

Sultan Minerals Inc.

2002 ANNUAL REPORT



About the cover...A collage of photographs collected from Sultan's Kena Property:

Top to bottom

- *Scenic view from Kena Property*
- *Caterpillar tractor positioning a diamond drill*
- *Boxes of drill core*
- *Diamond drill operator*



About the inside cover...

Left to right

- *Diamond Drill set-up*
- *Bulldozer prepares a drill pad*
- *Mining analysts inspecting drill core*

Bottom

- *Free gold in quartz from the Athabasca Mine*



C O R P O R A T E S U M M A R Y

Sultan Minerals Inc., a Canadian company based in Vancouver, British Columbia, is focused on the exploration and development of precious metals deposits in North America. Sultan's current focus is on the exploration of its Kena Gold Property located near Ymir, B.C.

In September 2002, Kinross Gold Corporation entered into an option agreement with Sultan whereby Kinross may earn a 60% interest in the Kena Property by spending 10 million dollars on exploration over a five year period, and making annual cash payments to Sultan of \$250,000 for the next 4 years.

The 2002 exploration program resulted in an exciting new gold discovery on the Kena Property, which has sparked a mini gold rush into the area. Subsequent exploration has revealed three large gold rich zones as well as very high-grade targets. Bonanza grade drill hole assays have run as high as 7.0 ounces of gold to the ton.

During 2003 Sultan plans to conduct further exploration around the new discovery areas, as well as to determine if the deposits may be suitable for open-pit mining or hold the potential for underground mining.

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PRESIDENT'S REPORT 2002

This has been an outstanding year for your Company! Throughout 2002, we continued to focus corporate efforts on gold exploration of our Kena Gold Property located near Ymir, British Columbia. Results have proven extremely encouraging. In September the Company finalized an option agreement with Kinross Gold Corporation, the world's 7th largest gold producer, whereby Kinross can earn a 60% interest in the Kena Property by investing \$10 million in the project.



Arthur G. Troup, P.Eng., President

THE GOLD MARKET

Over the past year we have seen a striking improvement in the fundamental outlook for gold. North America appears to be in a period of deteriorating corporate earnings at a time when we have a major credit bubble in the United States. Because of this, the price of gold has increased by more than 20% over the past 2 years. We believe this is just the beginning. There is now a renewed, worldwide interest in gold that we expect will last for several years and lead to much higher prices for gold, for the shares of gold producing companies and gold exploration companies like Sultan Minerals Inc.

THE KENA GOLD PROPERTY, B.C.

In 2002 exploration of the Kena Property centered on the Gold Mountain Zone where porphyry related gold mineralization, with world-class potential, was identified by diamond drilling in 2001. Field programs involved testing the Gold Mountain Zone and surrounding areas of the property in search of high-quality and long-life ore bodies. The mineralized zones were traced out with geology, geophysics and geochemistry, and tested with 83 diamond drill holes.

The results of these exploration programs have been excellent. Geophysical and geological surveys show an 18 kilometre long, gold bearing, alteration corridor that trends northwest along the length of the property. Within this important alteration corridor, geochemistry shows several centres of strong gold soil anomalies enclosed by an extensive zone of gold enrichment that is more than 8 kilometres long and more than 1 kilometre wide. The Gold Mountain Zone is located over the northern end of this alteration corridor.

Diamond drilling on the Gold Mountain Zone successfully identified four important styles of mineralization which hold potential for both large open-pit gold deposits as well as very high-grade, underground mining targets. Of particular interest were high-grade assays obtained from three diamond drill holes that intersected the centre of the northwest trending geophysical and geochemical corridor located 350 metres west of the Gold Mountain Zone discovery area. With gold intersections ranging from 11.82 grams/tonne to 34.44 grams/tonne along a 2.0 kilometre long section of the structural corridor, these three holes suggest that a previously unrecognized high-grade feeder zone may be present.

As a result of the important geological knowledge gained from the 2002 work program, several additional contiguous prospective properties were acquired along the important structural corridor. With these acquisitions, Sultan's land holdings now total an impressive 80 square kilometres covering a strike length of almost 20 kilometres.

This year's success sparked great interest in the Kena project and the site was visited by a number of major mining companies and securities analysts. Financial support for the project was received from both Canaccord Capital Corporation and Octagon Capital Corporation. This interest culminated in September when Sultan entered into an option agreement with Kinross Gold Corporation. Under the terms of the agreement, Kinross can earn a 60% interest in the Kena Property by spending \$10 million on exploration over five years and making annual cash payments to Sultan of \$250,000 for the next 4 years.



OBJECTIVES FOR 2003

The 2003 exploration program will focus on the high-grade alteration corridor and on bonanza grade mineralization found within the Gold Mountain Zone. Trenching, stripping, geophysics and structural geology studies will be carried out to better define the zones in advance of a pattern drill program.

Emerald Tungsten Mine - British Columbia

Sultan's Emerald Tungsten Property, located near the community of Salmo in southeastern British Columbia, hosts the historic Emerald, Feeney and Dodger Tungsten Mines. This historic property was the largest tungsten producer in British Columbia and the second largest in Canada. The mine closed in 1973 due to low tungsten prices combined with new royalty laws that made the mine less profitable. A recent review of the property indicated potential for considerable additional reserves. In completing this review in 2002, Sultan entered more than 4,000 historic drill hole logs into a digital database. Regrettably, due to low tungsten prices, the Company has no immediate plans for this property.

Jersey Property - British Columbia

Sultan continues to hold its interest in the Jersey Property in southeastern British Columbia. This property hosts the former Jersey Mine, which produced 8,500,000 tons of lead-zinc-silver ore and was operated by Canadian Exploration Ltd. (now Placer Dome) until 1973.

Previous work by Sultan has identified a gold bearing horizon adjacent to the historic mine workings termed the Bismuth Gold Zone. Also, a large zinc soil anomaly, situated 3.0 kilometres south of the former mine, has been identified and exhibits many characteristics of a classic Sedex style target. This property is presently on hold due to historic low lead and zinc prices.

Manitoba Nickel Property - Manitoba

In its persistent search for new and significant opportunities, Sultan acquired a 30,000-hectare mineral lease in northern Manitoba in February 2003. The property is covered entirely by unconsolidated tills, alluvial sediments and a thin veneer of Paleozoic sediments. Beneath the surficial cover, the geology is believed to consist of rocks belonging to the extension of the prolific Thompson Nickel Belt and the Raglan Nickel Belt. The property lies along strike from a large, nearby nickel prospect currently being explored by Falconbridge Ltd. in a joint venture with Donner Minerals Ltd. The Falconbridge-Donner partnership have announced a planned \$1,000,000 exploration program for their nearby property.

Sultan is currently seeking a joint venture partner to assist in flying an airborne geophysical survey that would define targets for eventual diamond drill testing.

ACKNOWLEDGMENTS

I would like to thank you, our long-term investors, for your continued support and confidence in Sultan's vision and to welcome our many new shareholders who have joined us over the past year. I would also like to thank our directors, employees and consultants for their commitment, dedication and hard work, which has contributed greatly to Sultan's success over the past year.

Sultan's management team is committed to your Company's objective of finding a high quality, long-life mine that will insure a sustainable and rewarding future for Sultan Minerals and its shareholders.

On behalf of the Board of Directors

Arthur G. Troup, P.Eng., President



PROJECT REVIEW

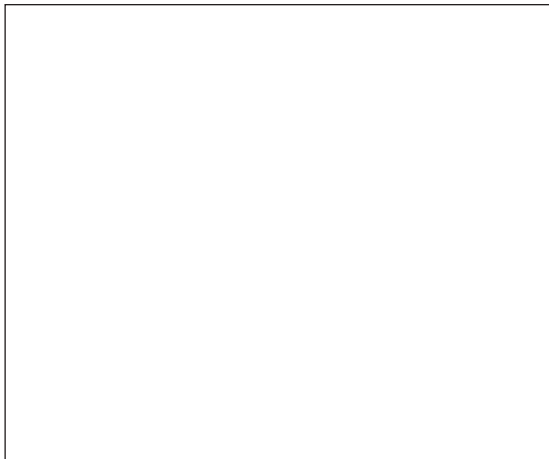
KENA PROPERTY, BRITISH COLUMBIA

During 2002, Sultan Minerals Inc. ("Sultan") continued exploration of the recently discovered Gold Mountain Zone on its Kena Gold Property, located near the town of Ymir in southeastern British Columbia. The Kena Property covers approximately 8,000 hectares of land situated 45 kilometres north of the TeckCominco Limited smelter at Trail, British Columbia. Infrastructure in the area is excellent, with a power line, rail bed and major highway passing through the centre of the property.



Location of Sultan's Kena Property, Ymir, British Columbia

The Kena Property comprises several claims worked intermittently by a number of exploration companies from 1974 to 1991. Sultan optioned the initial claims in 1999, and has since added several new claims to the property through option agreements and by staking.



In September 2002, Sultan entered into an option agreement with Kinross Gold Corporation ("Kinross") where Kinross can acquire a 60% interest in the Kena Property by spending \$10 million on exploration over five years and making annual cash payments to Sultan of \$250,000 for the next 4 years. This option agreement with Kinross gives Sultan a competitive advantage over other junior companies by providing access to Kinross' technical expertise and will allow Sultan to pursue its goal of bringing the Kena project to possible production.

GEOLOGY AND GEOPHYSICS

The Kena Property is underlain by mafic volcanic rocks of the Rossland Group, which are intruded by the slightly younger Silver King Porphyry stock. The large numbers of mineral occurrences on the Kena Property are spatially related to this volcanic-intrusive contact. Exploration and data compilation by Sultan have identified numerous gold-bearing zones on the large Kena Property. These include the Gold Mountain, Kena Gold, Shaft, Cat, South Gold, Three Friends, Euphrates, Gold Cup, Great Western, Starlight, Athabasca, Tough Nut and Cariboo Zones.

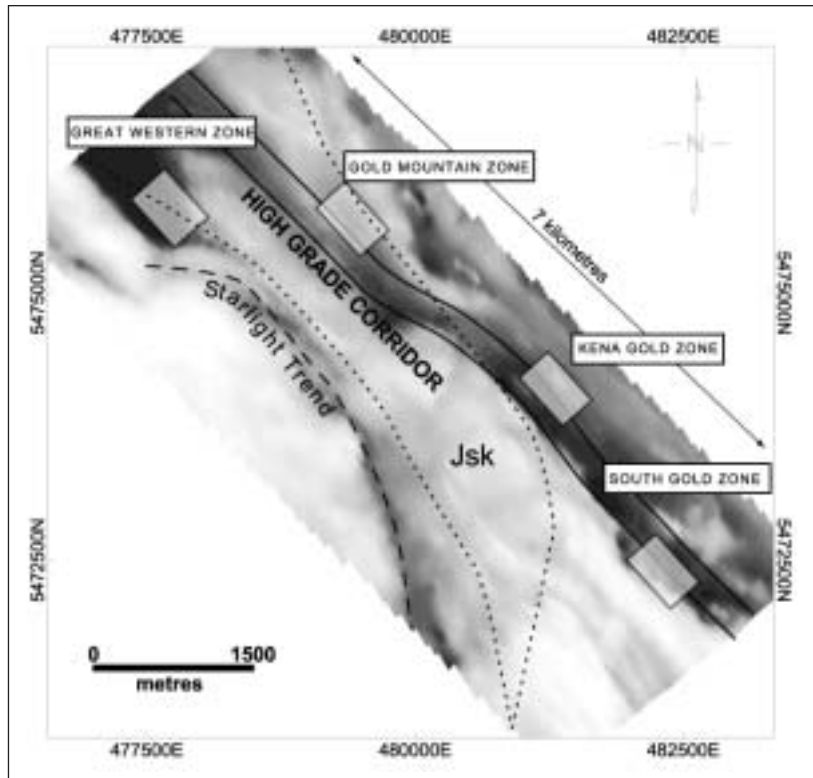
Late in 2002, a Fugro airborne magnetics and radiometric survey was flown over the north end of the Kena Property. The airborne magnetic survey results have proven to be extremely valuable in interpreting the controls for the gold mineralization on the property. A strong magnetic low structure trends through the Gold Mountain, Kena Gold and South Gold Zones, and hosts many of the better gold intersections in these zones.

This magnetic low structure is believed to represent a mineralized shear zone where magnetic minerals have been destroyed by the passage of gold bearing fluids. The Great Western and Starlight Zones are also associated with magnetic low features.

The Great Western Zone overlies a broad magnetic low feature, while the Starlight Trend follows a weaker 3 kilometre long magnetic low structure, interpreted to be a shear zone. This trend is sub-parallel to the structure hosting the Gold Mountain Zone mineralization.

GOLD MOUNTAIN ZONE

The Gold Mountain Zone is located near the north end of the Kena Property. This zone was first identified in 2000 as a porphyry style gold target. Recent geochemical and geophysical surveys have traced the anomalous target area over the Gold Mountain Zone to current maximum dimensions of 3,300 by 1,400 metres. The zone is comprised of a low-grade, bulk tonnage gold target that contains narrower bands of high-grade gold mineralization.



The High Grade Corridor and Starlight Trend are readily apparent on this airborne magnetic map of the north end of the Kena Property.

The mineralization is hosted within a 12 kilometre long, Jurassic age, intrusive body referred to as the Silver King intrusive and the adjacent mafic volcanic rocks, also of Jurassic age. Alteration mapping and structural geological studies show that elevated gold values in the intrusive are related to areas of strong potassic alteration, increased pyrite content and high fracture densities. Gold occurs as tiny grains of free gold located within quartz veins, adjacent to pyrite patches and finely disseminated in the intrusive or volcanic matrix.

Diamond drilling completed to date has found four different styles of gold mineralization over this large mineralized area. All four styles of mineralization have potential to host economically significant gold deposits. The four styles are referred to as: 1) the high-grade corridor; 2) the intrusive-volcanic contact; 3) the bulk tonnage zone; and 4) the bonanza shoots.

1) The High-Grade Corridor - occurs immediately to grid west of the Gold Mountain Zone discovery area, where the majority of drilling to date has been conducted. This corridor shows up very prominently on the airborne magnetic survey map and has been intersected by only three diamond drill holes. These holes were collared at 2+00N, 9+00N and 21+00N (over a strike length of 1.9 kilometres) and each of the holes had intercepts of high-grade gold mineralization (see Table I).



PROJECT REVIEW (continued)

KENA PROPERTY, BRITISH COLUMBIA (continued)

2) *The Intrusive-Volcanic Contact* - has been crossed by numerous drill holes. In many of these drill holes the contact has assayed better than 5 g/t gold across widths of 4 to 10 metres or more. Elevated gold along the contact has been found over a distance of 550 metres. The most consistent gold values along the contact are found in the discovery area where the gold mineralization remains open to depth.

3) *The Bulk Tonnage Zone* - referred to as the Gold Mountain Zone - was discovered in 2000 and has been tested with 62 diamond drill holes. The holes tested an area measuring 1.9 by 0.5 kilometres and many of these holes have broad zones of >1 g/t gold values. Forty-three of the holes averaged >0.3 g/t gold over their entire length, indicating that the low-grade gold zone remains open. With the recent increase in gold price, the excellent infrastructure in this region and metallurgical studies pointing to easy gold recovery, a low cut off grade can be assumed for a large bulk tonnage deposit.

4) *The Bonanza Shoots* - of very high-grade gold mineralization have been found in the Gold Mountain Zone discovery area. In hole 01GM-03, a 1.23 metre interval assayed 240.07 g/t gold and in hole 01GM-08, a 2 metre interval assayed 172.10 g/t gold. Structural geology studies suggest that these high-grade shoots trend parallel to the drill direction and therefore have not been fully tested to date.

Table I gives the high-grade gold intersections from diamond drill holes in the Gold Mountain Zone. Hole 01GM-20 from 2001 was the first hole to intersect the recently identified magnetic corridor. This hole intersected 2 metres grading 15.56 g/t gold. In 2002, hole 02GM-62 drilled 1.2 kilometres north of hole 20 intersected 2.03 metres of 34.44 g/t gold, and hole 02GM-53 drilled 700 metres south of hole 20 intersected 2.00 metres of 11.82 g/t gold. These wide spaced drill holes cover a distance along the shear structure of 1.9 kilometres.

During the 2002 exploration program three additional targets, the South Gold, Great Western and Starlight Zones, were drill tested. Table II (next page) shows some of the more significant drill results obtained from preliminary diamond drill programs carried out on these three targets.

TABLE I - HIGH GRADE GOLD INTERSECTIONS

HOLE #	FROM / TO (metres)	WIDTH (metres)	GOLD (g/t)
01GM-02	54.00 - 56.00	2.00	12.92
01GM-03	48.77 - 50.00	1.23	240.07
	74.00 - 76.00	2.00	29.84
01GM-04	84.00 - 86.00	2.00	16.34
01GM-05	136.00 - 138.00	2.00	12.07
01GM-06	130.00 - 132.00	2.00	18.86
01GM-08	50.00 - 52.00	2.00	13.82
	204.00 - 206.00	2.00	172.10
01GM-09	242.00 - 244.00	2.00	10.74
02GM-10 ext	256.00 - 258.00	2.00	17.66
	306.80 - 307.80	1.00	10.65
01GM-11	171.51 - 172.15	0.64	10.92
01GM-20 *	64.00 - 66.00	2.00	15.56
02GM-28	48.00 - 51.35	3.35	16.35
02GM-33	9.00 - 13.00	4.00	19.66
	62.00 - 64.00	2.00	10.28
02GM-35	117.00 - 119.00	2.00	15.03
02GM-39	30.00 - 32.00	2.00	16.69
02GM-42	83.00 - 85.00	2.00	18.21
	121.00 - 123.03	2.03	11.74
	205.00 - 207.00	2.00	11.25
02GM-53 *	122.00 - 124.00	2.00	11.82
02GM-62 *	80.97 - 83.00	2.03	34.44

* magnetic corridor



TABLE II - GOLD ASSAY RESULTS
GREAT WESTERN ZONE, SOUTH GOLD ZONE AND STARLIGHT TREND

HOLE #	FROM / TO (metres)	WIDTH (metres)	GOLD (g/t)	HOLE #	FROM / TO (metres)	WIDTH (metres)	GOLD (g/t)
GREAT WESTERN ZONE				SOUTH GOLD ZONE			
02GW-01	32.00 - 34.00	2.00	1.23	02SG-01	254.00 - 255.00	1.00	5.13
	52.00 - 54.00	2.00	1.10	02SG-03	44.00 - 46.00	2.00	1.19
	80.00 - 82.00	2.00	2.32		194.26 - 196.10	1.84	1.17
02GW-02	61.48 - 62.48	1.00	0.99	02SG-04	7.79 - 90.00	82.21	0.87
	111.00 - 112.00	1.00	4.22	Including	53.00 - 54.00	1.00	3.40
	123.00 - 124.00	1.00	2.16		54.00 - 56.00	2.00	12.63
02GW-03	108.00 - 109.00	1.00	1.74		56.00 - 58.00	2.00	5.93
	110.00 - 111.00	1.00	1.36	STARLIGHT TREND			
	126.00 - 127.00	1.00	1.85	02SL-01	14.81 - 15.09	0.28	30.37
	127.00 - 128.00	1.00	1.20		17.00 - 17.48	0.48	4.80
	128.00 - 130.00	2.00	1.34	02SL-02	81.00 - 97.00	16.00	0.82
	134.00 - 135.00	1.00	1.19	Including	89.00 - 91.00	2.00	3.00
02GW-04	43.00 - 43.50	0.50	12.69		95.00 - 97.00	2.00	1.22
	44.00 - 45.00	1.00	0.98	02SL-03	78.00 - 96.00	18.00	1.39
	48.00 - 50.00	2.00	1.35	Including	94.00 - 96.00	2.00	10.96
	60.00 - 61.05	1.05	2.57	02SL-04	33.00 - 37.00	4.00	2.71
	78.00 - 79.00	1.00	2.86	Including	33.00 - 35.00	2.00	4.05
	79.00 - 80.00	1.00	1.21	02SL-06	39.00 - 40.00	1.00	2.57
02GW-05	67.00 - 69.00	2.00	1.25				
02GW-06	122.70 - 124.00	1.30	2.14				

SOUTH GOLD ZONE

The South Gold Zone is identified by a 1.0 kilometre long gold soil anomaly located 5.0 kilometres south of the Gold Mountain Zone. The prominent magnetic feature seen in the Gold Mountain Zone trends south through the Kena Gold Zone to the South Gold Zone and thus may be an important regional control to gold mineralization.

In the fall of 2002, four diamond drill holes were drilled at 100-metre spacings across the central portion of the South Gold Zone. The results show that gold grades increase to the south, where hole O2SG-04 intersected a 5.0 metre interval that assayed 8.10 g/t gold within an 82.2 metre interval that carried 0.87 g/t gold.

GREAT WESTERN ZONE

The Great Western Zone is a strong gold geochemical anomaly centred 1.2 kilometres west of the Gold Mountain Zone discovery area. In 2002, six drill holes were drilled over this zone. The holes intersected a number of gold bearing quartz-sulphide veins located adjacent to magnetic dykes. The best intersections were 4.22 g/t gold over 1.0 metre in hole O2GW-02 and 12.69 g/t gold over 0.50 metre in hole O2GW-04. Narrow quartz-sulphide veinlets observed in these holes are believed to be responsible for elevated gold values across wider intervals of 10 to 40 metres that averaged 0.4 to 0.8 g/t gold.

STARLIGHT TREND

The Starlight Trend is marked by a string of historic high-grade gold workings located 2 kilometres west of the Gold Mountain Zone discovery area. The gold mineralization within this structure consists of both high-grade quartz veins and broad lower grade stockwork zones, traceable by geophysics and by numerous historic workings for over 3 kilometres. Preliminary drilling in 2002 suggests that the gold mineralization is confined to a 50 metre wide interval marked by a series of mafic dykes.



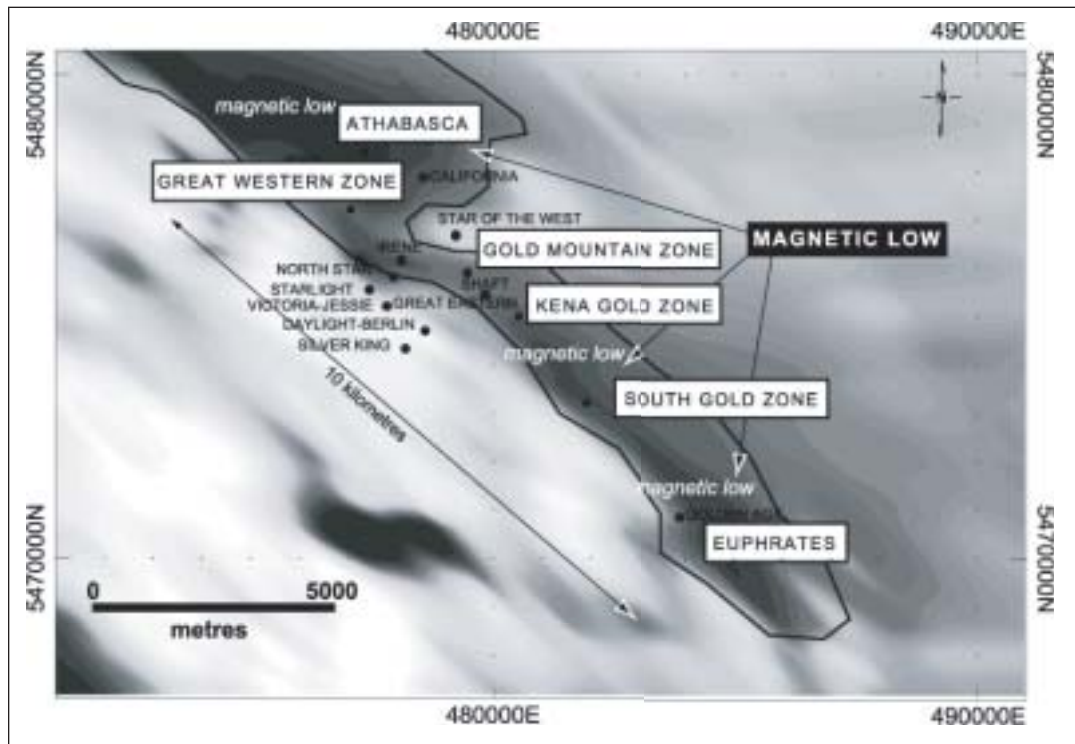
PROJECT REVIEW (continued)

KENA PROPERTY 2003 EXPLORATION PROGRAM

A two-phase exploration program is recommended for the Kena Property in 2003. Phase I will include detailed geological mapping and ground magnetometer surveying, followed by trenching in the South Gold and Starlight Zones and diamond drilling in the Gold Mountain, South Gold and Great Western Zones. Preliminary work has also been recommended for three additional gold targets, the Tough Nut, Euphrates and Athabasca Zones. This initial exploration program is budgeted at \$1.12 million. Phase II will consist of a large program of definition and pattern drilling, and is contingent upon the results of Phase I.



Setting up Global Positioning System (GPS) base station.



This regional aeromagnetic map shows the magnetic low structure that controls gold mineralization on the Kena Property.



MANAGEMENT DISCUSSION AND ANALYSIS

Overview

Sultan's principal business is the exploration and development of mineral properties. Sultan is continually investigating new exploration opportunities, and mineral exploration is carried out on properties identified by management as having favourable exploration potential. Projects are advanced to varying degrees by prospecting, mapping, geophysics and drilling until a decision is made, either that the property has limited exploration potential and should be abandoned or that work on the property has reached a stage where the expense and risk of further exploration and development dictate that the property should be optioned to a third party. The mineral exploration business is high risk and most exploration projects do not become mines.

Operating Results

For the year ended December 31, 2002 ("fiscal 2002"), Sultan incurred a loss of \$287,588 (\$0.01 per common share), compared to \$215,651 (\$0.01 per common share) in the year ended December 31, 2001 ("fiscal 2001"). Sultan has working capital of \$371,976 as at December 31, 2002.

Revenue

Sultan has no source of revenue. Interest earned on excess cash is incidental income and is offset against general and administrative expenses.

Expenses

General and administrative expenses totalled \$377,516 in fiscal 2002 as compared to \$223,552 in fiscal 2001. Management fees of \$15,000 were paid to Lang Mining Corporation ("Lang Mining") for the first six months of fiscal 2001, with no comparable expense in fiscal 2002. Sultan paid Lang Mining \$2,500 per month in management fees and a 15% administrative charge on all costs paid by Lang Mining, which is included in office and administration costs in fiscal 2001. Commencing August 1, 2001, management, office and administrative, geological and other services have been provided by LMC Management Services Ltd. ("LMC"), a private company held by Sultan and other public companies, to provide services at cost to the various public entities currently sharing office space with Sultan.

Legal, accounting and audit expenses increased from \$24,774 in fiscal 2001 to \$45,269 in fiscal 2002. Office and administration costs have decreased from \$27,485 in fiscal 2001 to \$16,265 in fiscal 2002. Salaries and benefits have increased from \$64,202 in fiscal 2001 to \$135,434 in fiscal 2002 due to the increased activity during the period by Sultan as compared to fiscal 2001. Shareholder communications costs have increased from \$87,939 in fiscal 2001 to \$124,179 in fiscal 2002. Sultan has hired a media relations' consultant to assist with the increased media attention related to the exploration on the Kena Property located near Ymir, British Columbia. The media relations' costs total \$30,597 and are included in shareholder communications. Transfer agent and filing fees of \$19,838 are included in shareholder communications costs, compared with \$24,003 in fiscal 2001. The Company expects expenses for fiscal 2003 to remain at the same level as fiscal 2002, unless overall exploration activity carried out by the Company in fiscal 2003 changes significantly from fiscal 2002.

Taxes paid of \$8,880 relate to the flow through expenditures renounced in fiscal 2001, but not expended until fiscal 2002.

Financing Activities and Capital Expenditures

In September 2002 Sultan entered into an agreement (the "Agreement") with Kinross Gold Corporation ("Kinross") where Kinross undertook to fund no less than \$500,000 in expenditures on or before December 31, 2002, and an additional \$500,000 in expenditures by September 4, 2003, on the Kena Gold Property. These are the first-stage expenditures under the Agreement, whereby Kinross may earn a 60% interest in the Kena Gold Property. Further expenditures of \$9 million over a five-year period ending September 30, 2007, would give Kinross a 60% interest in the property. Expenditures must total \$4 million by September 4, 2005, with an additional \$6 million thereafter.



MANAGEMENT DISCUSSION AND ANALYSIS (continued)

Sultan will act as project operator and manager and will receive a fee not to exceed 10% of the direct costs incurred over the period to September 4, 2003. Kinross may then elect to assume the role of manager and collect a similar management fee, not to exceed 10% of direct costs. Should Kinross elect to continue to incur expenditures after the first year of the Agreement, Kinross shall also make annual cash payments to Sultan in the amount of \$250,000 at the beginning of the second, third, fourth and fifth anniversaries of the Agreement.

After Kinross has earned its 60% interest in the Property, Sultan may elect to either:

- (a) participate as to 40% in a joint venture with Kinross; or
- (b) retain a 30% net carried interest in the Kena Property, which would entitle Sultan to receive 30% of net profits from the Kena Property, after all development costs have first been recouped.

During the year ended December 31, 2002, Kinross expended \$831,240 in exploration costs and Sultan received \$83,124 for project operator overhead recovery. The exploration expenditures are not included in Sultan's expenditures on the Kena Property, which totalled \$112,083 in acquisition costs and \$834,887 in exploration costs in the year ended December 31, 2002.

Property payments and share issuances on the properties that form the Kena Property remain the responsibility of Sultan and are not included in the expenditures paid by Kinross. During the year ended December 31, 2002, Sultan incurred \$30,029 in exploration costs and \$826 in acquisition costs on the Jersey Emerald Property in addition to the expenditures on the Kena Property for a total cash expenditure of \$854,249 on exploration costs. Commencing in early September 2002, Kinross is funding the exploration programs on the Kena Property.

During the year ended December 31, 2002, a private placement for 1,000,000 units was completed at a price of \$0.28 per unit, for net proceeds after commissions of \$252,000. Each unit consisted of one common share and one-half of a share purchase warrant. Each whole warrant entitles the holder to purchase one additional common share of Sultan at a price of \$0.32 for one year expiring January 18, 2003. An agent's warrant was paid in consideration, exercisable to purchase up to 150,000 common shares until January 18, 2003, at a price of \$0.28 per share. Also during the period ended December 31, 2002, 1,110,000 warrants were exercised at \$0.15, 392,000 agent's warrants were exercised at \$0.17, 353,238 agent's warrants at \$0.28, and 95,000 stock options were exercised at prices ranging from \$0.15 to \$0.21. As a result of the exercise of options and warrants \$347,797 was contributed to the treasury.

Subsequent to December 31, 2002, Sultan completed a brokered private placement of 2,500,000 units at a price of \$0.20 per unit, for net proceeds of \$449,150. Each Unit is comprised of one common share and a one-half of a non-transferable share purchase warrant. Each whole share purchase warrant will entitle the holder to purchase one additional common share of the Company until September 30, 2004, at an exercise price of \$0.25. In consideration for arranging the private placement, the agent received a \$45,000 commission, a \$5,000 administration fee and a corporate finance fee of 50,000 common shares. The agent also received non-transferable Agent's Warrants exercisable to purchase up to 375,000 common shares at an exercise price of \$0.25 until September 30, 2004.

During the year ended December 31, 2002, Sultan entered into an option agreement to earn 100% interest in the Silver King Mine comprised of 24 crown grants and two claims. The terms of the option were that Sultan must make total cash payments of \$130,000 (\$5,000 paid) and issue 250,000 common shares (50,000 issued) over a three-year period. The property was returned to the optionor subsequent to the end of fiscal 2002. As a result, \$18,324 in acquisition costs was written off in fiscal 2002. No exploration costs were written off as the property formed part of the Kena Property, and exploration costs are not segregated when the claims are contiguous.

Sultan also entered into an option agreement dated April 26, 2002, to acquire 4 claim units (75 hectares) known as the Starlight Claim Group consisting of 3 crown grants and one mineral claim contiguous with Sultan's Kena Property, north of the community of Ymir in southeastern British Columbia.



Pursuant to the terms of the agreement, Sultan must make total cash payments of \$15,000 (\$5,000 paid) and issue 60,000 common shares (20,000 issued) over a two-year period from the date of regulatory approval of the agreement. In exchange for the cash and share payments, and at the end of the two year payment period, Sultan will have the exclusive right and option to earn 100% interest in the properties, subject only to royalties payable of 1.0% net smelter returns ("NSR") from production of gold and silver and other metals. Sultan will have the right to purchase the NSR for \$1,000,000 upon commencement of commercial production.

During the year, Sultan entered into an option agreement with various optionors to acquire 100% of the Daylight Claim Group, consisting of 8 crown grants located near Nelson, British Columbia. The terms of the agreement are such that Sultan must make total cash payments of \$52,500 (\$4,375 paid) and issue 175,000 common shares (43,750 issued) over a three year period from the date of regulatory approval and the issuance of an additional 175,000 common shares to the optionors upon completion of a positive feasibility study recommending commercial production on the property. The properties are subject to royalties payable to the optionors of 3.0% NSR from production of gold and silver and 1.5% NSR from the production of other metals. Sultan will have the right to reduce the NSR to 1% from the production of gold and silver and 0.5% from the production of other metals by payment of \$1,000,000 upon or prior to the commencement of commercial production.

In February 2003, Sultan acquired a 30,000-hectare mineral lease in northern Manitoba. In March 2003, Sultan also entered into an option agreement to acquire the Athabasca Claim Group property consisting of ten reverted crown grants and three located claims, located near Nelson, British Columbia. The agreement allows Sultan to obtain a 100% interest in the property by making payments of \$50,000 and issuing 200,000 common shares (50,000 issued) to the Optionor over a three-year period. Upon completion of the obligations, Sultan will hold a 100% interest in and to the property subject only to a 3.0% NSR royalty from the production of gold and silver and a 1.5% NSR from the production of other metals. Sultan has the right to purchase 67% of the NSR by the payment of \$1,000,000 to the Optionor upon the commencement of commercial production.

The Company must make share payments of 313,750 common shares and cash payments totalling \$98,750 in fiscal 2003 to maintain its interests in the above noted mineral property interests. Subsequent to December 31, 2002, 100,000 common shares have been issued and \$5,000 paid.

Risks and Uncertainties

All of Sultan's current exploration projects are located in British Columbia, Canada where the currency is relatively stable. None of Sultan's exploration projects have any identifiable ore reserves and all are currently in the early exploration stage.

Sultan has no source of revenue other than minor interest income from excess cash balances on hand. A mining project can typically require five years or more between discovery, definition, development and construction. As a result, no production revenue is expected from any of Sultan's exploration properties within that time frame.

All of Sultan's short to medium-term operating and exploration cash flow must be derived from external financing. Sultan believes it will be able to raise sufficient capital to fund ongoing operations for at least the next year. Actual funding may vary from what was planned due to a number of factors, the most significant of which would be the progress of exploration and development on its current properties. In the event that changes in market conditions prevent Sultan from receiving additional external financing if required, it will need to review its property holdings and prioritize project exploration with cash availability.

Outlook

For the remainder of fiscal 2003, Sultan will continue to focus its exploration activity on the Kena Property near Ymir, British Columbia and will also review the status of its Jersey and Emerald properties.



MANAGEMENT'S REPORT

The management of Sultan Minerals Inc. is responsible for the preparation as well as the integrity of the accompanying financial statements and all related financial data contained in this annual report. The financial statements have been prepared by management in accordance with accounting principles generally accepted in Canada, and necessarily include amounts, which represent the best estimates and judgements of management. The Company has developed and maintains a system of internal accounting control designed to provide reasonable assurance that assets are safeguarded and that transactions are executed in accordance with management's authorizations.

The Company's auditors, Morgan & Company, have examined the financial statements and they have issued their report thereon.

The Board of Directors is responsible for ensuring that management fulfills its responsibilities for financial reporting and internal control. The Board exercised its responsibilities through the Audit Committee comprised of three Directors, one Committee member is an officer of the Company. The Committee meets from time to time with management and annually with the Company's auditors to review the financial statements and matters relating to the audit. The Company's auditors have full and free access to the Audit Committee. The Audit Committee reports its findings to the Board of Directors for consideration in approving the financial statements for issuance to the shareholders.

Shannon M. Ross, CA

Chief Financial Officer & Corporate Secretary

Vancouver, British Columbia

April 30, 2003

AUDITORS' REPORT

To the Shareholders of Sultan Minerals Inc.

We have audited the balance sheets of Sultan Minerals Inc. as at December 31, 2002 and 2001, and the statements of operations and deficit and cash flows for each of the years ended December 31, 2002 and 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2002 and 2001 and the results of its operations and its cash flows for each of the years ended December 31, 2002 and 2001 in accordance with Canadian generally accepted accounting principles. As required by the Company Act (British Columbia), we report that, in our opinion, these principles have been applied on a consistent basis.

Chartered Accountants

Vancouver, Canada

April 30, 2003



BALANCE SHEETS

	December 31 2002	December 31 2001
Assets		
Current Assets		
Cash and cash equivalents	\$ 492,642	\$ 594,723
Restricted cash	-	674,726
Accounts receivable	33,858	50,027
Due from related parties (note 7)	71,321	32,377
Prepaid expenses	20,689	-
	618,510	1,351,853
Mineral property interests (see schedule) (note 3)	4,181,978	3,172,440
Investments (note 4)	3,913	3,913
Equipment (note 5)	2,855	-
Reclamation bonds	26,500	14,000
	\$ 4,833,756	\$ 4,542,206
Liabilities and Shareholders' Equity		
Current Liabilities		
Accounts payable and accrued liabilities	\$ 240,908	\$ 52,747
Due to related parties (note 7)	5,626	50,035
	246,534	102,782
Future income taxes (note 8)	-	628,665
	246,534	731,447
Shareholders' Equity		
Share capital (note 6)	12,117,977	10,821,678
Share subscriptions (note 6)	-	252,000
Contributed surplus	19,752	-
Deficit	(7,550,507)	(7,262,919)
	4,587,222	3,810,759
	\$ 4,833,756	\$ 4,542,206

Subsequent events (notes 3, 6 and 9)
See accompanying notes to financial statements.

Approved by the Directors

Arthur G. Troup

Frank A. Lang



STATEMENTS OF OPERATIONS AND DEFICIT

	Years ended December 31	
	2002	2001
Expenses		
Legal, accounting and audit	\$ 45,269	\$ 24,774
Office and administration	16,265	27,485
Salaries and benefits	135,434	64,202
Shareholder communications	124,179	87,939
Management fees	-	15,000
Property investigations	15,188	1,533
Travel	13,977	2,619
Taxes	8,880	-
Write-down of mineral property interest	18,324	-
Project operator overhead recovery	(83,124)	-
Interest and other income	(6,804)	(7,901)
	287,588	215,651
Loss for the year	(287,588)	(215,651)
Deficit, beginning of year	(7,262,919)	(7,047,268)
Deficit, end of year	\$ (7,550,507)	\$ (7,262,919)
Loss per share, basic and diluted	\$ (0.01)	\$ (0.01)
Weighted average number of common shares outstanding	33,684,943	20,792,476

See accompanying notes to financial statements.



STATEMENTS OF CASH FLOWS

	Years ended December 31	
	2002	2001
Cash provided by (used for)		
Operations		
Loss for the year	\$ (287,588)	\$ (215,651)
Items not involving cash		
Stock option compensation	9,737	-
Write-down of mineral property interest	18,324	-
	(259,527)	(215,651)
Changes in non-cash operating working capital		
Accounts receivable	16,169	(40,495)
Due from related parties	(38,944)	(30,448)
Prepaid expenses	(20,689)	-
Accounts payable and accrued liabilities	188,161	90,287
Due to related parties	(44,409)	13,084
	(159,239)	(183,223)
Investing		
Mineral property interests		
Acquisition costs	(94,585)	(57,194)
Exploration and development costs	(854,249)	(865,060)
Reclamation deposits	(12,500)	-
Equipment	(4,030)	-
	(965,364)	(922,254)
Financing		
Share subscriptions	-	252,000
Common shares issued for cash, net of share issue costs	347,796	2,087,029
	347,796	2,339,029
Cash and cash equivalents		
Increase (decrease) during the year	(776,807)	1,233,552
Balance, beginning of year	1,269,449	35,897
Balance, end of year	\$ 492,642	\$ 1,269,449
Supplemental information		
Shares issued for mineral property interests	\$ 67,838	\$ 57,750
Shares issued for settlement of debt	-	88,553
Future income taxes	628,665	(628,665)
Share capital	696,533	482,362
Amortization included in mineral property interests	1,175	-

See accompanying notes to financial statements.



NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2002 and 2001

1. Going concern and nature of operations

Sultan Minerals Inc. (the "Company") is incorporated under the Company Act (British Columbia), and its principal business activity is the exploration and development of mineral properties in Canada.

The Company is in the process of exploring its mineral property interests and has not yet determined whether its mineral property interests contain mineral reserves that are economically recoverable.

Although the Company has taken steps to verify title to mineral properties in which it has an interest, in accordance with industry standards for the current state of exploration of such properties, these procedures do not guarantee the Company's title. Property title may be subject to unregistered prior agreements and non-compliance with regulatory requirements.

2. Significant accounting policies

(a) Basis of presentation

These financial statements have been prepared in accordance with accounting principles and practices generally accepted in Canada.

(b) Use of estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported values of assets, such as the recoverable value of mineral property interests, liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Significant areas requiring the use of management estimates include the determination of impairment of mineral property interests and reclamation obligations. In assessing the underlying values of mineral property interests, management considers the exploration and development plans and any future operation of the mineral property interests. These arrangements may, and likely will, change in the future in response to changing business conditions, and these changes may impact the Company's estimates of cash flows. As a result, actual results could differ from current estimates.

(c) Cash and cash equivalents

Cash and cash equivalents consist of cash on deposit with banks and highly liquid short-term interest bearing investments with maturities of less than 90 days from the original date of acquisition.

(d) Fair value of financial instruments

The carrying amounts of cash and equivalents, restricted cash, accounts receivable and accounts payable and accrued liabilities approximate fair value due to their short-term nature.

(e) Investments

The Company accounts for its portfolio investments as long-term investments. They are recorded at cost unless a permanent decline in value has been determined, at which time they are written down to market value.



2. Significant accounting policies (continued)

(f) Mineral property interests

Mineral property acquisition costs and exploration and development costs are deferred until the property to which they relate is placed into production, sold, allowed to lapse or abandoned. These costs will be amortized over the estimated life of the property following commencement of commercial production or written off if the property is sold, allowed to lapse or abandoned.

Mineral property acquisition costs include the cash consideration and the fair market value of common shares, based on the trading price of the shares issued for mineral property interests pursuant to the terms of the agreement. Payments relating to a property acquired under an option or joint venture agreement, where payments are made at the sole discretion of the Company, are recorded in the accounts upon payment.

The amount shown for mineral property interests represents costs incurred to date and the fair market value of common shares issued and does not necessarily reflect present or future value. Administrative expenditures are expensed in the year incurred. Property investigation costs, where a property interest is not acquired, are expensed as incurred.

(g) Equipment

Equipment is recorded at cost. Depreciation is calculated on a straight-line basis over two years.

(h) Flow through common shares

Resource expenditure deductions for income tax purposes related to exploration activities funded by flow through share arrangements are renounced to investors in accordance with income tax legislation. Capital stock is reduced and future income tax liability is increased by the estimated tax benefits transferred to shareholders.

(i) Loss per common share

Basic loss per common share is calculated by dividing loss available to common shareholders by the weighted average number of common shares outstanding during the year. For all periods presented, loss available to common shareholders equals the reported loss. Diluted loss per share is calculated by the treasury stock method. Under the treasury stock method, the weighted average number of common shares outstanding or the calculation of diluted loss per share assumes that the proceeds to be received on the exercise of dilutive stock options and warrants are applied to repurchase common shares at the average market price for the period.

(j) Income taxes

Income taxes are calculated using the liability method of accounting. Temporary differences arising from the difference between the tax basis of an asset or liability and its carrying amount on the balance sheet are used to calculate future income tax liabilities or assets. Future income tax liabilities or assets are calculated using the tax rates anticipated to apply in the periods that the temporary differences are expected to reverse. Draw-down of future income tax liability arising from flow-through share arrangements is credited to share capital.

(k) Stock options

The Company has adopted the new Canadian standard for accounting for stock-based compensation. As permitted by the standard, the Company has elected not to follow the fair value method of accounting for stock options granted. Under this method, no compensation expense is recognized when the options are granted to employees and directors pursuant to the plan.

**NOTES TO FINANCIAL STATEMENTS****Years Ended December 31, 2002 and 2001** (continued)**2. Significant accounting policies** (continued)

(k) Stock options (continued)

In accordance with the standard the fair value of any options granted after January 1, 2002 are disclosed within the notes to the accounts. Any consideration paid by directors and employees on exercise of stock options or purchase of shares is credited to share capital.

3. Mineral property interests

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

The Company holds an option agreement to acquire a 100% interest in the Kena Property located near the community of Ymir in southeastern British Columbia. The Company may earn a 100% interest in the property by making payments totalling \$110,000, of which \$70,000 has been paid, issuing 200,000 common shares, of which 150,000 common shares have been issued, and completing a work program totalling \$600,000 by November 1, 2003, which has been completed. The property is subject to a 3% net smelter returns royalty ("NSR") on gold and silver and 1.5% on other metals. The Company has the right to purchase 50% of the royalty for the greater of 7,000 ounces of gold or \$2,000,000 and must make an additional payment of 100,000 shares on commencement of commercial production.

In fiscal 2001 the Company entered into an option agreement to acquire 100% of the Great Western claim group, consisting of 3 claim units contiguous to the Kena property. The terms of the option are that the Company must make total cash payments of \$45,000 (\$10,000 paid) and issue 200,000 common shares (100,000 issued) over a three-year period. The property is subject to a 3% NSR from production of gold and silver, 1.5% from production of other metals and a further 200,000 common shares on receipt of a positive feasibility study. The Company has the right to purchase the NSR for \$1,000,000 upon commencement of commercial production.

In 2001 the Company entered into an option agreement to acquire 100% of the Tough Nut claim group, consisting of 32 two-post and fractional claim units, one two-unit metric mineral claim, one six-unit metric mineral claim and one crown grant, subject to an underlying NSR of 1% on certain claims. The terms of the option are that the Company must make cash payments of \$120,000 (\$20,000 paid) and issue 200,000 common shares (100,000 issued) over a four-year period. Certain claims are subject to a 3% NSR from production of gold and silver and 1.5% from production of other metals. Two-thirds of the NSR may be purchased from the optionors for \$2,000,000 at any time prior to commencement of commercial production. Certain claims are subject to a 2% NSR from production of gold and silver and 0.5% from the production of other metals until a \$1,000,000 cap has been paid on the underlying royalty. If the option buyout is exercised, no further royalty payments will be made to the optionors on the claims with the underlying royalty until the cap has been paid.

The Company holds an option agreement to earn 100% in five claim units, the Cariboo properties, located north of Ymir in south-eastern British Columbia and contiguous to the Kena Property. To earn its interest, the Company must make cash payments totalling \$52,500 (\$7,500 paid) and issue 200,000 common shares (50,000 issued) over four years. A further 200,000 common shares of the Company are to be issued upon receipt of a positive feasibility study. An NSR of 3.0% from production of gold and 1.5% from production of other metals is payable to the optionor. Two-thirds of the NSR may be purchased from the optionor upon commencement of commercial production.

The Company holds an option agreement to earn 100% interest in 24 crown grants and two claims held by record, known as the Silver King Claim Group of properties located contiguous to its Kena Property, in the Kootenay district of British Columbia. The terms of the option are that the Company must make total cash payments of \$130,000 (\$5,000 paid) and issue 250,000 common shares (50,000 issued) over a three-year period. Subsequent to December 31, 2002,



3. Mineral property interests (continued)

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

the Silver King claim Group was returned to the property vendors, and as a result, acquisition costs of \$18,324 were written off in the year ended December 31, 2002.

The Company entered into an option agreement dated April 26, 2002, to acquire 4 claim units (75 hectares) known as the Starlight Claim Group consisting of 3 crown grants and one mineral claim contiguous with the Kena Property, north of the community of Ymir in southeastern British Columbia. Pursuant to the terms of the agreement, the Company must make total cash payments of \$15,000 (\$5,000 paid) and issue 60,000 common shares (20,000 issued) over a two-year period from the date of regulatory approval of the agreement. In exchange for the cash and share payments, and at the end of the two year payment period, the Company will have the exclusive right and option to earn 100% interest in the Properties, subject only to royalties payable of 1.0% net smelter returns ("NSR") from production of gold and silver and other metals. The Company will have the right to purchase the NSR for \$1,000,000 upon commencement of commercial production.

The Company entered into an option agreement with various optionors to acquire 87.5% of the Daylight Claim Group, consisting of 8 crown grants located near Nelson, British Columbia. The terms of the agreement are such that the Company must make total cash payments of \$52,500 (\$4,375 paid) and issue 175,000 common shares (43,750 issued) over a three-year period from the date of regulatory approval. The properties are subject to royalties payable to the optionors of 3.0% net smelter returns ("NSR") from production of gold and silver and 1.5% NSR from the production of other metals and the issuance of an additional 175,000 common shares to the Optionors upon completion of a positive feasibility study recommending commercial production on the property. The Company will have the right to reduce the NSR to 1% from the production of gold and silver and 0.5% from the production of other metals by payment of \$1,000,000 upon or prior to the commencement of commercial production.

The Company must make share payments of 313,750 common shares and cash payments totalling \$98,750 in fiscal 2003 to maintain its interests in the above noted mineral property interests. Subsequent to December 31, 2002, 50,000 common shares have been issued.

**NOTES TO FINANCIAL STATEMENTS****Years Ended December 31, 2002 and 2001** (continued)**3. Mineral property interests** (continued)Kinross Agreement

In September 2002, the Company entered into an agreement (the "Agreement") with Kinross Gold Corporation ("Kinross") where Kinross undertook to fund not less than \$500,000 in expenditures on or before December 31, 2002, and an additional \$500,000 in expenditures by September 4, 2003, on the Kena Gold Property. These expenditures are the first stage in an option agreement whereby Kinross may earn a 60% interest in the Kena Gold Property. Further expenditures of \$9 million over a five-year period ending September 30, 2007, would give Kinross a 60% interest in the property. Expenditures of \$3 million must be incurred by September 4, 2005.

The Company will act as project operator and manager and will receive a management fee not to exceed 10% of the direct costs incurred over the period to September 4, 2003. Kinross may then elect to assume the role of manager and collect a similar management fee, not to exceed 10% of direct costs. Should Kinross elect to continue to incur expenditures after the first year of the Agreement, Kinross shall also make annual cash payments to the Company in the amount of \$250,000 at the beginning of the second, third, fourth and fifth anniversaries of the Agreement.

If Kinross should earn its 60% interest in the Property, the Company may elect either:

- (i) to participate as to 40% in a joint venture with Kinross; or
 - (ii) to retain a 30% net carried interest in the Property, which would entitle the Company to receive 30% of net profits from the Property, after all development costs have first been recouped.
- (b) Jersey and Emerald Properties, Salmo, British Columbia, Canada

The Company holds a 100% interest in the Jersey Claim Group located near Salmo, British Columbia. The property is subject to a 3% NSR that can be reduced to 1.5% by making payments of \$500,000 and issuing 50,000 common shares. In October 2000 an amendment to the agreement extended the start of royalty payments to 2004. In consideration, 200,000 common shares were issued to the royalty holders.

The Tungsten King Prospect comprises 17 crown-granted mineral claims. The Company acquired a 100% interest in the property by issuing 100,000 shares of the Company.

The Company holds a 100% interest in the Truman Hill and Leroy North properties. The property is subject to a NSR of 1.5% of which 50% can be purchased by issuing 25,000 shares of the Company.

The Company holds a 100% interest in the Summit Gold Property consisting of 4 mineral units and one reverted crown grant. The property is subject to a 2% NSR, which the Company has the right to purchase for \$500,000.

The Company holds a 100% interest in the Jumbo 2 and Boncher crown granted mineral claims.



4. Investments

Name of Public Company	Number of Shares	Book Value	Book Value
		2002	2001
Emgold Mining Corporation	6,020	\$3,913	\$3,913

The quoted market value of the above securities as at December 31, 2002, was \$2,408 (2001: \$482).

5. Equipment

	Cost	Accumulated Depreciation	Net Book Value 2002	Net Book Value 2001
	Equipment	\$4,030	\$1,175	\$2,855

6. Share capital

The authorized share capital of the Company consists of 500,000,000 (2001 - 50,000,000) common shares without par value and 50,000,000 preferred shares without par value.

Common shares issued and outstanding are as follows:

	Number of Shares	Amount
Balance, December 31, 2000	16,597,502	\$ 9,217,011
Issued for cash		
Private placement at \$0.10	2,000,000	194,710
Warrants exercised at \$0.15	1,470,250	220,538
Warrants exercised at \$0.25	40,000	10,000
Private placement at \$0.15	4,000,000	505,765
Private placement at \$0.17	4,115,000	619,648
Stock options at \$0.21	25,000	5,250
Short form offering at \$0.28, net of issue costs	2,354,923	531,118
Future income tax effect of flow through shares issued	-	(628,665)
Debt settlement at \$0.10	885,531	88,553
Issued for mineral property interests		
Kena property payment at \$0.12	50,000	6,000
Great Western property payment at \$0.46	50,000	23,000
Tough Nut property payment at \$0.46	50,000	23,000
Cariboo property payment at \$0.23	25,000	5,750
Balance, December 31, 2001, carried forward	31,663,206	\$ 10,821,678



NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2002 and 2001 (Continued)

6. Share capital (continued)

	Number of Shares	Amount
Balance, December 31, 2001, carried forward	31,663,206	\$ 10,821,678
Issued for cash		
Private placement at \$0.28, less issue costs	1,000,000	252,000
Warrants exercised at \$0.15	1,110,000	166,500
Warrants exercised at \$0.17	392,000	66,640
Stock options exercised at \$0.15	70,000	10,500
Stock options exercised at \$0.21	25,000	5,250
Warrants exercised at \$0.28	353,238	98,907
Issued for mineral property interests		
Silver King property payment at \$0.23	50,000	11,500
Kena property payment at \$0.26	50,000	13,000
Starlight property payment at \$0.37	20,000	7,400
Great Western property payment at \$0.21	50,000	10,500
Tough Nut property payment at \$0.21	50,000	10,500
Daylight property payment at \$0.21	43,750	9,187
Cariboo, Princess and Cleopatra property payment at \$0.23	25,000	5,750
Flow through shares income tax effect reversed	-	628,665
Balance, December 31, 2002	34,902,194	\$ 12,117,977

During the year ended December 31, 2001, the Company issued 7,389,923 flow-through common shares at various prices ranging from \$0.10 to \$0.28. There were no flow-through warrants associated with these shares.

On January 31, 2001, a private placement for 1,000,000 units was completed at a price of \$0.28 per unit. Each unit consists of one common share and one-half of a share purchase warrant. Each whole warrant entitled the holder to purchase one additional common share of the Company at a price of \$0.32 for one year expiring January 18, 2003. An agent's warrant was paid in consideration, exercisable to purchase up to 150,000 common shares of the Company until January 18, 2003, at a price of \$0.28 per share.

In connection with the issuance of flow-through shares, the Company agreed to incur Canadian Exploration Expenditures ("CEE") and renounce to the shareholders the tax benefits associated with CEE incurred. The CEE renounced to the flow-through shareholders is not deductible for income tax purposes by the Company.

(a) Stock options

The Company does not have a stock option plan for its directors and employees to acquire common shares of the Company but the TSX Venture Exchange allows for the issue of stock options up to 10% of the outstanding common shares.



6. Share capital (continued)

The following table summarizes information about the stock options outstanding at December 31, 2002:

Options Outstanding and Exercisable			
Range of Exercise Prices	Number Outstanding at December 31, 2002	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price
\$0.15	690,000	2.3 years	\$0.150
\$0.21	690,000	3.5 years	\$0.210
\$0.40	751,000	3.8 years	\$0.400
\$0.32	775,000	4.4 years	\$0.320
\$0.15 to \$0.40	2,906,000	3.5 years	\$0.251

A summary of the changes in stock options for the years ended December 31, 2002 and 2001, is presented below:

	Shares	Weighted Average Exercise Price
Balance, December 31, 2000	1,150,000	\$0.169
Granted	1,391,000	\$0.313
Expired	(45,000)	\$0.210
Cancelled	(120,000)	\$0.199
Exercised	(25,000)	\$0.210
Balance, December 31, 2001	2,351,000	\$0.251
Granted	775,000	\$0.320
Expired	(100,000)	\$0.210
Cancelled	(25,000)	\$0.210
Exercised	(95,000)	\$0.166
Balance, December 31, 2002	2,906,000	\$0.251

Subsequent to the year ended December 31, 2002, 15,000 stock options were exercised at \$0.15 to purchase 15,000 common shares.

During the year ended December 31, 2002, the Company granted incentive stock options to employees, non-employees and directors to purchase up to 775,000 common shares at a price of \$0.32 per share which was the prevailing market price of the Company's shares on the date of the grant. An amount of \$9,737 which is the fair value of 71,000 stock options granted to non-employees for consulting services has been charged to operations. The fair value of these options has been estimated at the date of grant using a Black-Scholes option pricing model with the following assumptions; risk-free interest rate of 5.25%; volatility factor of the expected market price of the Company's common shares of 129%; and an expected life of the options of five years. For purposes of pro forma disclosure, the estimated fair value of the option is expensed in the current period, as the options vest at the date of grant.



NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2002 and 2001 (Continued)

6. Share capital (continued)

The following is the Company's pro forma earning with the fair value method applied to options granted to employees, consultants and directors during the year:

	Year ended
	December 31, 2002
Loss for the year	\$ (287,588)
Compensation expense related to fair value of stock options	(195,853)
Pro forma loss for the period	\$ (483,441)
Pro forma loss per share:	
Basic	\$ (0.01)
Diluted	\$ (0.01)

(b) Share purchase warrants

As at December 31, 2002, 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
615,000	\$0.25	May 2, 2003
300,000	\$0.30	October 9, 2003
1,999,999	\$0.30	August 13, 2003
500,000	\$0.32	January 18, 2004
150,000	\$0.28	January 18, 2004
3,564,999		



NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2002 and 2001 (continued)

7. Related party transactions and balances

Services rendered:	2002	2001
LMC Management Services Ltd. (a)	\$ 268,662	\$ 81,015
Lang Mining Corporation (b)	\$ 1,412	\$ 94,056
Legal fees (c)	\$ 18,245	\$ 92,746
ValGold Resources Ltd.	\$ 14,131	\$ -
Balances receivable from (payable to) (e):		
LMC Management Services Ltd. (a)	\$ 70,806	\$ 28,317
Emgold Mining Corporation	\$ -	\$ 3,805
Cream Minerals Ltd.	\$ 515	\$ 88
ValGold Resources Ltd.	\$ -	\$ 167
Receivable from:	\$ 71,321	\$ 32,377
ValGold Resources Ltd.	\$ (4,115)	\$ -
Lang Mining Corporation	\$ (1,511)	\$ (1,954)
DuMoulin Black	\$ -	\$ (48,081)
Payable to:	\$ (5,626)	\$ (50,035)

(a) Commencing August 1, 2001, management, administrative, geological and other services are provided by LMC Management Services Ltd. ("LMC"), a private company held jointly by the Company and other public companies, to provide services on a full cost recovery basis to the various public entities currently sharing office space with the Company. Currently the Company has a 25% interest in LMC. Three months of estimated working capital is required to be on deposit with LMC under the terms of the services agreement. There is no difference between the cost of \$1 and equity value.

(b) Lang Mining Corporation ("Lang Mining") is a private company controlled by the chairman of the Company. Lang Mining provided management services at a rate of \$2,500 per month, and provided accounting, geological, and other services at cost plus 15%, until June 30, 2001. During the year ended December 31, 2001, 885,531 common shares were issued to Lang Mining in exchange for \$88,553 in debt.

Effective July 2001 the Company, in agreement with Lang Mining, discontinued payment of the \$2,500 per month management fee and the cost plus 15% administration fee.

(c) Legal fees were paid to a law firm of which a director is a partner.

(d) The Company's investments include shares in a listed company with two common directors.

(e) Balances receivable from and payable to related parties are included in due to and due from related parties, respectively, on the balance sheets. These amounts are non-interest bearing and due on demand.



NOTES TO FINANCIAL STATEMENTS

Years Ended December 31, 2002 and 2001 (continued)

8. Income taxes

The recovery of income taxes shown in the statements of operations and deficit differs from the amounts obtained by applying statutory rates due to the following:

	2002	2001
Statutory tax rate	39.62%	44.62%
Loss for the year	\$ (287,588)	\$ (215,661)
Provision for income taxes based on statutory Canadian combined federal and provincial tax rates	(113,942)	(96,228)
Change in valuation allowance	113,942	96,228
Income tax expense	\$ -	\$ -

The significant components of the Company's future tax assets (liability) are as follows:

	2002	2001
Operating losses	\$ 652,633	\$ 656,360
Resource deductions	4,205,785	4,270,292
Share issue costs	91,879	132,044
Accounting value of mineral property interests in excess of tax values	-	(628,665)
	4,950,297	4,430,031
Valuation allowance for future tax assets	(4,950,297)	(5,058,696)
	\$ -	\$ (628,665)

The realization of income tax benefits related to these future potential tax deductions is uncertain and cannot be viewed as more likely than not. Accordingly, no future income tax assets have been recognized for accounting purposes.

The Company has Canadian non-capital losses carried forward of \$1,647,000 that may be available for tax purposes. The losses expire as follows:



8. Income taxes (continued)

Expiry date	\$
2003	265,000
2004	330,000
2005	227,000
2006	148,000
2007	122,000
2008	216,000
2009	339,000

The Company has resource pools of approximately \$10,615,000 available to offset future taxable income. The tax benefit of these amounts is available for carry-forward indefinitely.

9. Subsequent events

Subsequent to December 31, 2002, the Company:

(a) acquired a 30,000 hectare mineral lease in northern Manitoba (the "Property"); and

(b) entered into an option agreement to acquire the Athabasca Claim Group property consisting of ten reverted crown grants and three located claims, located near Nelson, British Columbia (the "Property"). The agreement allows the Company to obtain a 100% interest in and to the Property by making payments of \$50,000 and issuing 200,000 common shares (50,000 issued) to the Optionor over a three year period. Upon completion of the obligations, the Company will hold a 100% interest in the Property subject only to a 3.0% Net Smelter Return royalty from the production of gold and silver and a 1.5% Net Smelter Return royalty from the production of other metals (collectively the "NSR"). The Company has the right to purchase 67% of the NSR by the payment of \$1,000,000 to the Optionor upon the commencement of commercial production; and

(c) completed a brokered private placement of 2,500,000 units at a price of \$0.20 per unit, for gross proceeds of \$500,000. Each Unit is comprised of one common share and a one-half non-transferable share purchase warrant. Each whole share purchase warrant will entitle the holder to purchase one additional common share of the Company until September 30, 2004, at an exercise price of \$0.25. In consideration for arranging the private placement, the agent received a \$45,000 commission, a \$5,000 administration fee and a corporate finance fee of 50,000 common shares. The agent also received non-transferable agent's warrants exercisable to purchase up to 375,000 common shares at an exercise price of \$0.25 until September 30, 2004.



SCHEDULES OF MINERAL PROPERTY INTERESTS

	Years Ended December 31	
	2002	2001
Kena Property, British Columbia (note 3(a))		
Acquisition costs		
Balance, beginning of year	\$ 151,517	\$ 37,397
Incurred during the year	161,597	114,120
Write-off during the year	(18,324)	-
Balance, end of year	294,790	151,517
Exploration and development costs		
Amortization	1,175	-
Assays and analysis	90,896	86,566
Drilling	278,050	385,195
Geological	405,199	324,490
Site activities	21,733	13,729
Travel and accommodation	37,834	45,534
Incurred during the year	834,887	855,514
Balance, beginning of year	1,140,069	284,555
Balance, end of year	1,974,956	1,140,069
	2,269,746	1,291,586
Jersey and Emerald Properties, British Columbia (note 3(b))		
Acquisition costs		
Balance, beginning of year	662,120	661,295
Incurred during the year	826	825
Balance, end of year	662,946	662,120
Exploration and development costs		
Assays and analysis	106	99
Geological	4,873	5,504
Site activities	25,050	3,942
Incurred during the year	30,029	9,545
Balance, beginning of year	1,218,734	1,209,189
Balance, end of year	1,248,763	1,218,734
	1,911,709	1,880,854
Exploration Permit, Manitoba	523	-
Mineral Property Interests	\$ 4,181,978	\$ 3,172,440



SULTAN MINERALS INC.

C O R P O R A T E I N F O R M A T I O N

CORPORATE OFFICE

Suite 1400
570 Granville Street
Vancouver, British Columbia
Canada V6C 3P1

Telephone: (604) 687-4622
Facsimile: (604) 687-4212
Toll Free: 1-888-267-1400
Web site: www.sultanminerals.com

DIRECTORS

FRANK A. LANG, *Chairman*
ARTHUR G. TROUP, *President*
BEN AINSWORTH
SARGENT H. BERNER

OFFICERS

SHANNON M. ROSS
CFO & Corporate Secretary

AUDITORS

MORGAN AND COMPANY

LEGAL COUNSEL

DUMOULIN BLACK

SHARES LISTED

TSX VENTURE EXCHANGE
SYMBOL: SUL

SHARES

SHARES OUTSTANDING: 37,567,194
FULLY DILUTED: 45,648,193
April 30, 2003

U.S. COMPLIANCE

SEC 12g3-2(b)
EXEMPTION: 82-4741

CUSIP NUMBER

86556L100

TRANSFER AGENT

COMPUTERSHARE TRUST
COMPANY OF CANADA



SULTAN MINERALS INC.