,202)	-	-	(169,202)
Option proceeds received	(140,000)	-	-	-	(140,000)
	(130,025)	(138,724)	-	-	(268,749)
As at January 1, 2012	3,280,407	4,899,040	26,708	140	8,206,295
As at September 30, 2012	3,150,382	4,760,316	26,708	140	7,937,546
Balance, September 30, 2012	\$ 3,186,223	\$ 5,443,985	\$ 26,708	\$ 141	\$ 8,675,057

	KENA PROPERTY, BRITISH COLUMBIA	JERSEY AND EMERALD PROPERTIES, BRITISH COLUMBIA	MCLEESE LAKE PROPERTY, BRITISH COLUMBIA	STEPHENS LAKE PROPERTY, MANITOBA	MINERAL PROPERTY INTERESTS
Acquisition costs					
As at January 1, 2011	\$ 527,861	\$ 695,669	\$ -	\$ 1	\$ 1,223,531
Incurred during the year	7,980	13,000	-	-	20,980
Option Proceeds	-	(12,222)	-	-	(12,222)
As at December 31, 2011	535,841	696,447	-	1	1,232,289
Exploration and evaluation costs					
Incurred during 2010					
Assays and analysis	5,069	134	-	-	5,203
Geological and geophysical	18,470	-	-	-	18,470
Site activities	8,458	51,472	1,649	-	61,579
Travel and accommodation	3,065	4,910	-	-	7,975
Tax credits recovered	(10,604)	(20,329)	-	-	(30,933)
	24,458	36,187	1,649	-	62,294
As at January 1, 2011	3,255,949	4,862,853	25,059	140	8,144,001
As at December 31, 2011	3,280,407	4,899,040	26,708	140	8,206,295
Balance, December 31, 2011	\$ 3,816,248	\$ 5,595,487	\$ 26,708	\$ 141	\$ 9,438,584

The impairment assessment of exploration and evaluation assets did not result in amounts being written off in the Company's properties.

SULTAN MINERALS INC.

(an exploration stage company)

Notes to condensed interim financial statements

Interim period ended September 30, 2012

(Unaudited) (Expressed in Canadian dollars)

3. MINERAL PROPERTY EXPLORATION INTERESTS (continued)

a) Kena Property, Ymir, British Columbia, Canada

The Kena property is located near the community of Ymir in southeastern British Columbia. The Kena Property is comprised of the original Kena claims and four adjoining properties. One adjoining property, the Daylight claim Group is still under option.

Kena Claims

The Company holds 100% of the original Kena Property claims. The property is subject to a 3.0% net smelter returns royalty ("NSR") on gold and silver and 1.5% on other metals. The Company has the right to purchase 50.0% of the NSR for the greater of 7,000 ounces of gold or \$2,000,000 and must issue an additional 100,000 common shares on commencement of commercial production.

Tough Nut Claim Group

The Company holds 100% in three Tough Nut Claim Group claims, located on the north end of the Kena Property. The claims are subject to a 3.0% NSR from gold and silver. The Company has the right to purchase 66.67% of the NSR from the optionors for \$2,000,000 at any time prior to commencement of commercial production.

Great Western Claim Group

The Company holds 100% of the Great Western claim group, consisting of 3 claim units contiguous to the Kena property. Sultan must issue 200,000 common shares to the property vendors on receipt of a positive feasibility study. The property is subject to a 3.0% NSR from production of gold and silver and 1.5% from production of other metals. The Company has the right to purchase 66.67% of the NSR for \$1,000,000 on commencement of commercial production.

Starlight Claim Group

The Company holds 100% of 4 claim units, known as the Starlight Claim Group, consisting of 3 crown grants and one mineral claim contiguous with the Kena Property. The property is subject to a 1.0% NSR from production of gold and silver and other metals. The Company has the right to purchase the NSR for \$1,000,000 on commencement of commercial production.

Daylight Claim Group

The Company holds 87.5% of the Daylight Claim Group, consisting of 8 crown grants. On August 22, 2011, the Company entered an Agreement with Ms. Janet Lynn Wirth (the "Optionor") to option the remaining 12.5% interest in the Daylight Claim Group which was approved by the TSX-V on November 9, 2011. The Company has the exclusive right and option to acquire the 12.5% interest in the Property by making cash payments of \$7,500 and issuing 25,000 common shares to the Optionor over a one-year period.

The properties are subject to royalties payable to the optionors of a 3.0% NSR from production of gold and silver and 1.5% NSR from the production of other metals. The Company has the right to reduce the NSR to 1.0% from the production of gold and silver and 0.5% from the production of other metals by a payment of \$1,000,000 on or prior to the commencement of commercial production. The Company must issue 200,000 common shares to the optionors upon completion of a positive feasibility study recommending commercial production on the property.

During the year ended December 31, 2011, the Company made a payment of \$3,750 in cash and issued 12,500 common shares of the Company to the Optionor as per the Agreement. In November 2012, the Company made the last payment of \$3,750 in cash and issued 12,500 common shares to the Optionor to acquire the remaining 12.5% interest in the Daylight Claim Group.

SULTAN MINERALS INC.

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Notes to condensed interim financial statements

Interim period ended September 30, 2012

(Unaudited) (Expressed in Canadian dollars)

3. MINERAL PROPERTY EXPLORATION INTERESTS (continued)

a) Kena Property, Ymir, British Columbia, Canada (continued)

Option Agreement with Altair Gold Inc. (formerly Altair Ventures Inc.)

On December 30, 2011, the Company entered into an option Letter Agreement with Altair Gold Inc. ("Altair"), whereby Altair has an option to earn a 60% interest in 7,000 hectares of mineral claims that comprise the Kena and Toughnut portions of the Company's Kena Gold-Copper Property (the "Project") in British Columbia by completing \$7,500,000 in Project related exploration expenditures over four years. The Altair Option has a term of 4 years commencing from December 30, 2011 (the "Effective Date").

To exercise the Option and earn its (60%) interest in the Project, Altair will:

i) make the following cash option payments to the Company:

- (A) within 5 business days of receiving the TSX-V acceptance, \$195,000 (received);
- (B) within six months from the Effective Date, an additional \$200,000 (received);
- (C) within eighteen months from the Effective Date, an additional \$300,000;
- (D) within thirty months from the Effective Date, an additional \$300,000;
- (E) within forty-two months from the Effective Date, an additional \$400,000; and
- (F) within forty-eight months from the Effective Date, an additional \$600,000;

for total cash option payments of \$2,000,000 including \$5,000 received on signing of Letter Agreement;

ii) issue common shares of Altair to the Company as follows:

- (A) within 5 business days of receiving the TSX-V acceptance, 500,000 shares (received);
- (B) within six months from the Effective Date, an additional 500,000 shares (received);
- (C) within eighteen months from the Effective Date, an additional 500,000 shares;
- (D) within thirty months from the Effective Date, an additional 500,000 shares; and
- (E) within forty-eight months from the Effective Date, an additional 666,667 shares;

for a total of 2,666,667 shares; and

iii) incur exploration expenditures as follows:

- (A) within twelve months from the Effective Date, \$1,500,000;
- (B) within twenty-four months from the Effective Date, an additional \$2,000,000;
- (C) within thirty-six months from the Effective Date, an additional \$2,000,000; and
- (D) within forty-eight months from the Effective Date, an additional \$2,000,000;

for total exploration expenditures of \$7,500,000.

After Altair has earned its 60% interest in the Project, Altair may elect to extend the option (the "First Option Extension Notice") and earn a 70% interest in the Project by completing a Feasibility Report within 72 months following the Effective Date. If Altair completes a Feasibility Report within 72 months of the Effective Date, then Altair may elect to earn an additional 5% interest in the Project (the "Second Option Extension Notice"), making Altair's aggregate interest in the Project 75% by electing to continue funding all of the Project development expenditures up to the achievement of Commercial Production from the Project.

SULTAN MINERALS INC.

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Notes to condensed interim financial statements

Interim period ended September 30, 2012

(Unaudited) (Expressed in Canadian dollars)

3. MINERAL PROPERTY EXPLORATION INTERESTS (continued)

Option Agreement with Altair Ventures Inc. (continued)

In addition to the other payments provided for in the agreement, Altair will make bonus payments to Sultan as follows:

(A) If, at the end of 51 months following the Effective Date, Altair has elected not to give the First Option Extension Notice, and the Parties have then established that there are measured and indicated gold resources on the Project of not less than 2.0 million ounces at a 0.3 gram/tonne cut-off, then Altair will pay a one-time lump sum \$2.0 million Reported Resource Bonus to Sultan.

(B) If, Altair elects to give the First Option Extension Notice, then at the end of 76 months following the Effective Date Altair will pay a Reported Resource Bonus to Sultan equal to the greater of:

(i) \$5.00 per ounce of probable and proven mineral reserves on the Project, determined at a 0.3 gram/tonne cut-off; or

(ii) a one-time lump sum amount of \$2.0 million, provided that the Parties have by then established that there are measured and indicated gold resources on the Project of not less than 2.0 million ounces at a 0.3 gram/tonne cut-off.

As at September 30, 2012, \$640,000 in option payments from Altair were deducted from the acquisition and exploration costs for the Kena and Toughnut portions of the Company's Kena Property.

b) Jersey and Emerald Properties, Salmo, British Columbia, Canada

The 14,000 hectare Jersey-Emerald Property is located 10 kilometres southeast of the community of Salmo in southeastern British Columbia. The property is comprised of several contiguous mineral properties and historic mines that have been purchased or are under option. The property is host to the former Emerald Tungsten Mine, which was Canada's second largest tungsten producer and the historic Jersey and HB lead-zinc mines, British Columbia's second and third largest lead-zinc producers. The property is also host to the historic, small but high grade Aspen Silver and Summit Gold mines.

To maintain its Jersey-Emerald mineral property interests in fiscal 2012, the Company is required to make monthly cash payments of \$750 for lease of surface property rights, pay \$3,000 in advance royalty payments and make property option payments of \$20,000 and 100,000 shares.

In 2006 and 2007 the Company entered into four separate purchase agreement to acquire 100% of the rights, title and interest in the surface rights to 1,122 acres of land situated over the historic Jersey and Emerald mine workings.

Option Agreement with Tunxsten Resources Ltd.

On November 17, 2011, the Company signed a Letter of Intent ("LOI") with Tunxsten Resources Ltd. ("Tunxsten") granting Tunxsten the exclusive option to acquire up to an undivided 65% interest in the Jersey Emerald Property (the "Property") located near Salmo, British Columbia, over a three year period from the Closing Date. Tunxsten had the exclusive right to acquire up to an undivided 65% interest in the Property under the terms of the LOI.

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Notes to condensed interim financial statements

Interim period ended September 30, 2012

(Unaudited) (Expressed in Canadian dollars)

3. MINERAL PROPERTY EXPLORATION INTERESTS (continued)

b) Jersey and Emerald Properties, Salmo, British Columbia, Canada (continued)

Option Agreement with Tunxsten Resources Ltd. (continued)

Upon execution of the LOI in November 2011, the Company received a deposit of \$50,000 from Tunxsten. \$25,000 of such \$50,000 was refundable to Tunxsten in the event that the LOI terminates or Tunxsten decides not to proceed with this agreement. In September 2012 Tunxsten decided to terminate the agreement and the Company returned the \$25,000 deposit to Tunxsten.

c) Stephens Lake Property, Manitoba, Canada

The Company is in a joint venture with ValGold Resources Ltd. and Cream Minerals Ltd. (the "Companies"). The Companies have 75% of the Trout Claim Group, which are internal to the claims forming the Stephens Lake Property. The Company has written off all exploration and carrying costs on the property to a nominal carrying value of \$1, as it has no exploration programs planned.

4. SHORT-TERM INVESTMENTS

Short-term investments consist of investments in shares of Altair Gold Inc. which are summarized as follows:

	Number of Shares	Historical Cost	Fair Value September 30, 2012	Fair Value December 31, 2011
Altair Gold Inc. (Note 3 (a))	1,000,000	\$ 240,000	\$ 170,000	N/A

Short-term investments also include government issued certificates (GIC's) with original maturity dates ranging from 91 days to 1 year and totalling \$317,250 at September 30, 2012 (December 31, 2011 - \$82,250).

These investments are classified as fair value through profit or loss and recorded at fair value with realized gains and losses recognized in income.

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Interim period ended September 30, 2012

(Unaudited) (Expressed in Canadian dollars)

5. LONG-TERM INVESTMENTS

	Number of Shares	Historical Cost	Fair Value September 30, 2012	Fair Value December 31, 2011
Emgold Mining Corporation (Note 10 (c))	1,565	\$ 3,913	\$ 117	\$ 196
Total Long-term		\$ 3,913	\$ 117	\$ 196

As at September 30, 2012 long-term investments in available-for-sale securities consist of marketable securities which have a market value of \$117 (December 31, 2011 - \$196). The carrying amount of these securities is subject to revaluation on a mark-to-market basis at the end of each reporting period, and the increases or decreases arising on revaluation are recorded in Accumulated Other Comprehensive Income ("AOCI"), a component of shareholders' equity.

6. EQUIPMENT

Cost	Computer Equipment	Field and Mining Equipment	Vehicles	Total
As at December 31, 2011	\$ 15,770	\$ 49,614	\$ 26,271	\$ 91,655
Additions	-	-	-	-
As at September 30, 2012	\$ 15,770	\$ 49,614	\$ 26,271	\$ 91,655
Accumulated Depreciation				
As at December 31, 2011	\$ 13,902	\$ 49,614	\$ 26,271	\$ 89,787
Depreciation	1,305	-	-	1,305
As at September 30, 2012	\$ 15,207	\$ 49,614	\$ 26,271	\$ 91,092
Carrying Amounts				
Balance, December 31, 2011	\$ 1,868	\$ -	\$ -	\$ 1,868
Balance, September 30, 2012	\$ 563	\$ -	\$ -	\$ 563

7. SHARE CAPITAL

(a) Authorized:

Unlimited number of common shares without par value

(b) Issued and outstanding:

See Statements of Changes in Shareholders' Equity.

SULTAN MINERALS INC.

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Notes to condensed interim financial statements

Interim period ended September 30, 2012

(Unaudited) (Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

(b) Issued and outstanding (continued)

On February 1, 2012, the Company completed a non-brokered private placement of 4,000,000 units. Each unit was comprised of one common share and one share purchase warrant at \$0.05 per unit, for gross proceeds of \$200,000. Each warrant is exercisable into one common share for a period of 24 months from the date of issue at an exercise price of \$0.10 per share. Share issuance cost of \$7,006 was incurred. The warrants were valued using a Black-Scholes pricing model using the following assumptions: risk free interest rate – 0.98%; volatility – 106%, and an expected life of two years. The value allocated to the warrants was 66,749.

(c) Stock options

The Company has a stock option plan which allows for the grant of options to purchase up to 20,390,173 common shares. The following table summarizes information about the stock options outstanding at September 30 2012:

Weighted Average Exercise Price	Number Outstanding at September 30, 2012	Weighted Average Remaining Contractual Life
\$0.29	2,050,000	0.1 years
\$0.29	100,000	0.5 years
\$0.10	4,430,000	1.7 years
\$0.10	500,000	2.2 years
\$0.16	7,080,000	1.3 years

A summary of the changes in stock options for the nine months ended September 30, 2012 is presented below:

	Number of Options	Weighted Average Exercise Price
Balance, December 31, 2011	9,962,000	\$0.22
Cancelled/forfeited	(1,064,000)	\$0.23
Expired	(1,818,000)	\$0.45
Balance, September 30, 2012	7,080,000	\$0.16
Balance vested, September 30, 2012	7,080,000	\$0.16

(d) Share purchase warrants

As at September 30, 2012 the following share purchase warrants issued in connection with financings made by private placements and short-form offerings were outstanding:

Number of Warrants	Exercise Price	Expiry Date
13,333,333	\$0.12	June 30, 2014
706,666	\$0.12	June 30, 2014
66,666	\$0.12	June 28, 2014
523,800	\$0.05	June 30, 2014
1,498,400	\$0.12	June 30, 2014
4,662,500	\$0.15	November 24, 2012
4,000,000	\$0.10	February 1, 2014
24,791,365	\$0.12	

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(Unaudited) (Expressed in Canadian dollars)

7. SHARE CAPITAL (continued)

The following table summarizes changes in the number of warrants outstanding:

	Number of Warrants	Weighted Average Exercise Price
Balance, December 31, 2011	20,824,699	\$0.13
Issued	4,066,666	\$0.10
Exercised	(100,000)	\$0.05
Balance, September 30, 2012	24,791,365	\$0.12

(e) Shareholder rights plan

The Company's board of directors approved the adoption of a Shareholder Rights Plan (the "Rights Plan") on June 28, 2010, and the Rights Plan will expire on June 28, 2013.

The Shareholder Rights Plan has been designed to protect shareholders from unfair, abusive or coercive take-over strategies including the acquisition of control of the Company by a bidder in a transaction or series of transactions that may not treat all shareholders fairly nor afford all shareholders an equal opportunity to share in the premium paid upon an acquisition of control. The Shareholder Rights Plan was adopted to provide the Board with sufficient time, in the event of a public take-over bid or tender offer for the common shares, to pursue alternatives which could enhance shareholder value.

This Shareholder Rights Plan was not adopted in response to any proposal to acquire control of the Company.

The Rights will not be triggered by a "Permitted Bid", which is defined as a bid which is outstanding for a minimum of 60 days made to all of the shareholders of the Company for all of their common shares and, subject to other specified conditions, is accepted by a majority of independent shareholders (as detailed in the Rights Plan).

8. RELATED PARTY TRANSACTIONS AND BALANCES

	Nine months ended September 30,	
Services rendered and reimbursement of expenses:	2012	2011
Quorum Management and Administrative Services Inc. (a)	\$ 211	\$ 25,573
Lang Mining Corporation (b)	22,500	22,500
Directors' fees	29,015	28,706
Short term employee benefit (e)	189,000	137,858

Balances payable to (d):	September 30, 2012	December 31, 2011
Quorum Management and Administrative Services Inc. (a)	\$ —	\$ 413
Directors' fees	—	12,761
Short term employee benefit (e)	—	14,915
Lang Mining Corporation (b)	—	8,400
	\$ —	\$ 36,489

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8. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

The Company has identified its directors and certain senior officers as its key management personnel and the compensation costs for key management personnel and companies related to them were recorded at their exchange amounts as agreed upon by transacting parties and on terms and conditions similar to non-related parties as follows:

- (a) Management, administrative, geological and other services were provided by Quorum Management and Administrative Services Inc. ("Quorum") at market rates.
- (b) Lang Mining Corporation ("Lang Mining") is a private company controlled by the chairman of the Company. Lang Mining receives a management fee of \$2,500 per month for the services of Frank A. Lang, an officer and director of the Company.
- (c) The Company's investments include shares in a listed company with a common director.
- (d) Balances payable to and receivable from related parties are included in due to and due from related parties, respectively, on the statements of financial position. These amounts are non-interest bearing and are due on demand.
- (e) Key management personnel compensation.

9. FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are measured on an ongoing basis at fair value or amortized cost. The disclosures in the notes to these financial statements describe how the categories of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognized.

As at September 30, 2012, the classification of the financial instruments, as well as their carrying values and fair values, with comparative figures for December 31, 2011, are shown in the table below:

	September 30, 2012		December 31, 2011	
	Fair Value	Carrying Value	Fair Value	Carrying Value
Financial assets				
Cash	\$ 4,830	\$ 4,830	\$ -	\$ -
Short-term investments	487,250	487,250	82,250	82,250
Accounts receivable	31,495	31,495	57,155	57,155
Long-term investments	117	117	196	196
Financial liabilities				
Cheques written in excess of funds on deposit	-	-	19,932	19,932
Accounts payable and accrued liabilities	36,079	36,079	79,983	79,983
Due to related parties	-	-	36,489	36,489

The fair values of the Company's financial instruments measured at September 30, 2012, constitute Level 1 measurements for its cash, short-term investments and investments within the fair value hierarchy.

The Company recognized interest and other income during the nine months ended September 30, 2012, totaling \$3,506. This is primarily interest income from the Company's short-term investments. This balance represents interest income from all sources.

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9. FINANCIAL INSTRUMENTS (continued)

Credit risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its obligations. The Company's maximum exposure to credit risk at the balance sheet date under its financial instruments is summarized as follows:

	September 30, 2012
Accounts and other receivables -	
Currently due	\$ 31,495
Past due by 90 days or less, not impaired	-
Past due by greater than 90 days, not impaired	-
	31,495
Short-term investments	487,250
	\$ 518,745

Those financial assets that potentially subject the Company to credit risk are primarily its investment in guaranteed investment certificates companies and any receivables. The Company has increased its focus on credit risk given the impact of the current economic climate. The Company considers the risk of material loss to be significantly mitigated due to the financial strength of the major financial institutions where term deposits are held. The Company's maximum exposure to credit risk as at September 30, 2012, is the carrying value of its financial assets.

Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations associated with financial liabilities. The Company has a planning and budgeting process in place by which it anticipates and determines the funds required to support normal operation requirements as well as the growth and development of its mineral property interests. The Company coordinates this planning and budgeting process with its financing activities through the capital management process described in Note 9, in normal circumstances. The Company's financial liabilities are comprised of its accounts payable and accrued liabilities and amounts due to related parties, the contractual maturities of which at September 30, 2012, are summarized as follows:

	September 30, 2012
Accounts payable and accrued liabilities with contractual maturities –	
Within 90 days or less	\$ 36,079
In later than 90 days, not later than one year	-
Due to related parties with contractual maturities	
Within 90 days or less	-
In later than 90 days, not later than one year	-

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9. FINANCIAL INSTRUMENTS (continued)

Market risks

The significant market risks to which the Company is exposed include commodity price risk, interest rate risk and foreign exchange risk.

- Commodity price risk

The Company's ability to raise capital to fund exploration or evaluation activities is subject to risk associated with fluctuations in the market prices of gold, copper, zinc, lead, molybdenum and tungsten, and the outlook for these metals. The Company's ability to raise capital is affected by the prices of commodities that the Company is exploring for on its mineral property interests. The Company does not have any hedging or other derivative contracts respecting its operations.

Market prices for these metals have historically fluctuated widely and are affected by numerous factors outside of the Company's control, including, but not limited to, levels of worldwide production, short-term changes in supply and demand, industrial and retail demand, central bank lending, and forward sales by producers and speculators. The Company has elected not to actively manage its commodity price risk.

- Interest rate risk

The Company has no significant exposure at September 30, 2012, to interest rate risk through its financial instruments.

- Currency risk

Fluctuations in United States dollars would not significantly impact the operations and the values of its assets and shareholders' equity at this time. If the Company were to go into production, the Company would be subject to more foreign currency risk from fluctuations in the Canadian dollar relative to the United States dollar, due to metals prices and their denomination in United States dollars.

10. MANAGEMENT OF CAPITAL

The Company's objective in managing capital is to maintain adequate levels of funding to safeguard the Company's ability to continue as a going concern in order to pursue the exploration and development of its mineral property interests in British Columbia and to maintain a flexible capital structure which will optimize the costs of capital.

The Company endeavours to manage its capital structure in a manner that provides sufficient funding for operational activities through funds primarily secured through equity capital obtained in private placements. There can be no assurances that the Company will be able to continue raising capital in this manner.

Although the Company has been successful at raising funds in the past through the issuance of share capital, it is uncertain whether it will be able to continue this form of financing due to the current difficult conditions. The Company makes adjustments to its management of capital in the light of changes in economic conditions and the risk characteristics of its assets, seeking to limit shareholder dilution and optimize its costs of capital while maintaining an acceptable level of risk. The Company currently has sufficient funds for operations but must rely on equity financings, or forms of joint venture or other types of financing to continue exploration and development work and to meet its administrative overhead costs in future years (See Note 2b).

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10. MANAGEMENT OF CAPITAL (continued)

The Company's investment policy is to invest its cash in highly liquid short-term interest-bearing investments with maturities allowing the Company to withdraw funds at intervals needed for the expected timing of expenditures in its operations.

11. COMMITMENTS

The Company's commitment for annual minimum future lease payments under the office rental agreement is as follows:

2012	\$ 2,728
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12. SUBSEQUENT EVENT

On October 12, 2012, the Company issued 6,425,000 stock options to directors, officers, employees and consultants. The options are exercisable at a price of \$0.10 per common share and expire on October 12, 2017.