

SULTAN MINERALS INC.

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THIRD QUARTER INTERIM REPORT For the Period Ended September 30, 1996

Management Discussion

The Company is pleased to present an update of activities for the third quarter ended September 30, 1996.

During the quarter, two private placements raised \$701,750 for the Company. These funds were allocated to finance the current exploration program being conducted on the Jersey-Emerald property described below as well as for working capital.

JERSEY-EMERALD GOLD PROPERTY, SALMO, BC

During the third quarter, the Company completed 4,300 feet of surface and underground diamond drilling in its continuing exploration program over the Jersey-Emerald property near Salmo, BC.

Consistent gold values and mineralized widths were obtained from two, 200 metre-spaced, drill holes over the Bismuth zone along the east limb of the Jersey lead-zinc orebody. Surface drill hole G96-5, and underground hole UG96-1 both intersected a flat-lying, 30-foot thick, gold enriched zone. Assays and thickness for the two drill hole intersections are given below.

HOLE	DIP/AZ.	FROM (Ft.)	TO (Ft.)	LENGTH (Ft.)	Au g/t	Ag g/t
DDH G96-5	-85°/090°	560.0	590.0	30.0	2.05	2.0
Including		580.0	586.0	6.0	8.33	3.0
DDH UG-1-96	+65°/142°	66.3	97.0	30.7	3.23	22.9
Including		66.3	72.9	6.6	6.50	32.7
Including		94.0	97.0	3.0	7.45	26.4

A review of the mine records for drilling completed in the 1940's and 1950's indicates that this gold-rich sulfide zone was previously intersected in surface and underground drill holes over a north-south distance of 3,500 feet. These records suggest that the body follows the east side of the Jersey lead-zinc orebody and ranges from 4.0 to 60.0 feet in thickness. The former drilling was done for lead, zinc and tungsten and therefore the holes were not assayed for gold or silver.

Results of the recent program have also identified a second gold enriched zone along the west limb of the former Jersey lead-zinc orebody. This zone, the Emerald Gold Zone, was initially intersected in a 1994 drill hole and has now been identified and sampled at three locations along

an 1,800 foot, north-south, strike length. The zone is narrow but persistent and dips east at a shallow angle. Assays obtained from this zone are as follows:

SAMPLE TYPE	LOCATION	WIDTH (Ft.)	Au g/t	Ag g/t.
Chip Sample	Emerald Pit exposure	3.3	5.39	22.0
DDH-G96-3	985 feet south of Emerald Pit	3.5	4.12	6.9
DDH-94-1	1,970 feet south of Emerald Pit	3.0	27.30	34.4

Drilling and surface exploration is continuing and, in response to the encouraging results, the Company is considering an expanded winter drill program.

SILVIA PROPERTY, MEXICO

The Company has arranged for a Dighem airborne geophysical survey to be flown over the 3,000 hectare Silvia massive sulfide property in Guerrero State, Mexico. The Silvia property is located along the east border of the Mamatla Mineral Reserve where Valerie Gold Resources Ltd. has identified volcanogenic gold-silver-lead-zinc-copper massive sulfide mineralization. The Dighem program will entail: five frequency electromagnetic coverage; a magnetometer survey; and a radiometric survey. Flying will commence in early November and is expected to generate targets for ground follow-up by late December.

OTHER PROPERTIES

Sultan holds a 100% interest in the Ahbau Creek copper-gold property located approximately 25 km north of Quesnel, BC. The Company also holds a 40% interest in the Cone Hill copper-gold property located 5 km north of the 960-million ton Fish Lake deposit of Taseko Mines Ltd. near Williams Lake, BC. Both Ahbau Creek and Cone Hill are porphyry copper-gold prospects that have received preliminary exploration programs. Some 50,000 tons of mineralization grading 0.30 oz/ton gold equivalent have been indicated by previous drilling on the Ahbau Creek property.

Sultan has a 50% interest in the Dawson 80 Pup Gold Property located in the historic Klondike gold camp near Dawson City, Yukon.

During the period, the Company expended approximately \$39,400 on shareholder and investor related expenses. These expenses were made up of approximately \$18,200 for the creation and printing of the 1995 Annual Report, \$9,350 pertaining to two mining conferences the Company participated in, \$7,000 related to printing costs of mail-out materials to shareholders and \$4,850 was expended on advertising and display materials.

FRANK A. LANG, President

SULTAN MINERALS INC.
BALANCE SHEETS
AS AT SEPTEMBER 30, 1996 AND 1995
(UNAUDITED)

	<u>1996</u>	<u>1995</u>
ASSETS		
CURRENT		
Cash and short-term deposits	\$ 570,871	\$ 48,358
Accounts receivable	32,969	9,101
Prepays and advances	20,687	-
Promissory note receivable	<u>12,040</u>	<u>-</u>
	636,567	57,459
 MINERAL PROPERTIES AND DEFERRED COSTS	 1,557,479	 1,044,578
CAPITAL ASSETS	-	48,040
INVESTMENTS	17,114	18,713
RECLAMATION BOND	<u>6,000</u>	<u>7,000</u>
	<u>\$2,217,160</u>	<u>\$1,175,790</u>
 LIABILITIES		
CURRENT		
Accounts payable and accrued liabilities	\$ 131,331	\$ 46,675
Loans from director	<u>-</u>	<u>30,672</u>
	131,331	77,347
 SHAREHOLDERS' EQUITY		
SHARE CAPITAL		
Authorized: 50,000,000 Common shares without par value		
50,000,000 Preferred shares		
Issued: 8,717,689 Common shares (1995: 6,722,689)	7,620,981	6,084,054
 DEFICIT	 <u>(5,535,152)</u>	 <u>(4,985,611)</u>
	<u>2,085,829</u>	<u>1,098,443</u>
	<u>\$2,217,160</u>	<u>\$1,175,790</u>

SULTAN MINERALS INC.
STATEMENTS OF LOSS AND DEFICIT
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1996 AND 1995
(UNAUDITED)

	<u>1996</u>	<u>1995</u>
REVENUE		
Interest and miscellaneous	<u>\$ 16,050</u>	<u>\$ 8,815</u>
ADMINISTRATIVE EXPENSES		
Consulting	5,001	1,134
Conventions	4,939	-
Management fees	22,500	22,500
Office and administration	75,070	33,185
Professional fees	13,347	7,060
Shareholder information	23,379	6,125
Regulatory fees	9,515	3,904
Stock transfer fees	9,080	6,692
Travel and promotion	11,039	3,969
Wages and benefits	<u>29,173</u>	<u>24,732</u>
	<u>203,043</u>	<u>109,301</u>
LOSS BEFORE UNDERNOTED ITEM	186,993	100,486
Loss on sale of investments	<u>434</u>	<u>-</u>
LOSS FOR THE PERIOD	187,427	100,486
DEFICIT, BEGINNING OF PERIOD	<u>5,347,725</u>	<u>4,885,125</u>
DEFICIT, END OF PERIOD	<u>\$5,535,152</u>	<u>\$4,985,611</u>

SULTAN MINERALS INC.

STATEMENTS OF CHANGES IN FINANCIAL POSITION

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1996 AND 1995

(UNAUDITED)

	<u>1996</u>	<u>1995</u>
OPERATING ACTIVITIES		
Loss for the period	\$ (187,427)	\$ (100,486)
Items not involving cash:		
Loss on sale of investments	<u>434</u>	<u>-</u>
	(186,993)	(100,486)
Net change in non-cash operating working capital items	<u>(1,951)</u>	<u>(10,077)</u>
Funds used by operating activities	<u>(188,944)</u>	<u>(110,563)</u>
INVESTING ACTIVITIES		
Resource properties	(692,998)	(83,932)
Sale of investments	1,165	-
Capital assets	-	(48,040)
Reclamation bond refunded	<u>1,000</u>	<u>-</u>
Funds used by investing activities	<u>(690,833)</u>	<u>(131,972)</u>
FINANCING ACTIVITIES		
Share capital	1,394,538	14,962
Repayment of promissory note	36,000	-
Repayment of director's loan	<u>(26,000)</u>	<u>-</u>
Funds provided by financing activities	<u>1,404,538</u>	<u>14,962</u>
INCREASE (DECREASE) IN CASH AND SHORT-TERM DEPOSITS	524,761	(227,573)
CASH AND SHORT-TERM DEPOSITS, BEGINNING OF PERIOD	<u>46,110</u>	<u>275,931</u>
CASH AND SHORT-TERM DEPOSITS, END OF PERIOD	<u>\$ 570,871</u>	<u>\$ 48,358</u>

SULTAN MINERALS INC.

STATEMENTS OF RESOURCE PROPERTY COSTS

FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1996 AND 1995

(UNAUDITED)

	<u>1996</u>	<u>1995</u>
EXPENDITURES		
Administration	\$ 2,562	\$ 1,013
Assaying	35,782	6,253
Bulldozing	32,672	-
Consulting	12,950	3,500
Core splitting	1,300	3,188
Drilling	85,580	22,155
Electromagnetic surveys	-	15,583
Field support costs	19,285	5,318
Geology and mapping	801	-
Miscellaneous	516	855
Property costs:		
Option payments	37,114	4,000
Deemed value of shares issued	310,000	-
Staking costs and assessments	4,880	10,870
Supplies	11,530	-
Transportation	18,024	-
Wages and benefits	<u>120,002</u>	<u>11,197</u>
TOTAL PROPERTY COSTS FOR THE PERIOD	692,998	83,932
COSTS, BEGINNING OF PERIOD	<u>864,481</u>	<u>960,646</u>
COSTS, END OF PERIOD	<u>\$1,557,479</u>	<u>\$1,044,578</u>

SULTAN MINERALS INC.

THIRD QUARTER INTERIM REPORT

SCHEDULE B

1. Related Party Transactions

During the period ended September 30, 1996, companies controlled by a director charged:

- (a) \$106,324 for the Company's share of office and staff costs; and
- (b) \$22,500 for management fees.

2. (a) Securities issued during the period

- (i) 350,000 units were issued at a price of \$0.85 pursuant to a private placement, each unit consisting of one share and one share purchase warrant;
- (ii) 200,000 units were issued at a price of \$2.00 pursuant to a private placement, each unit consisting of one share and one-half share purchase warrant;
- (iii) 7,000 shares were issued pursuant to exercise of director and employee stock options as follows:
 - A. 5,000 shares issued at a price of \$0.60; and
 - B. 2,000 shares issued at a price of \$0.35;
- (iv) 161,500 shares were issued pursuant to exercise of share purchase warrants as follows:
 - A. 4,000 shares issued at a price of \$0.35;
 - B. 101,250 shares issued at a price of \$0.50; and
 - C. 56,250 shares issued at a price of \$0.65;
- (v) 155,000 shares were issued at a deemed price of \$2.00 to make payments due on property acquisitions.

(b) Options granted during the period

60,000 incentive stock options were granted to employees at an exercise price of \$2.00 for a five-year period, expiring on August 06, 2001.

SULTAN MINERALS INC.

QUARTERLY REPORT

SCHEDULE B (Continued)

3. (a) Authorized Capital

50,000,000 common shares without par value.
50,000,000 preferred shares.

Issued and Outstanding Capital

8,717,689 shares are issued and outstanding.

(b) (i) Stock Options Outstanding

<u>Number of Shares</u>	<u>Exercise Price(\$)</u>	<u>Expiry Date</u>
520,000	0.60	April 6, 2000
35,000	0.50	August 16, 2000
31,000	0.35	December 06, 2000
<u>60,000</u>	2.00	August 6, 2001
 <u>646,000</u>		

3. (b) (ii) Warrants Outstanding

<u>Number of Shares</u>	<u>Exercise Price</u>	<u>Expiry Date</u>
6,250	\$0.50	October 3, 1996
110,000	\$0.50 or at \$0.60	October 3, 1996 if exercised after October 3, 1996 but before October 3, 1997
41,250	\$0.65	October 13, 1996
596,000	\$0.35 or at \$0.40	February 5, 1997 if exercised after February 5, 1997 but before February 5, 1998
100,000	\$2.00 or at \$2.20	July 30, 1997 if exercised after July 30, 1997 but before July 30, 1998
 <u>853,500</u>		

SULTAN MINERALS INC.

QUARTERLY REPORT

SCHEDULE B (Continued)

(c) Shares in Escrow

234,007 are held in escrow following a release in July, 1996 of 141,000 shares.

(d) List of Directors

Frank A. Lang
Arthur G. Troup
Ben Ainsworth
Sargent H. Berner