Tertiary Minerals plc

Annual Report for the year ended 30 September 2009

Tertiary Minerals plc

Tertiary Minerals is a mineral exploration and development Company with a diverse portfolio of mineral projects in the **Nordic Countries** and **Saudi Arabia**. Tertiary's small team of dedicated professionals is committed to exploration and management excellence and it is our aim to add value to our projects and create wealth for our stakeholders through the **cost effective discovery** and development of mineral resources.

Asset Base

The Company is evaluating a number of major mineral deposits including the **important deposit of the industrial mineral fluorspar**, at Storuman in Sweden, where a scoping study is close to completion.

At Kolari in Finland, a large zone of **magnetite iron mineralisation** is being targeted for the production of high grade iron concentrates and, subject to the re-issue of the exploration licence, Tertiary plans further evaluation of the feasibility stage, **world-class** 385 million tonne Ghurayyah **tantalum–niobium-zircon-rare earth deposit** in Saudi Arabia with its joint venture partners. Its exploration projects in Finland and Sweden also include several earlier-stage gold, base metals and tantalum projects.

The Company also holds a **14% interest in Sunrise Diamonds plc**, which controls an extensive inventory of diamond exploration targets in Finland and Australia, including a number of diamondiferous kimberlites, and an industrial minerals project in Ireland.

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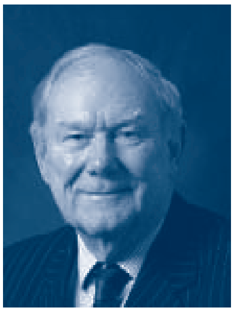
Board of Directors

Patrick Cheetham
Executive Chairman

Donald McAlister
Non-Executive Director*

David Whitehead
Non-Executive Director**



Colin Fitch LLM, FCIS
Company Secretary

* Chairman of the Audit Committee and member of the Remuneration Committee
** Chairman of the Remuneration Committee and member of the Audit Committee

The Directors & Officers of the Company are:

Patrick Cheetham, aged 49 *Executive Chairman*
Mr. Cheetham is the founder of the Company. He is a mining geologist with 28 years experience in mineral exploration and 22 years in public company management. Mr Cheetham started his career as an exploration geologist in Australia with Western Mining Corporation and prior to that worked for Imperial Metals Corporation in British Columbia, Canada. From 1986 to 1993 he was joint managing director of Dragon Mining NL, during which time he was responsible for the formation of that company, the identification of and acquisition of its exploration projects, its listing on the Australian Stock Exchange and the subsequent development of its exploration projects. In 1993 Patrick co-founded Archaean Gold N.L. which, in 1996, was the subject of a successful $50 million takeover bid by Lachlan Resources NL. He is currently also Chairman of Sunrise Diamonds plc.

Donald McAlister, aged 50 *Non-Executive Director*
Mr McAlister is a founding director of the Company and has 19 years experience in all financial aspects of the resource industry. He was until recently finance director of Ridge Mining plc. Prior to that he was finance director of Reunion Mining in 1994 having worked previously at Enterprise Oil plc, Texas Eastern N Sea Inc and Cluff Oil Holdings plc. Donald's experience includes the economic evaluation of gold and base metal mines and the arranging of project finance for feasibility studies and mine developments. He has also been involved in the listing of Reunion Mining plc on the Luxembourg and London Stock Exchanges. He is familiar with all financial aspects of resource companies including metal hedging, tax planning and economic modelling. In October 2009 he was appointed to the board of Mwana Africa PLC, as finance director.

David Whitehead, aged 67 *Non-Executive Director*
Mr Whitehead is a mining geologist. He joined Tertiary in April 2002 on retiring as Vice President Integration, Exploration and Innovation at BHP Billiton Group Plc, having been with the Billiton Group since 1976. As Chief Executive, Exploration and Development of Billiton Plc from 1997, David created and introduced a market oriented and commercial approach to minerals exploration, involving the formation of strategic alliances with junior exploration companies and the leveraging of group capabilities with funding obtained in venture capital markets. Following the merger of Billiton with BHP, David, among other things, lead the team responsible for the integration of the two companies' exploration and development groups. He has a broad range of exploration and general mining and management skills, including experience of project development and operating mine management. Mr Whitehead is also currently Chairman of European Nickel plc.

Colin Fitch MA, LLM, FCIS, aged 77 *Company Secretary*
Colin Fitch is a Barrister-at-Law, and was previously Corporate Finance Director of Kleinwort Benson, Partner and Head of Corporate Finance at Rowe & Pitman (SG Warburg Securities) and Assistant Secretary at the London Stock Exchange. He has also held a number of non-executive directorships of public and private companies, including Merrydown Plc. He is currently Company Secretary for Sunrise Diamonds plc.

Chairman's Statement

I have pleasure in presenting your Company's Annual Report & Financial Statements for the year ended 30 September 2009.

So far in 2009, the much feared financial meltdown appears to have been averted with commodity prices and stock markets around the World staging strong recoveries — fuelled in part by governments' quantitative easing policies.

In late 2008, anticipating the imminent downturn, we reduced costs where possible but, importantly, we kept our small team of professionals together. Discretionary project expenditure was slowed during the first half of 2009 but — as some optimism returned to the markets, and after a further fundraising — we made a decision to push forward with work on our Storuman fluorspar project in Sweden, where good progress is now being made towards completion of a scoping study.

Storuman Fluorspar Project

Our work programmes will culminate in a scoping study and a preliminary economic evaluation of the project which is expected towards the end of the first quarter of 2010.

Some components of this study are complete. Following our drilling programme last year we were recently able to report the results for our consultant Scott Wilson's estimation of the tonnage and grade of mineralisation at Storuman. Their estimate of 28–31 million tonnes containing over 3 million tonnes of fluorspar is nearly double the previously reported estimate and I believe the size of the deposit has potential to grow further with additional drilling.

The most time consuming component of the scoping study is the metallurgical testwork programme. Good progress is being made in understanding the metallurgical character of the Storuman ore, and metallurgical challenges are being met. A significant achievement during the year was the demonstration that a saleable fluorspar concentrate can be produced.

Following the global economic crisis fluorspar demand fell sharply at the end of 2008, as might have been expected, and demand remains relatively weak. In early 2009 some fluorspar mines reduced output, or closed temporarily, but in some cases production levels have now returned to normal. In 2008–9 there has been a sharp fall in fluorspar prices from a 'peak' of US$500/tonne to a prevailing price of US$300/tonne which is, importantly, still substantially higher than prices just a few years ago. This reflects a continuing tightness in traditional supplies from China as their domestic demand grows, and export is discouraged by Government taxes.

Ghurayyah

We are still awaiting the issue of the new exploration licence over the world class Ghurayyah tantalum-niobium rare-earth deposit in Saudi Arabia and a recent communication from the Deputy Ministry for Minerals Resources confirms that our Consortium's licence application is still under active consideration. Other licence applicants in Saudi Arabia have experienced similar delays.

Other Projects

At Vähäjoki, exploration drilling for copper and gold during the year by joint venture partner Inmet Mining Corporation of Canada did not generate ore-grade intersections and the project was returned to the Company as Inmet withdrew from the joint venture.

Work on the Company's other projects has been deferred during 2009, although further work is budgeted for 2010 for the Kaareselkä gold project and the Kolari iron project.

Sunrise Diamonds plc

The Company has maintained its shareholding in Sunrise Diamonds plc at 14% of the issued capital, and continues to provide management services to Sunrise Diamonds.

Procedures are in place in order to avoid any conflict of interest between the Company and Sunrise Diamonds in the search for, evaluation and acquisition of new projects.

Financials

The Group reported a loss of £270,269 for the year (2008: £791,965). The audited financial statements are prepared under International Financial Reporting Standards (IFRS), as adopted by the European Union.

Annual General Meeting

At the next AGM, shareholders will be asked to consider, amongst the usual business, a resolution adopting an entirely new set of Articles of Association which, despite the changes made last year, is necessitated by the final stage implementation of the new Companies Act. Renewal of share issue authorities is also sought and I hope you will once again support the Board in putting these in place.

In Conclusion

The sustainability of the current market recovery remains uncertain and whilst we are pressing on with our key projects, we are also maintaining a tight control on expenditure. Pleasing progress is being made at Storuman and we look forward to the conclusion of the scoping study in 2010.

I would like to thank all my fellow directors and staff for their salary sacrifices during the year and our new and longstanding shareholders who continue to support the Company.

Patrick Cheetham
Executive Chairman
7 December 2009

Operating Review

Storuman Fluorspar, Sweden

The Storuman project is located in an area with well established infrastructure adjacent to a sealed highway 20km from the regional town of Storuman in north-central Sweden. Storuman is connected by road and rail to the city and port of Umeå on the Gulf of Bothnia. In the other direction the highway leads to the port city of Mo-i-Rana in Norway.

Fluorspar mineralisation was first discovered at Storuman in the 1960s but the size potential of the deposit was first indicated by Swedish company Gränges in the 1970s when drilling demonstrated a flat lying sandstone hosted deposit over a large area — 2.1km by 1km.

Following grant of the project licences to Tertiary in 2008, and a confirmatory drilling programme, the Company initiated a scoping study for development of the deposit. A conceptual target for the Company is a mining operation producing at least 100,000 tonnes per annum of acid grade fluorspar. The world market for fluorspar is just over 5 million tonnes per annum, of which 65% is for acid grade fluorspar.

The scoping study was awarded to Scott Wilson Ltd ("Scott Wilson"), an international design and engineering consultancy, which will be responsible for modelling the mineralisation, conceptual mine and process plant design, infrastructure, capital and operating costs estimation and financial modelling. Metallurgical testwork is being carried out by SGS Lakefield in Canada in consultation with the Company's metallurgical consultant, Delta Minerals, which will also provide a conceptual mineral processing flowsheet, on which the process plant design will be based. URS Nordic AB, a wholly owned subsidiary of URS Corporation, has provided advice to Tertiary Minerals plc on the environmental and social permitting process for the Storuman mine development for inclusion in the Scoping Study.

Tonnage-Grade Estimation

Scott Wilson has recently reported on its independent estimate of the tonnage and grade of fluorspar mineralisation at Storuman. Their review considered the results of the 39 drill holes completed by Gränges in the 1970s and the 10 confirmatory drill holes completed in 2008 by Tertiary, mostly within the same drilled area.

Scott Wilson has made an estimate of the tonnage and grade of mineralisation in the range of: **28–31 million tonnes grading 11.2–12.3% Fluorspar (CaF_2)**.

This estimate suggests potential for over 3 million tonnes of contained fluorspar. This is nearly double that contained in a historical estimate of 15.6 million tonnes grading 12.2% CaF_2 reported by Gränges in the 1970s at the same 8% fluorspar cut-off grade (the Gränges estimate does not conform to existing recognised reporting codes).

The Scott Wilson estimate reflects the fact that the available Gränges drill assay records could not be verified to the high level required to estimate a "Mineral Resource" under the JORC Code (neither original assay certificates nor detailed lithological logs could be traced). However, Scott Wilson considers that the drilling to date has confirmed the uniform style and lateral continuity of the two known fluorspar mineralised horizons and it is the Company's expectation that a large part of the current tonnage estimate can be converted into a JORC Mineral Resource by further drilling within the area of the 1970s drill grid.

Furthermore, the Company believes that there is considerable potential for additional tonnage beyond the existing drill grid as the flat lying mineralisation remains open in three horizontal directions away from its outcrop.

Metallurgical Testwork

This is a key component of the scoping study. The commercial specifications for acid-grade fluorspar (the highest value grade of fluorspar in high volume commercial use) are quite demanding in that there are specifications for both grain size and chemical composition with a requirement for low levels of silica (quartz). Given that the Storuman sandstone hosted ore is high in silica, production of a saleable concentrate presents some challenges.

Previous testwork carried out in the 1970s produced fluorspar with acceptable chemical specifications, but only on samples that were ground to a grain size that was too fine for use in the majority of consuming acid plants around the world.

Operating Review
continued

Fluorspar is the commercial name for the industrial mineral fluorite (calcium fluoride — chemical formula CaF_2). It is the main industrial source of fluorine for the manufacture of hydrofluoric acid and derivative fluorine chemicals including refrigerants, PTFE (Teflon™) and aluminium hydrofluoride, a flux used in the reduction of alumina to aluminium. It is also used as a flux in steel making, in the ceramics industry and in the manufacture of nuclear fuel (uranium hexafluoride).

In 2008, Fluorspar consumers, several of which are based in Europe, faced critical supply shortages as traditional supplies from China were diverted to meet growing Chinese domestic demand. China has imposed export quotas and export taxes to discourage export and thus ensure domestic supplies.

In 2009, during the recession, market demand for fluorspar has fallen but supply fundamentals have not changed and when demand picks up again the outlook is for further tightness in supply.

In the first half of 2009 the testwork programme progressed cautiously in order to maximise the cost benefit of individual tests and also to preserve financial resources. Tertiary's testwork programme initially focused on reproducing the grinding conditions used in the 1970s testwork in order to investigate critical reagent schemes and conditions for fluorspar flotation ("flotation" is the principal mineral separation technology used in production of acid-grade fluorspar). The initial tests were successful in achieving acceptable chemical specifications — albeit at the same fine grain size, but mid-year a breakthrough was made when testwork successfully produced a fluorspar concentrate within the acceptable grain size limits and to a chemical specification that would be saleable to consumers of acid-grade fluorspar.

Following this encouraging result the pace of testwork was increased with a view to completing the scoping study as soon as this critical-path testwork allows. Further tests are in progress to evaluate other metallurgical parameters, including fluorspar recovery, and to provide information for operating and capital cost estimates.

Kolari Iron Project, Finland

The Kolari iron project is located in the Kolari iron district of northern Finland. Previous drilling by the Company and previous licence holders has indicated the potential for a large tonnage of open-pit mineable iron mineralisation and testwork has suggested a high grade iron concentrate can be produced. Financial restrictions mean that no work was carried out during the year. The Company's tenure of its claims (exploration licences) has been extended by the Finnish Ministry of Employment and Economy for a period extending to 31 October 2010.

Vâhäjoki Copper-Gold Project, Finland

Tertiary Minerals first acquired this project as a target for iron-oxide-copper-gold ("IOCG") mineralisation. In 2007 an agreement was entered into with Inmet Mining Corporation subsidiary Pyhäsalmi Mine Oy ("Inmet") whereby Inmet could earn an interest in Vähäjoki by meeting certain expenditures.

Since September 2007 Inmet has completed magnetic and electromagnetic geophysical surveys at Vähäjoki and two programmes of diamond drilling. Low grades of copper-gold mineralisation were intersected with a best result in drill hole TerMu-8 which intersected down hole thicknesses of 9m grading 0.26% copper & 0.26 grammes per tonne gold from 61m and 4.54m grading 0.49% copper & 0.59 grammes per tonne gold from 76m.

Following these results Inmet withdrew from its earn-in and the three Vähäjoki claims were being returned to Tertiary in accordance with the terms of the agreement, together with all exploration data. Tertiary will evaluate this data and then consider its future exploration strategy for the prospect.

Ghurayyah Tantalum-Niobium-Rare-Earth Project, Saudi Arabia

The Ghurayyah Project is operated as a joint venture with two Saudi Companies, Al Nahla Trading & Contracting Co and A.H.Algosaibi Bros. Co. ("the Consortium"). Tertiary, through its subsidiary Tertiary (Middle East), and by virtue of the joint venture agreement, holds a 100% beneficial interest in the project and the other Consortium members are earning an interest through the contribution of project funding up to US$7m.

The Ghurayyah deposit is a 385 million tonne deposit containing tantalum, niobium and rare earth minerals of economic interest. A positive scoping study was completed in 2002 and a preliminary feasibility study was underway when the project licence renewal was denied by the Saudi Government. By agreement with the Government a new licence application was submitted by the Consortium in 2007. The grant of this licence is still awaited.

Other Projects

The Company holds a number of other projects in the Nordic countries. Further work is budgeted on the Kaareselkä gold project in Finland to follow up encouraging drill intersections previously obtained by the Company in the Vanha zone, where gold mineralisation is open along strike and at depth. For example, Hole 04KD007B, located towards the western end of the Vanha zone, intersected ***4.90m thickness grading 11.0 g/t gold*** from a down-hole depth of 74.80m and was drilled to test at depth the gold mineralisation previously intersected by GTK in drill holes RC5 (3m grading 7.2g/t gold) and R436 (1.4m grading 22 g/t gold) towards the western end of the Vanha zone.

Further drilling is also budgeted for the Kiekeromaa prospect where previous drilling by Outokumpu resulted in intersections of ***up to 5m grading 5.8 g/t gold*** in drill hole KKR2.

Financial & Risk Review

Financial Review

The results for the Group are set out in detail on page 14. The Group reports a loss of £270,269 during the year (2008: £791,965) after administration costs of £211,195 and after crediting interest of £6,726. It also includes expensed pre-licence and reconnaissance exploration costs of £38,127 and deferred exploration cost impairments of £27,673. Losses also include non-cash losses in connection with the application of IFRS 2, whereby a cost is assigned to the value of certain options and warrants held by employees and consultants.

The Group is expected to continue to make losses until it disposes of or is able to profitably develop its exploration and development projects. Losses may increase in future if certain exploration projects are abandoned or impaired and the associated deferred exploration costs are written-off.

Intangible assets in the financial statements total £595,269 at year end.

Administration overhead costs have been shared with Sunrise Diamonds plc, to the benefit of both companies. This cost sharing is continuing.

Equity Issues

The Group's exploration activities continue to be funded from working capital and in February and July 2009, this was supplemented by two placings of shares which raised a total of £414,000 before expenses.

Non Current Assets

Details of intangible assets, property, plant & equipment and investments are set out in notes 8, 9 and 10 in the accounts.

Risks

The Board regularly reviews the risks to which the Group is exposed and ensures through its meetings and regular reporting that these risks are minimised as far as possible.

The principal risks and uncertainties facing the Group at this stage in its development are:

Exploration Risk

The Company's business is mineral exploration and evaluation which are speculative activities and whilst the directors are satisfied that good progress is being made, there is no certainty that the Group will be successful in the definition of economic mineral deposits, or that it will proceed to the development of any of its projects or otherwise realise their value.

Resource Risk

All mineral deposits have risk associated with their defined grade and continuity. Minerals Reserves and Resources are calculated by the Group in accordance with accepted industry standards and codes but are always subject to uncertainties in the underlying assumptions which include geological projection and metal price assumptions.

Development Risk

Delays in permitting, financing and commissioning a project may result in delays to the Group meeting future production targets. Changes in commodity prices can affect the economic viability of mining projects and affect decisions on continuing exploration activity.

Mining and Processing Technical Risk

Notwithstanding the completion of metallurgical testwork, test mining and pilot studies indicating the technical viability of a mining operation, variations in mineralogy, mineral continuity, ground stability, ground water conditions and other geological conditions, may still render a mining and processing operation economically or technically non viable.

Environmental Risk

Exploration and development of a project can be adversely affected by environmental legislation and the unforeseen results of environmental studies carried out during evaluation of a project. Once a project is in production unforeseen events can give rise to environmental liabilities.

Financing & Liquidity Risk

Liquidity risk is the risk that the Company will not be able to raise working capital for its ongoing activities. The Group's goal is to finance its exploration and evaluation activities from future cash flows but until that point is reached the Company is reliant on raising working capital from equity markets or from industry sources. There is no certainty such funds will be available when needed.

Political Risk

All countries carry political risk that can lead to interruption of activity. Politically stable countries can have enhanced environmental and social permitting risks, risks of strikes and changes to taxation whereas less developed countries have enhanced risks associated with changes to the legal framework, civil unrest and government expropriation of assets.

Partner Risk

Whilst there has been no past evidence of this, the Group can be adversely affected if Joint venture partners are unable or unwilling to perform their obligations or fund their share of future developments.

Financial Instruments

Details of risks associated with the Group's Financial Instruments are given in note 21 to the Financial Statements on pages 30 to 32.

Key Performance Indicators

The Board considers that normal performance indicators are not appropriate measures of the progress of an exploration and development company and refer shareholders to both the detailed information in the Operating Review and this Financial & Risk Review for further information on the Group's progress during the year.

Forward Looking Statements

This Annual Report contains certain forward looking statements that have been made by the directors in good faith based on the information available at the time of the approval of the Annual Report. By their nature, such forward looking statements involve risks and uncertainties because they relate to events and depend on circumstances that will or may occur in the future. Actual results may differ from those expressed in such statements.

Directors' Report

The directors are pleased to submit their annual report and audited accounts for the year ended 30 September 2009.

Principal Activities

The principal activity of the Company is that of a holding company for its subsidiaries. The principal activity of the Group is the identification, acquisition, exploration and development of mineral projects. The principal areas of activity are Sweden, Finland and Saudi Arabia.

The Group's exploration activity in Sweden is undertaken through a Swedish registered branch, Svensk filial till Tertiary Gold Limited, United Kingdom.

Business Review and Future Developments

The Chairman's Statement together with the Operating Review and the Financial & Risk Review provide detailed information on the development of the Group's business during the year and indications of likely future developments.

Going Concern

In common with many exploration companies, the Company raises finance for its exploration and appraisal activities in discrete tranches, as and when required. When any of the Company's projects move to the development stage, specific project financing will be required.

The directors prepare annual budgets and cash flow projections that extend beyond 12 months from the date of this report. These projections include the proceeds of future fundraising and planned discretionary project expenditures necessary to maintain the Company and Group as a going concern. Although the Company has been successful in raising finance in the past, there is no assurance that it will obtain adequate finance in the future. However, the directors have a reasonable expectation that they will secure additional funding when required to continue meeting corporate overheads and exploration costs for the foreseeable future and therefore believe that the "going concern" basis is appropriate for the preparation of the financial statements.

Results

The Group's loss for the year was £270,269 (2008: £791,965).

Dividend

The directors are unable to recommend the payment of any ordinary dividend.

Financial Instruments & Other Risks

Details of the Group's Financial Instruments and risk management objectives and of the Group's exposure to risk associated with its Financial Instruments is given in note 21 to the financial statements.

The business of mineral exploration and evaluation has inherent risks. Details of risks and uncertainties that affect the Group's business are given in the Financial & Risk Review on pages 6 to 7.

Directors

The Directors holding office in the period were:

Mr P L Cheetham
Mr DA R McAlister
Mr D Whitehead

Shareholders

As at the date of this report the following interests of 3% or more in the issued share capital of the Company appeared in the register:

	Number of shares	% of share capital
Ronald Bruce Rowan	8,000,000	9.06
Mr Patrick Lyn Cheetham	7,533,288	8.53
City of London Group	7,000,000	7.92
Lynchwood Nominees Limited	6,029,928	6.83
Rock Nominees 717858	5,276,603	5.97
Ahmed Hamed Algosaibi and Brothers Company	4,088,548	4.63
Mrs Carole Rowan	2,954,499	3.34
Mrs Karen Elizabeth Cheetham	2,843,625	3.22
Pershing Keen Nominees Limited GWCLT Acct	2,672,000	3.02

Suppliers and Contractors

Details of the Group's policy and payment of creditors is disclosed on page 12. This policy will continue unchanged in the next financial year.

Charitable and Political Donations

During the year, the Group made no charitable or political donations.

Accounting Policies

The financial statements have been prepared on the basis of the recognition and measurement requirements of International Financial Reporting Standards (IFRS), as adopted by the European Union, and their interpretations adopted by the International Accounting Standards Board (IASB). They have also been prepared in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRS. Further details of the Group's accounting policies can be found in note 1 of the financial statements on page 17.

Annual Report

Copies of the Tertiary Minerals plc Group financial statements are available, free of charge, from the Company's Registered Office or from the offices of Seymour Pierce, 20 Old Bailey, London EC4M 7EN and also on the Company's website: www.tertiaryminerals.com

Directors' Responsibilities

The directors are responsible for preparing the directors' report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have, as required by the AIM Rules of the London Stock Exchange, elected to prepare the group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and have also elected to prepare the parent company financial statements in accordance with those standards. Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether the financial statements have been prepared in accordance with IFRSs as adopted by the European Union; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company and the group will continue in business.

Directors' Report
continued

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ from legislation in other jurisdictions.

Disclosure of Audit Information

Each of the directors has confirmed that so far as he is aware, there is no relevant audit information of which the Company's Auditors are unaware, and that he has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the Company's Auditors are aware of that information.

Auditors

A resolution to re-appoint PKF (UK) LLP as auditors of the Company and the Group will be proposed at the forthcoming Annual General Meeting.

Annual General Meeting

Notice of the Company's Annual General Meeting convened for Friday 29 January 2010 at 2.00 p.m. is set out on page 33 of this report. Explanatory notes giving further information about the proposed resolutions are set out on pages 37 to 39.

Approved by the Board of Directors on 7 December 2009 and signed on its behalf.

Patrick L Cheetham
Chairman

Corporate Governance

Companies whose shares trade on AIM are not required to make an annual statement to shareholders regarding compliance with the Combined Code. However, the Board seeks to comply with the principles of the Combined Code in so far as they are appropriate to the Group at this stage in its development.

Role of the Board

The Board's role is to agree the Group's long term direction and strategy and monitor achievement of its business objectives. The Board meets four times a year for these purposes and holds additional meetings when necessary to transact other business. The Board receives reports for consideration on all significant strategic and operational matters.

The non-executive directors are considered by the Board to be independent of management and free from any business or other relationship, which could materially interfere with the exercise of their independent judgement. Directors have the facility to take external independent advice in furtherance of their duties at the Group's expense and have access to the services of the Company Secretary.

The Board delegates certain of its responsibilities to the Audit and Remuneration Committees of the Board. These Committees operate within clearly defined terms of reference.

Audit Committee

The Audit Committee, composed entirely of non-executive directors, meets at least twice a year and assists the Board in meeting responsibilities in respect of external financial reporting and internal controls. The Audit Committee also keeps under review the scope and results of the audit. It also considers the cost effectiveness, independence and objectivity of the auditors taking account of any non-audit services provided by them.

Remuneration Committee

The Remuneration Committee also comprises the non-executive directors. The Remuneration Committee meets at least once a year to determine the appropriate remuneration for the Company's Executive Chairman, ensuring that this reflects his performance and that of the Group, and to demonstrate to shareholders that executive remuneration is set by Board members who have no personal interest in the outcome of their decisions.

The Company issues share options to employees within the limits of the Company's Inland Revenue Approved Share Option Scheme and warrants to employees and to directors outside of this scheme.

Remuneration of the Executive Chairman comprises a basic salary, target related bonuses (none in 2009 or 2008) and participation in the issue of warrants. Directors emoluments are disclosed in note 4 to the financial statements and details of directors' warrants are disclosed in note 18.

Conflicts of Interest

The Companies Act 2006 permits directors of public companies to authorise directors' conflicts and potential conflicts, where appropriate, where the Articles of Association contain a provision to this effect. At the Annual General Meeting being called for 29 January 2010 the directors will propose new Articles of Association with similar appropriate provisions.

Tertiary Minerals currently holds approximately 14% of the issued share capital of Sunrise Diamonds plc and the Chairman of Tertiary Minerals is also Chairman of Sunrise Diamonds. Tertiary Minerals also provides management services to Sunrise Diamonds, in the search, evaluation and acquisition of new projects. Procedures are in place in order to avoid any conflict of interest between the Company and Sunrise Diamonds plc.

Internal Controls & Risk Management

The directors are responsible for the Group's system of internal financial control. Although no system of internal financial control can provide absolute assurance against material misstatement or loss, the Group's system is designed to provide reasonable assurance that problems are identified on a timely basis and dealt with appropriately.

Corporate Governance
continued

In carrying out their responsibilities, the directors have put in place a framework of controls to ensure as far as possible that ongoing financial performance is monitored in a timely manner, that corrective action is taken and that risk is identified as early as practically possible, and they have reviewed the effectiveness of internal financial control.

The Board, subject to delegated authority, reviews capital investment, property sales and purchases, additional borrowing facilities, guarantees and insurance arrangements.

Corporate Social Responsibility

The Board takes regular account of the significance of social, environmental and ethical matters affecting the business of the Group. At this stage in the Group's development the Board has not adopted a specific policy on Corporate Social Responsibility as it has a limited pool of stakeholders other than its shareholders. Rather, the Board seeks to protect the interests of the Group's stakeholders through individual policies and through ethical and transparent actions.

Shareholders

As set out above, the Board seeks to protect shareholders' interests by following, where appropriate, the guidelines in the Combined Code and the directors are always prepared where practicable, to enter into a dialogue with shareholders to promote a mutual understanding of objectives. The AGM provides the Board with an opportunity to informally meet and communicate directly with investors.

Environment

The Board recognises that its principal activity, mineral exploration, has potential to impact on the local environment and consequently has adopted an Environmental Policy to ensure that the Group's activities have minimal environmental impact. Where appropriate the Group's contracts with suppliers and contractors legally bind those suppliers and contractors to do the same.

The Group's activities, carried out in accordance with Environmental Policy, have had only minimal environmental impact and this policy is regularly reviewed. Where appropriate, all work is carried out after advance consultation with affected parties.

Employees

The Group encourages its employees to understand all aspects of the Group's business and seeks to remunerate its employees fairly, being flexible where practicable. The Group gives full and fair consideration to applications for employment received regardless of age, gender, colour, ethnicity, disability, nationality, religious beliefs, transgender status or sexual orientation. The Board takes account of employees' interests when making decisions and suggestions from employees aimed at improving the Group's performance are welcomed.

Suppliers and Contractors

The Group recognises that the goodwill of its contractors, consultants and suppliers is important to its business success and seeks to build and maintain this goodwill through fair dealings. The Group has a prompt payment policy and seeks to settle all agreed liabilities within the terms agreed with suppliers. The amount shown in the balance sheet in respect of trade payables at the end of the financial year represents 27 days of average daily purchases (2008: 18 days).

Independent Auditors' Report to the Members of Tertiary Minerals plc

for the year ended 30 September 2009

We have audited the financial statements of Tertiary Minerals plc for the year ended 30 September 2009 which comprise the consolidated income statement, the group and parent company balance sheets, the group and parent company cash flow statements, the group and parent company statements of recognised income and expense and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

This report is made solely to the company's members, as a body, in accordance with sections 495 and 496 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Opinion on financial statements

In our opinion;

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 30 September 2009 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Emphasis of matter — going concern

In forming our opinion on the financial statements, which is not qualified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the group's ability to continue as a going concern. As explained in note 1 to the financial statements, the group will need to raise further funds within the next 12 months in order to cover the group's overheads and carry out the group's planned discretionary project expenditure. As there is no assurance that adequate funds will be obtained there is a material uncertainty which may cast significant doubt about the group and company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the company was unable to continue as a going concern.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Donald Bancroft
(Senior statutory auditor)
for and on behalf of PKF (UK) LLP, Statutory auditors

Manchester, UK
7 December 2009

Consolidated Income Statement

for the year ended 30 September 2009

	Notes	**2009** £	2008 £
Pre-licence exploration costs		**38,127**	53,292
Impairment of deferred exploration costs	8	**27,673**	481,842
Administrative expenses		**211,195**	289,768
Operating loss		**(276,995)**	(824,902)
Interest receivable		**6,726**	32,937
Loss on ordinary activities before taxation	3	**(270,269)**	(791,965)
Tax on loss on ordinary activities	7	**—**	—
Loss for the year attributable to equity holders of the parent	16	**(270,269)**	(791,965)
Loss per share — basic and diluted (pence)	6	**(0.36)**	(1.27)

All amounts relate to continuing activities.

Statements of Recognised Income and Expense

for the year ended 30 September 2009

	Notes	**Group 2009** £	**Company 2009** £	Group 2008 £	Company 2008 £
Loss for the year		**(270,269)**	**(183,209)**	(791,965)	(241,783)
Movement in revaluation of available for sale investment	16	**(90,131)**	**(90,131)**	(317,035)	(317,035)
Foreign exchange translation differences on foreign currency net investments in subsidiaries	16	**83,331**	**—**	105,348	—
Total recognised (expense)/income since last accounts		**(277,069)**	**(273,340)**	(1,003,652)	(558,818)

Company Registration number 03821411

Balance Sheets

at 30 September 2009

	Notes	**Group 2009 £**	**Company 2009 £**	Group 2008 £	Company 2008 £
Non-current assets					
Intangible assets	8	**595,269**	**—**	504,823	—
Property, plant & equipment	9	**2,569**	**2,250**	5,448	3,545
Investment in subsidiary	10	**—**	**3,858,757**	—	3,719,351
Available for sale investment	10	**167,387**	**167,387**	257,519	257,519
		765,225	**4,028,394**	767,790	3,980,415
Current assets					
Receivables	11	**52,096**	**48,620**	53,216	33,248
Cash and cash equivalents	12	**725,080**	**416,946**	591,968	310,903
		777,176	**465,566**	645,184	344,151
Current liabilities					
Trade and other payables	13	**(76,631)**	**(41,236)**	(94,280)	(48,209)
Net current assets		**700,545**	**424,330**	550,904	295,942
Net assets		**1,465,770**	**4,452,724**	1,318,694	4,276,357
Equity					
Called up share capital	14	**883,346**	**883,346**	636,037	636,037
Share premium account	16	**5,031,655**	**5,031,655**	4,859,689	4,859,689
Merger reserve	16	**131,096**	**131,096**	131,096	131,096
Share option reserve	16	**96,051**	**96,051**	65,619	65,619
Available for sale revaluation reserve	16	**(115,341)**	**(72,816)**	(25,210)	17,315
Foreign currency reserve	16	**160,795**	**—**	77,464	—
Accumulated losses	16	**(4,721,832)**	**(1,616,608)**	(4,426,001)	(1,433,399)
Shareholders' funds		**1,465,770**	**4,452,724**	1,318,694	4,276,357

These financial statements were approved and authorised for issue by the Board of Directors on 7 December 2009 and were signed on its behalf.

P L Cheetham
Executive Chairman

D A R McAlister
Director

Cash Flow Statements

for the year ended 30 September 2009

	Group 2009 £	Company 2009 £	Group 2008 £	Company 2008 £
Operating activities				
Operating loss	**(276,995)**	**(187,577)**	(824,902)	(267,057)
Issue of shares in lieu of net wages	**15,275**	**15,275**	—	—
Depreciation charge	**3,149**	**1,566**	3,318	1,545
Impairment charge	**27,673**	**—**	481,842	—
Share based payment charge	**30,432**	**30,432**	42,018	42,018
Decrease/(Increase) in receivables	**1,120**	**(15,372)**	9,252	20,525
(Decrease)/Increase in payables	**(17,649)**	**(6,973)**	15,973	7,307
Net cash outflow from operating activity	**(216,995)**	**(162,649)**	(272,499)	(195,662)
Investing activities				
Interest received	**6,726**	**4,368**	32,937	25,274
Purchase of intangible assets	**(99,600)**	**—**	(291,320)	—
Purchase of property, plant & equipment	**(270)**	**(270)**	(84)	—
Purchase of available for sale investments	**—**	**—**	(24,954)	(24,954)
Additional investment in subsidiaries	**—**	**(139,406)**	—	(332,695)
Net cash outflow from investing activity	**(93,144)**	**(135,308)**	(283,421)	(332,375)
Financing activity				
Issue of share capital (net of expenses)	**404,000**	**404,000**	690,916	690,916
Net cash inflow from financing activity	**404,000**	**404,000**	690,916	690,916
Net increase/(decrease) in cash and cash equivalents	**93,861**	**106,043**	134,996	162,879
Cash and cash equivalents at start of year	**591,968**	**310,903**	441,617	148,024
Exchange differences	**39,251**	**—**	15,355	—
Cash and cash equivalents at 30 September	**725,080**	**416,946**	591,968	310,903

Notes to the Financial Statements

for the year ended 30 September 2009

1 Accounting policies

Tertiary Minerals plc is a public company incorporated and domiciled in England. It is traded on the AIM market of the London Stock Exchange and its shares also trade on Plus Markets.

The Company is a holding company for a number of companies ("the Group") incorporated and domiciled in England. The Group's financial statements are presented in Pounds Sterling (£) which is also the functional currency of the Group.

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the Group's financial statements.

(a) Statement of compliance

The financial statements have been prepared on the basis of the recognition and measurement requirements of International Financial Reporting Standards (IFRS), as adopted by the European Union, and their interpretations adopted by the International Accounting Standards Board (IASB). They have also been prepared in accordance with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The Company has not adopted any standards or interpretations in advance of the required implementation dates. It is not expected that those standards or interpretations which have been issued by the International Accounting Standards Board, but which have not been adopted, will have a material impact on the financial statements of the Company in the period of initial application.

The Company has taken advantage of the exemption conferred by IFRS 1 in relation to share options and warrants issued prior to 7 November 2002.

(b) Basis of preparation

In common with many exploration companies, the Company raises finance for its exploration and appraisal activities in discrete tranches. Further funding is raised as and when required. When any of the Group's projects move to the development stage, specific project financing will be required.

The directors prepare annual budgets and cash flow projections that extend beyond 12 months from the date of this report. These projections include the proceeds of future fundraising and planned discretionary project expenditures necessary to maintain the Company and Group as a going concern. Although the Company has been successful in raising finance in the past, there is no assurance that it will obtain adequate finance in the future. However, the directors have a reasonable expectation that they will secure additional funding when required to continue meeting corporate overheads and exploration costs for the foreseeable future and therefore believe that the "going concern" basis is appropriate for the preparation of the financial statements.

(c) Basis of consolidation

Investments in subsidiaries are valued at the lower of cost or recoverable amount, with an ongoing review for impairment.

The Group's financial statements consolidate the financial statements of Tertiary Minerals plc and its subsidiary undertakings using the purchase method.

The Group has contractual arrangements with other participants to engage in joint activities that do not create an entity carrying on a trade or business of its own. The Group includes its share of assets and liabilities in such joint arrangements, measured in accordance with the terms of each arrangement, which is usually pro-rata to the Group's interest in the joint arrangement.

In accordance with section 408 of the Companies Act 2006, Tertiary Minerals plc is exempt from the requirement to present its own income statement. The amount of the loss for the financial year recorded within the financial statements of Tertiary Minerals plc is £183,209 (2008: £241,783) as shown in note 16.

Notes to the Financial Statements
continued

1 Accounting policies — continued

(d) Intangible assets

Exploration and evaluation

Accumulated exploration and evaluation costs incurred in relation to separate areas of interest (which may comprise more than one exploration licence or exploration licence applications) are capitalised and carried forward where:

(1) such costs are expected to be recouped through successful exploration and development of the area, or alternatively by its sale; or

(2) exploration and/or evaluation activities in the area have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to the areas are continuing.

A bi-annual review is carried out by the directors to consider whether any exploration and development costs have suffered impairment in value and, if necessary, provisions are made according to this criteria.

Accumulated costs where the Company does not yet have an exclusive exploration licence and in respect of areas of interest which have been abandoned, are written off to the income statement in the year in which the pre-licence expense was incurred or in which the area was abandoned.

Development

Exploration, evaluation and development costs are carried at the lower of cost and expected net recoverable amount. On reaching a mining development decision, exploration and evaluation costs are reclassified as development costs and all development costs on a specific area of interest will be amortised over the useful economic life of the projects, once they become income generating, and the costs can be recouped.

(e) Property, plant and equipment

All property, plant and equipment assets are stated at cost less accumulated depreciation. Depreciation is provided by the Group on all property, plant & equipment, at rates calculated to write off the cost, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Fixtures and fittings	20% to 33% per annum.

(f) Available for sale investments

Available for sale financial assets include non-derivative financial assets that are either designated as such or do not qualify for inclusion in any of the other categories of financial assets. Available for sale investments are measured subsequently at fair value, with changes in value recognised in equity. Gains and losses arising from available for sale investments are recognised in the income statement when they are sold or impaired.

(g) Trade and other receivables and payables

Trade and other receivables and payables are measured at initial recognition at fair value and subsequently measured at amortised cost.

1 Accounting policies — continued

(h) Cash and cash equivalents

Cash and cash equivalents consist of cash at bank and in hand and short term bank deposits with a maturity of three months or less.

(i) Deferred taxation

Deferred taxation, if applicable, is provided in full in respect of taxation deferred by temporary differences between the treatment of certain items for taxation and accounting purposes.

Deferred tax assets are recognised to the extent that they are regarded as recoverable.

No deferred tax asset is recognised in the financial statements.

(j) Foreign currencies

The Group's and the Company's functional and presentational currency is Pounds Sterling (£) and this is the currency of the primary economic environment in which the Group and Company operate. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date.

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. All differences are taken to the income statement.

For consolidation purposes, the assets and liabilities of overseas subsidiaries, associated undertakings, joint arrangements and the net investment in foreign operations are translated at the closing exchange rates. Exchange differences arising on these translations are taken to the foreign currency reserve. Income statements of overseas subsidiaries are translated at exchange rates at the date of transaction.

(k) Leasing and hire purchase commitments

Rentals applicable to operating leases where substantially all the benefits and risks of ownership remain with the lessor are charged to the income statement on a straight-line basis.

(l) Share based payments

The Company issues warrants and options to employees (including directors) and suppliers. For all options and warrants issued after 7 November 2002 the fair value of the services received is recognised as a charge measured at fair value on the date of grant and determined in accordance with IFRS 2, adopting the Black–Scholes–Merton model. The fair value is charged to administrative expenses on a straight line basis over the vesting period, together with a corresponding increase in equity, based on the management's estimate of shares that will eventually vest. The expected life of the options and warrants is adjusted based on management's best estimates, for the effects of non-transferability, exercise restrictions and behavioural considerations. The details of the calculation are shown in Note 15.

From time to time the Company also receives shares in settlement of certain trade debts. The fair value of shares received is based on the closing mid-market price of the shares on the AIM Market on the day prior to the date of settlement and it is receipted within trade debtors on the date of settlement with a corresponding increase in the available for sale investment.

Notes to the Financial Statements

continued

1 Accounting policies — continued

(m) Judgements and estimations in applying accounting policies

In the process of applying the Group's accounting policies above, the Group has identified the judgemental areas that have the most significant effect on the amounts recognised in the financial statements:

Intangible fixed assets — exploration and evaluation

Capitalisation of exploration and evaluation costs requires that costs be assessed against the likelihood that such costs will be recoverable against future exploitation or sale or alternatively, where activities have not reached a stage which permits a reasonable estimate of the existence of mineral reserves, a judgement that future exploration or evaluation should continue. This requires management to make estimates and judgements and to make certain assumptions, often of a geological nature, and most particularly in relation to whether or not an economically viable mining operation can be established in future. Such estimates, judgements and assumptions are likely to change as new information becomes available. When it becomes apparent that recovery of expenditure is unlikely the relevant capitalised amount is written off to the income statement.

Impairment

Impairment reviews for deferred exploration and evaluation costs are carried out on a project by project basis, with each project representing a potential single cash generating unit. Assessment of the impairment of assets is a judgement based on analysis of the future likely cash flows from the relevant project. The Group will look to evidence produced by its exploration activities to indicate whether the carrying value is impaired.

Going concern

The preparation of financial statements requires an assessment of the validity of the going concern assumption. The validity of the going concern assumption is dependant on finance being available for the continuing working capital requirements of the Group. Based on the assumption that such finance will become available, the directors believe that the going concern basis is appropriate for these accounts.

Share based payments

The estimates of share based payments costs requires that management selects an appropriate valuation model and make decisions on various inputs into the model including the volatility of its own share price, the probable life of the options before exercise, and behavioural considerations of employees.

2. Segmental analysis

The Group's primary segment is the exploration, evaluation and development of mineral resources. The primary segment is currently split into two secondary geographical reporting areas which are Finland and Sweden.

	Capital expenditure 2009 £	**Total segment assets 2009 £**	Capital expenditure 2008 £	Total segment assets 2008 £
Finland	**38,155**	**324,883**	94,526	316,933
Sweden	**61,445**	**270,386**	196,794	187,890
	99,600	**595,269**	291,320	504,823

3. Loss on ordinary activities before taxation

	2009 £	2008 £
The operating loss is stated after charging		
Operating lease rentals — land and buildings	**13,665**	19,270
Fees payable to the Company's auditor for:		
the audit of the Company's annual accounts	**8,555**	8,593
other Services	**1,071**	2,908
Depreciation — owned assets	**3,149**	3,318

4. Directors emoluments

	2009 £	2008 £
Remuneration in respect of directors was as follows:		
P L Cheetham (salary)	**37,054**	53,644
D A R McAlister (salary)	**10,000**	9,500
D Whitehead (fees)	**8,500**	9,500
	55,554	72,644

Share based payments charged in these financial statements in respect of the directors amounted to £17,191 (2008 : £24,818).

5. Staff costs

	2009 £	2008 £
Staff costs for Group and Company, including directors, were as follows:		
Wages and salaries	**115,518**	170,266
Social security costs	**11,347**	20,179
Share based payments	**27,247**	28,135
	154,112	218,580

The average monthly number of employees, including directors, employed by the Group and Company during the year was as follows:

	2009 Number	2008 Number
Technical employees	**2**	3
Administration employees (including non-executive directors)	**4**	4
	6	7

Notes to the Financial Statements

continued

6. Loss per share

Loss per share has been calculated on the loss and the weighted average number of shares in issue during the year.

	2009	2008
Loss (£)	**(270,269)**	(791,965)
Weighted average shares in issue (No.)	**74,472,135**	62,560,506
Basic and diluted loss per share (pence)	**(0.36)**	(1.27)

The loss attributable to ordinary shareholders and weighted average number of ordinary shares for the purpose of calculating the diluted earnings per ordinary share are identical to those used for the basic earnings per ordinary share. This is because the exercise of share warrants and options would have the effect of reducing the loss per ordinary share and is therefore not dilutive under the terms of IAS 33.

7. Taxation on ordinary activities

No liability to corporation tax arises for the year due to the Group recording a taxable loss (2008: £nil).

The tax credit for the year is lower than the credit resulting from the loss before tax at the standard rate of corporation tax in the UK — 28% (2008: 28%). The differences are explained below.

	2009	2008
	£	£
Tax reconciliation		
Loss on ordinary activities before tax	**(270,269)**	(791,965)
Tax at 28% (2008: 28%)	**(75,675)**	(221,750)
Effects (at 28%) (2008: 28%) of:		
Differences between capital allowances and depreciation	**2,241**	1,488
Pre-trading expenditure no longer deductible for tax purposes	**322,042**	25,497
Utilisation of losses brought forward	**(248,608)**	—
Tax losses carried forward	**—**	194,765
Tax on loss from ordinary activities	**—**	—

Factors that may affect future tax charges

The Group has not recognised a deferred tax asset of £929,772 (2008: £1,012,389).This amount would be recoverable if sufficient taxable profits were made in the future.

8. Intangible assets

Group	**Deferred exploration expenditure 2009 £**	Deferred exploration expenditure 2008 £
Cost		
At start of year	**1,655,578**	1,357,083
Additions	**99,600**	291,320
Exchange adjustments	**18,519**	7,175
At 30 September	**1,773,697**	1,655,578
Impairment losses		
At start of year	**(1,150,755)**	(668,913)
Charge during year	**(27,673)**	(481,842)
At 30 September	**(1,178,428)**	(1,150,755)
Carrying amounts		
At 30 September	**595,269**	504,823
At start of year	**504,823**	688,170

9. Property, plant & equipment

	Group fixtures and fittings 2009 £	**Company fixtures and fittings 2009 £**	Group fixtures and fittings 2008 £	Company fixtures and fittings 2008 £
Cost				
At start of year	**39,862**	**13,413**	39,778	13,413
Additions	**270**	**270**	84	—
At 30 September	**40,132**	**13,683**	39,862	13,413
Depreciation				
At start of year	**(34,414)**	**(9,868)**	(31,096)	(8,323)
Charge for the year	**(3,149)**	**(1,565)**	(3,318)	(1,545)
At 30 September	**(37,563)**	**(11,433)**	(34,414)	(9,868)
Net Book Value				
At 30 September	**2,569**	**2,250**	5,448	3,545
At start of year	**5,448**	**3,545**	8,682	5,090

Notes to the Financial Statements
continued

10. Investments

Subsidiary undertakings

Company	Country of incorporation/ registration	Type and percentage of shares held at 30 September 2009	Principal activity
Tertiary Gold Limited	England & Wales	100% of ordinary shares	Mineral exploration
Tertiary (Middle East) Ltd	England & Wales	100% of ordinary shares	Mineral exploration

Investment in subsidiary undertakings	Company 2009 £	Company 2008 £
Ordinary shares — Tertiary (Middle East) Limited	**1**	1
Ordinary shares — Tertiary Gold Limited	**93,792**	93,792
Loan — Tertiary (Middle East) Limited	**927,788**	925,123
Loan — Tertiary Gold Limited	**2,837,176**	2,700,435
At 30 September	**3,858,757**	3,719,351

Available for sale investment

Company	Country of incorporation/ registration	Type and percentage of shares held at 30 September 2009	Principal activity
Sunrise Diamonds plc	England & Wales	13.71% of ordinary shares	Mineral exploration

Available for sale investment	Group 2009 £	Company 2009 £	Group 2008 £	Company 2008 £
Value at start of year	**257,519**	**257,519**	549,600	549,600
Additions	**—**	**—**	24,953	24,953
Movement in valuation of available for sale investment	**(90,132)**	**(90,132)**	(317,034)	(317,034)
At 30 September	**167,387**	**167,387**	257,519	257,519

The fair value of the available for sale investment is equal to the market value of the shares in Sunrise Diamonds plc at 30 September 2009, based on the closing mid market price of shares on the AIM Market.

11. Receivables

	Group 2009 £	Company 2009 £	Group 2008 £	Company 2008 £
Trade receivables	**37,553**	**37,553**	22,790	20,796
Other receivables	**3,274**	**—**	15,181	47
Prepayments and accrued income	**11,269**	**11,067**	15,245	12,405
	52,096	**48,620**	53,216	33,248

The Group aged analysis of trade receivables is as follows:

	Not impaired	**30 days or less**	**Over 30 days**	**Total carrying amount**
2009 Trade receivables	**37,553**	**37,553**	**—**	**37,553**
2008 Trade receivables	22,790	20,796	1,994	22,790

12. Cash and cash equivalents

	Group 2009 £	Company 2009 £	Group 2008 £	Company 2008 £
Cash at bank and in hand	**545,080**	**236,946**	44,146	30,903
Short-term bank deposits	**180,000**	**180,000**	547,822	280,000
	725,080	**416,946**	591,968	310,903

13. Trade and other payables

	Group 2009 £	Company 2009 £	Group 2008 £	Company 2008 £
Trade creditors	**13,112**	**12,575**	24,253	16,421
Other taxes and social security costs	**5,698**	**7,794**	6,483	6,483
Accruals and deferred income	**55,807**	**18,853**	60,065	21,826
Other payables	**2,014**	**2,014**	3,479	3,479
	76,631	**41,236**	94,280	48,209

Notes to the Financial Statements
continued

14. Share capital

	2009 No.	2009 £	2008 No.	2008 £
Authorised				
Ordinary shares of 1p each	**150,000,000**	**1,500,000**	150,000,000	1,500,000
	150,000,000	**1,500,000**	150,000,000	1,500,000
Allotted, called up and fully paid				
Ordinary shares of 1p each	**88,334,641**	**883,346**	63,603,736	636,037
	88,334,641	**883,346**	63,603,736	636,037

During the year to 30 September 2009 the following share issues took place :

An issue of 510,080 1.0p ordinary shares at 1.75p per share to two directors for a total consideration of £8,926, in satisfaction of directors fees (30 January 2009).

An issue of 12,000,000 1.0p ordinary shares at 1.25p per share, by way of placing, for a total consideration of £150,000 net of expenses (13 February 2009).

An issue of 12,000,000 1.0p ordinary shares at 2.2p per share, by way of placing, for a total consideration of £254,000 net of expenses (2 July 2009).

An issue of 220,825 1.0p ordinary shares at 2.875p per share to two directors for a total consideration of £6,349, in satisfaction of directors fees (24 July 2009).

15. Warrants and options granted

Unexercised warrants

Issue date	Exercise price	Number	Exercisable	Expiry dates
28/07/06	15.00p	300,000	Any time before expiry	28/07/11
11/12/06	13.00p	100,000	Any time before expiry	11/12/11
11/12/06	13.00p	200,000	Any time before expiry	11/12/11
31/10/07	8.75p	1,300,000	Any time before expiry	31/10/13
31/10/07	8.75p	200,000	Any time before expiry	31/10/13
09/12/08	2.375p	2,300,000	Any time from 09/12/09	09/12/14
09/12/08	2.375p	600,000	Any time from 09/12/09	09/12/14

Unexercised options

Issue date	Exercise price	Number	Exercisable	Expiry dates
27/03/01	16.0p	60,000	Any time before expiry	27/03/11
29/04/02	22.0p	45,000	Any time before expiry	29/04/12
29/01/04	15.0p	60,000	Any time before expiry	29/01/14
31/01/05	10.0p	200,000	Any time before expiry	31/01/15

Warrants and options are issued for nil consideration and are exercisable as disclosed above. They are exchangeable on a one for one basis for each ordinary share of 1.0p at the exercise price on the date of conversion.

15. Warrants and Options granted — continued

Share-based payments

The Company has an Inland Revenue approved share option scheme for all employees. Options are exercisable at a price equal to the market price of the Company's shares on the date of grant.

The vesting period is three years. If the options remain unexercised after a period of ten years from the date of grant the options expire. Options may be forfeited if the employee leaves the Company.

In addition, the Company issues warrants to directors and employees, outside of the approved scheme, on varying terms and conditions.

Details of the share warrants and options outstanding during the year are as follows:

	2009		2008	
	Number of warrants and share options	**Weighted average exercise price Pence**	Number of warrants and share options	Weighted average exercise price Pence
Outstanding at start of year	**2,465,000**	**10.70**	3,380,000	9.33
Granted during the year	**2,900,000**	**2.38**	1,600,000	8.75
Expired during the year	**—**	**—**	(2,100,000)	6.50
Forfeited during year	**—**	**—**	(415,000)	13.31
Outstanding at 30 September	**5,365,000**	**6.20**	2,465,000	10.70
Exercisable at 30 September	**2,465,000**	**10.70**	465,000	13.23

The warrants and options outstanding at 30 September 2009 had a weighted average exercise price of £0.06 and a weighted average remaining contractual life of 2.2 years.

In the year ended 30 September 2009, warrants were granted on 9 December 2008. The aggregate of the estimated fair values of the warrants granted on this date is £24,047. In the year ended 30 September 2008, warrants were granted on 31 October 2007. The aggregate of the estimated fair values of the warrants granted on this date is £50,581.

No options were granted in the year ended 30 September 2009 or the year ended 30 September 2008.

The inputs into the Black–Scholes–Merton Option Pricing Model are as follows:

	2009	2008
Weighted average share price	**1.90p**	7.00p
Weighted average exercise price	**2.38p**	8.75p
Expected volatility	**67%**	67%
Expected life	**4 years**	4 years
Risk-free rate	**3.32%**	4.95%
Expected dividend yield	**0%**	0%

Expected volatility was determined by calculating the historical volatility of the Group's share price over the previous 7 years. The expected life used in the model has been adjusted based on management's best estimate for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Company recognised total expenses of £30,432 and £42,018 related to equity-settled share-based payment transactions in 2009 and 2008 respectively.

Notes to the Financial Statements

continued

16. Movement in reserves

Group	Share premium account £	Merger reserve £	Share option reserve £	Available for sale revaluation reserve £	Foreign currency reserve £	Accumulated losses £
At 1 October 2007	4,259,683	131,096	23,601	291,825	(27,884)	(3,551,219)
Share Issue	600,006	—	—	—	—	—
Loss for the year	—	—	—	—	—	(791,965)
Exchange differences	—	—	—	—	105,348	(82,817)
Share based payments	—	—	42,018	—	—	—
Change in fair value	—	—	—	(317,035)	—	—
At 30 September 2008	4,859,689	131,096	65,619	(25,210)	77,464	(4,426,001)
Share Issue	171,966	—	—	—	—	—
Loss for the year	—	—	—	—	—	(270,269)
Exchange differences	—	—	—	—	83,331	(25,562)
Share based payments	—	—	30,432	—	—	—
Change in fair value	—	—	—	(90,131)	—	—
At 30 September 2009	**5,031, 655**	**131,096**	**96,051**	**(115,341)**	**160,795**	**(4,721,832)**

Company	£	£	£	£	£	£
At 1 October 2007	4,259,683	131,096	23,601	334,350	—	(1,191,616)
Share Issue	600,006	—	—	—	—	—
Loss for the year	—	—	—	—	—	(241,783)
Share based payments	—	—	42,018	—	—	—
Change in fair value	—	—	—	(317,035)	—	—
At 30 September 2008	4,859,689	131,096	65,619	17,315	—	(1,433,399)
Share Issue	171,966	—	—	—	—	—
Loss for the year	—	—	—	—	—	(183,209)
Share based payments	—	—	30,432	—	—	—
Change in fair value	—	—	—	(90,131)	—	—
At 30 September 2009	**5,031, 655**	**131,096**	**96,051**	**(72,816)**	**—**	**(1,616,608)**

17. Operating lease commitments

Financial commitments under non-cancellable leases are:

	2009 Land & buildings £	2008 Land & buildings £
Within one ear y	**1,200**	1,600

18. Related party transactions

Directors and directors' interests

The directors holding office in the period and their beneficial interests in the share capital of the Company are:

	At 30 September 2009				At 30 September 2008	
	Shares	**Warrants**			Shares	Warrants
	Number	**Number**	**Exercise price**	**Expiry date**	Number	Number
P L Cheetham*	**10,376,913**	**1,000,000**	**8.750p**	**31/10/2013**	5,787,250	1,000,000
		1,500,000	**2.375p**	**09/12/2014**		
D A R McAlister	**276,242**	**100,000**	**8.750p**	**31/10/2013**	135,000	100,000
		300,000	**2.375p**	**09/12/2014**		
D Whitehead	**—**	**100,000**	**8.750p**	**31/10/2013**	—	100,000
		300,000	**2.375p**	**09/12/2014**		

* Includes 2,843,625 shares held by K E Cheetham, wife of P L Cheetham.

The directors have no beneficial interests in the shares of the Company's subsidiary undertakings as at 30 September 2009. The directors of the Company are the directors of all Group companies.

Details of the parent Company's investment in subsidiary undertakings are shown in note 10.

Sunrise Diamonds plc

During the year the Company recharged costs of £103,645 to Sunrise Diamonds plc being shared overheads of £13,886, costs paid on behalf of Sunrise Diamonds plc of £3,055, staff salary costs of £43,691 and directors' salary costs of £43,013. The salary costs in notes 4 and 5 are shown net of these recharges.

At the balance sheet date an amount of £37,183 was due from Sunrise Diamonds plc, which was repaid in October 2009.

P L Cheetham, a director of Tertiary Minerals plc, is also a director of Sunrise Diamonds plc.

Shares and warrants held in Sunrise Diamonds plc by the Tertiary Minerals plc directors are as follows :

	At 30 September 2009				At 30 September 2008	
	Shares	**Warrants**			Shares	Warrants
	Number	**Number**	**Exercise price**	**Expiry date**	Number	Number
P L Cheetham*	**9,826,062**	**500,000**	**2.000p**	**06/06/10**	8,700,000	500,000
		500,000	**2.750p**	**06/12/11**		500,000
		500,000	**2.000p**	**31/10/13**		500,000
		2,000,000	**0.575p**	**08/12/14**		—
D A R McAlister	**550,000**	**—**			550,000	—
D Whitehead	**500,000**	**—**			500,000	—

* Includes 5,500,000 shares held by K E Cheetham, wife of P L Cheetham.

Notes to the Financial Statements
continued

19. Post balance sheet events

There were no material post balance sheet events up to the date of this report.

20. Capital management

The Group's capital requirements are dictated by its project and overhead funding requirements from time to time. Capital requirements are reviewed by the Board on a regular basis.

The Group manages its capital to ensure that entities within the Group will be able to continue as going concerns, to increase the value of the assets of the business and to provide an adequate return to shareholders in the future when exploration assets are taken into production.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of its assets. In order to maintain or adjust the capital structure the possibilities open to the Group in future include issuing new shares, consolidating shares, returning capital to shareholders, taking on debt, selling assets and adjusting the amount of dividends paid to the shareholders.

21. Financial instruments

At 30 September 2009, the Group's financial assets consisted of available for sale investments, trade receivables and cash and cash equivalents. The Company's financial assets consisted of available for sale investments, trade receivables and cash and cash equivalents. At the same date, the Group and Company had no financial liabilities other than trade and other payables due within one year and had no agreed borrowing facilities as at this date. There is no material difference between the carrying and fair values of the Group and Company's financial assets and liabilities.

The carrying amounts for each category of financial instruments held at 30 September 2009, as defined in IAS 39, are as follows:

	Group 2009 £	**Company 2009 £**	Group 2008 £	Company 2008 £
Loans & receivables	**766,001**	**454,593**	630,790	333,597
Available for sale investments	**167,387**	**167,387**	257,519	257,519
Financial liabilities	**70,933**	**33,442**	87,797	41,726

Risk management

The principal risks faced by the Group and Company resulting from financial instruments are liquidity risk, foreign currency risk and, to a lesser extent, interest rate risk and credit risk. The directors review and agree policies for managing each of these risks as summarised below. The policies have remained unchanged from previous periods as these risks remain unchanged.

21. Financial instruments — continued

Liquidity risk

The Group currently holds cash balances in Sterling, US Dollars, Canadian Dollars, Saudi Riyals and Swedish Krona to provide funding for exploration and evaluation activity, whilst the Company holds cash balances in Sterling. The Group and Company are dependant on equity fundraising through private placing which the directors regard as the most cost effective method of fundraising. The directors monitor cash flow in the context of their expectations for the business to ensure sufficient liquidity is available to meet foreseeable needs.

Currency risk

The Group's financial risk management objective is broadly to seek to make neither profit nor loss from exposure to currency risks. The Group is exposed to transactional foreign exchange risk and takes profits and losses as they arise, as in the opinion of the directors, the cost of hedging against fluctuations would be greater than the related benefit from doing so. Where a material order is made in a different currency, funds are converted to that currency at prevailing rates and held on short term treasury deposits at prevailing fixed interest rates pending payment.

Bank and cash balances, including the Group's share of funds in the Ghurayyah joint arrangement, were held in the following denominations:

	Group		**Company**	
	2009	2008	**2009**	2008
	£	£	**£**	£
United Kingdom Sterling	**417,257**	313,156	**416,946**	310,903
United States Dollar	**304,968**	275,292	**—**	—
Canadian Dollar	**530**	1,242	**—**	—
Saudi Riyal	**58**	—	**—**	—
Swedish Krona	**2,267**	2,278	**—**	—
	725,080	591,968	**416,946**	310,903

Surplus funds in all currencies are placed with NatWest bank on a number of short-term treasury deposits at varying fixed rates of interest.

At 30 September 2009, the Group held treasury deposits, including funds held on behalf of other participants in the Ghurayyah joint arrangement, in the following denominations:

	£	**Maturity Date**	**Gross Rate**
United Kingdom Sterling	90,000	5 October 2009	0.40%
United Kingdom Sterling	40,000	19 October 2009	0.12%
United Kingdom Sterling	50,000	19 October 2009	0.07%
United States Dollar	62,806	19 October 2009	0.10%
United States Dollar	461,625	28 October 2009	0.10%

Notes to the Financial Statements
continued

21. Financial instruments — continued

The Company and the Group are exposed to changes in the US Dollar/UK Sterling exchange rate mainly in the sterling value of US dollar denominated financial assets and any profit or loss arising from such changes reports to equity.

Sensitivity analysis shows that the Sterling value of its US Dollar denominated financial assets at 30 September 2009 would increase or decrease by £15,248 for each 5% increase or decrease in the value of Sterling against the Dollar.

Neither the Company or the Group is exposed to material transactional currency risk.

Interest rate risk

The Group and Company finances their operations through equity fundraising and therefore do not carry borrowings.

Fluctuating interest rates have the potential to affect the loss and equity of the Group and the Company in-so-far as they affect the interest paid on financial instruments held for the benefit of the Group. The directors do not consider the effects to be material to the reported loss or equity of the Group or the Company presented in the financial statements.

Credit risk

The Company has exposure to credit risk through receivables such as VAT refunds, invoices issued to related parties and its joint arrangements for management charges. The amounts outstanding from time to time are not material other than for VAT refunds which are considered by the directors to be low risk.

The Company has exposure to credit risk in respect of its cash deposits with NatWest bank and this exposure is considered by the directors to be low risk.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of **Tertiary Minerals plc** will be held in the Fourth Floor Council Room at Arundel House, 13–15 Arundel Street, Temple Place, London, WC2R 3DX on Friday 29 January 2010, at 2.00 p.m. for the following purposes:

Ordinary Business

1. To receive the Accounts and Reports of the Directors and of the Auditors for the year ended 30 September 2009.

2. To re-elect Mr P L Cheetham who is retiring by rotation under the Articles of Association as a director of the Company.

3. To re-appoint PKF (UK) LLP as Auditors of the Company and to authorise the directors to fix their remuneration.

Special Business

Special Resolution

4. That the Articles of Association of the Company be amended by deleting all the provisions of the Company's Memorandum of Association which, by virtue of section 28 of the Companies Act 2006, are to be treated as provisions of the Company's Articles of Association; and the Articles of Association produced to the meeting and initialled by the Chairman of the meeting for the purpose of identification be adopted as the Articles of Association of the Company in substitution for, and to the exclusion of, the existing Articles of Association.

Ordinary Resolution

5. That, in accordance with section 551 of the Companies Act 2006, the Directors be generally and unconditionally authorised to allot shares in the Company or grant rights to subscribe for or to convert any security into shares in the Company ("Rights") up to an aggregate nominal amount of either (i) £600,000 (consisting of 60,000,000 ordinary shares of 1p each) in the event that resolution 4 is not passed or, (ii) a nominal amount of £1,000,000 (consisting of 100,000,000 ordinary shares of 1 pence each) in the event that resolution 4 is passed provided that this authority shall, unless renewed, varied or revoked by the Company, expire at the end of the next Annual General Meeting of the Company to be held after the date on which this resolution is passed, save that the Company may, before such expiry, make an offer or agreement which would or might require shares to be allotted or Rights to be granted and the Directors may allot shares or grant Rights in pursuance of such offer or agreement notwithstanding that the authority conferred by this resolution has expired.

   This authority is in substitution for all previous authorities conferred on the Directors in accordance with section 80 of the Companies Act 1985 or section 551 of the 2006 Act.

Special Resolution

6. That, subject to the passing of resolution 5, the Directors be given the general power to allot equity securities (as defined by section 560 of the 2006 Act) for cash, either pursuant to the authority conferred by resolution 5 or by way of a sale of treasury shares, as if section 561(1) of the 2006 Act did not apply to any such allotment, provided that this power shall be limited to:

   a) the allotment of equity securities in connection with an offer by way of a rights issue to the holders of ordinary shares in proportion (as nearly as may be practicable) to their respective holdings but subject to such exclusions or other arrangements as the Board may deem necessary or expedient in relation to treasury shares, fractional entitlements, record dates, legal or practical problems in or under the laws of any territory or the requirements of any regulatory body or stock exchange; and

   b) the allotment (otherwise than pursuant to paragraph (a) above) of equity securities up to an aggregate nominal amount of either (i) £600,000 (consisting of 60,000,000 ordinary shares of 1 pence each) in the event that resolution 4 is not passed or, (ii) a nominal amount of £1,000,000 (consisting of 100,000,000 ordinary shares of 1 pence each) in the event that resolution 4 is passed.

The power granted by this resolution will expire on the conclusion of the Company's next annual general meeting (unless renewed, varied or revoked by the Company prior to or on such date) save that the Company may, before such expiry make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred by this resolution has expired.

This resolution revokes and replaces all unexercised powers previously granted to the Directors to allot equity securities as if either section 89(1) of the Companies Act 1985 or section 561(1) of the 2006 Act did not apply but without prejudice to any allotment of equity securities already made or agreed to be made pursuant to such authorities.

By order of the Board

C.D.T. Fitch
Company Secretary
7 December 2009
Registered Office: Sunrise House, Hulley Road, Macclesfield, Cheshire, SK10 2LP

Proxy Form Notes & Instructions

1. As a member of the Company you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at a general meeting of the Company. You can only appoint a proxy using the procedures set out in these notes.

2. Appointment of a proxy does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.

3. A proxy does not need to be a member of the Company but must attend the meeting to represent you. To appoint as your proxy a person other than the Chairman of the meeting, insert their full name in the relevant box on the Proxy Form. If you sign and return the proxy form with no name inserted in the box, the Chairman of the meeting will be deemed to be your proxy. Where you appoint as the proxy someone other than the Chairman, you are responsible for ensuring that they attend the meeting and are aware of your voting intentions. If you wish your proxy to make any comments on your behalf, you will need to appoint someone other than the Chairman and give them the relevant instructions directly.

4. You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, you may photocopy the Proxy Form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy, which in aggregate should not exceed the number of shares held by you. Please also tick the box to indicate that there are multiple proxies. All forms must be signed and should be returned as set out in note 6.

5. To direct your proxy how to vote on the resolutions mark the appropriate box with an 'X'. To abstain from voting on a resolution, select the relevant "Vote Withheld" box. A vote withheld is not a vote in law, which means that the vote will not be counted in the calculation of votes for or against the resolution. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.

6. To appoint a proxy, the Proxy Form must be:
   - completed and signed;
   - sent or delivered to Capita Registrars, 34 Beckenham Road, Beckenham BR3 4TU; and received by Capita Registrars no later than 2.00 p.m. on Wednesday 27 January 2010.

7. In the case of a member which is a company, the Proxy Form or any notice of revocation of a proxy must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

8. Any power of attorney or any other authority under which the Proxy Form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

9. In the case of joint holders, where more than one of the joint holders purports to appoint or revoke a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

10. If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

11. If you wish to change your proxy instructions simply submit a new proxy appointment according to these instructions. If you need another hard-copy proxy form please contact the Company. The last date for receipt of a new proxy instruction is set out in note 6 above.

12. To revoke a proxy instruction you will need to send notice clearly stating your intention to revoke your proxy appointment to: Capita Registrars 34 Beckenham Road, Beckenham BR3 4TU.

13. Entitlement to attend and vote at the meeting and the number of votes which may be cast thereat will be determined by reference to the Register of Members of the Company at 6:00 p.m. on Wednesday 27 January 2010. Changes to entries on the Register of Members after that time shall be disregarded in determining the rights of any person to attend and vote at the meeting.

Tertiary Minerals plc

Form of Proxy

I/We (Block capitals please)

. . . .

being a member/members of **Tertiary Minerals plc** hereby appoint the Chairman of the Meeting (see note 3) or the proxy named below as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on Friday 29 January 2010 in the Fourth Floor Council Room at Arundel House, 13–15 Arundel Street, Temple Place, London, WC2R 3DX at 2.00 p.m. and at any adjournment thereof.

I/we wish this proxy to be used in connection with those of the Resolutions to be proposed at the Annual General Meeting which are listed below, in the manner set out below, and in connection with any other ordinary business transacted at the meeting.

Name of proxy	Number of shares appointed over	I wish to appoint Multiple proxies (see note 4) Please tick

Signed or sealed (see notes). . . . . Dated. . . . .

Please indicate with an "X" in the spaces below how you wish the proxy to vote. Unless otherwise instructed the proxy will at his discretion vote as he thinks fit or abstain from voting in relation to all business of the meeting.

Ordinary Business	For	Against	Vote Withheld
1. Ordinary Resolution to receive the Accounts and Reports of the Directors and of the Auditors for the year ended 30 September 2009.			
2. Ordinary Resolution to re-elect Mr P L Cheetham who is retiring by rotation under the Articles of Association as a director of the Company.			
3. Ordinary Resolution to re-appoint PKF (UK) LLP as Auditors of the Company and authorise the directors to fix their remuneration.			
Special Business			
4. Special Resolution to approve and adopt the new Articles of Association of the Company.			
5. Ordinary Resolution to authorise the directors to allot shares.			
6. Special Resolution to empower the directors to disapply the pre-emption rights for certain allotments of shares.			

Second fold

Affix
stamp
here

PXS
Proxy Department
34 Beckenham Road
Beckenham
BR3 4TU

First fold

Third fold
and tuck in flap opposite

Explanatory Notes to the Notice of Annual General Meeting

The Annual General Meeting of Tertiary Minerals plc will be held on Friday 29 January 2010 in the Fourth Floor Council Room at Arundel House, 13–15 Arundel Street, Temple Place, London, WC2R 3DX at 2.00 p.m. The business of the meeting is as follows:

Ordinary Business

Resolution 1

The Board is required to present to the meeting for approval the accounts and the Report of Directors and the Auditors for the year ended 30 September 2009 which can be found on pages 8 to 32.

Resolution 2

The Company's Articles of Association require that at least one-third of directors retire annually and offer themselves for re-election if they and the Board so wish. Biographical details of the directors can be found on page 1.

This year Mr. Patrick Cheetham is retiring by rotation and the Board proposes that he be re-elected.

Resolution 3

The Company's auditor PKF (UK) LLP is offering itself for re-appointment and if elected will hold office until the conclusion of the next annual general meeting at which accounts are laid before shareholders. This resolution will also allow the directors to fix the remuneration of the auditor.

Special Business

Resolution 4

It is proposed in Resolution 4 to adopt new Articles of Association (the "New Articles") in order to update and replace the existing Articles of Association (the "Current Articles") primarily to take account of changes in English company law brought about by the Companies Act 2006, the final part of which came into force on 1 October 2009.

The principal changes introduced in the New Articles are summarised in these Explanatory Notes. Other changes, which are of a minor, technical or clarifying nature and also some more minor changes which merely reflect changes made by the Companies Act 2006 have not been noted in these Explanatory Notes.

A copy of the Company's proposed New Articles of Association will be available free of charge by written request to the Company's registered office up until the date of the AGM. They will also be available for inspection on the Company's website at the following URL: http://www.tertiaryminerals.com/index.php?page=investors#aim.

4(a) The Company's objects

The provisions regulating the operations of the Company are currently set out in the Company's memorandum and articles of association. The Company's memorandum contains, among other things, the objects clause which sets out the scope of the activities the Company is authorised to undertake. This is drafted to give a wide scope.

The Companies Act 2006 significantly reduces the constitutional significance of a company's memorandum of association. The Companies Act 2006 provides that a memorandum will record only the names of the original subscribers and the number of shares each subscriber has agreed to take in the company. Under the Companies Act 2006 the objects clause and all other provisions which are currently contained in a company's memorandum, for existing companies at 1 October 2009, will be deemed to be contained in a company's articles of association unless the company passes a special resolution to the contrary.

Further, the Companies Act 2006 states that, unless a company's articles provide otherwise, a company's objects are unrestricted. This abolishes the need for companies to have objects clauses. The Company is proposing to remove its objects clause together with all other provisions of its memorandum which, by virtue of the Companies Act 2006, are to be treated as forming part of the Company's articles of association as of 1 October 2009 to allow it to have the widest possible scope for its activities. Resolution 4 confirms the removal of these provisions for the Company. As the effect of this resolution will be to remove the statement currently in the Company's memorandum of association regarding limited liability, the New Articles also contain an express statement regarding the limited liability of shareholders.

Explanatory Notes to the Notice of Annual General Meeting

continued

4(b) Change of name

Currently, a company can only change its name by special resolution. Under the Companies Act 2006 a company will be able to change its name by other means provided for by its articles. To take advantage of this provision, the New Articles enable the directors to pass a resolution to change the Company's name.

4(c) Authorised share capital and unissued shares

The Companies Act 2006 abolishes the requirement for a company to have an authorised share capital. The New Articles do not provide for an authorised share capital and so a consequence of resolution 4 would be the removal of this limitation from the Company's constitution. Directors will still be limited as to the number of shares they can at any time allot because an allotment authority continues to be required under the Companies Act 2006, save in respect of employee share schemes. Resolutions 5 and 6 set out the limits that the members are being asked to approve in respect of allotment and issue of new shares at this years annual general meeting.

4(d) Redeemable shares

Under the old law, if a company wished to issue redeemable shares, it needed to include in its articles the terms and manner of redemption. The Companies Act 2006 enables directors to determine such matters instead provided they are so authorised by the articles. The New Articles contain such an authorisation. The Company has no plans to issue redeemable shares but if it did so the directors would need shareholders' authority to issue new shares in the usual way.

4(e) Authority to purchase own shares, consolidate and sub-divide shares, and reduce share capital

Until 1 October 2009 a company required specific enabling provisions in its articles to purchase its own shares, to consolidate or sub-divide its shares and to reduce its share capital or other undistributable reserves as well as shareholder authority to undertake the relevant action. The Current Articles include these enabling provisions. Under the Companies Act 2006 a company will only require shareholder authority to do any of these things and it will no longer be necessary for articles to contain enabling provisions. Accordingly the relevant enabling provisions have not been included in the New Articles.

4(f) Provision for employees on cessation of business

The Companies Act 2006 provides that the powers of the directors of a company to make provision for a person employed or formerly employed by the company or any of its subsidiaries in connection with the cessation or transfer to any person of the whole or part of the undertaking of the company or that subsidiary, may only be exercised by the directors if they are so authorised by the company's articles or by the company in general meeting. The New Articles provide that the directors may exercise this power.

4(g) Use of seals

Under the old law a company required authority in its articles to have an official seal for use abroad. Such authority is no longer required. Accordingly, the relevant authorisation has not been included in the New Articles.

For consistency with the Companies Act 2006 regarding changes to the execution of documents by companies, the New Articles provide an alternative option for affixing a seal. Under the New Articles, when the seal is affixed to a document it may be signed by one authorised person in the presence of a witness, whereas previously the requirement was for signature by either a director and the secretary or two directors or such other person or persons as the directors may approve.

4(h) Suspension of registration of share transfers

The Current Articles permit the directors to suspend the registration of transfers. Under the Companies Act 2006 share transfers must be registered as soon as practicable. The power in the Current Articles to suspend the registration of transfers is inconsistent with this requirement. Accordingly, this power has not been included in the New Articles.

4(i) General

Generally, the opportunity has been taken to update some of the language and drafting in the New Articles with the intention of making the drafting of some of the existing provisions more clear.

Resolution 5

This resolution is to give the directors authority to issue shares. The last such authority was put in place by a meeting of shareholders held on 30 January 2009 but it will expire at the coming Annual General Meeting.

Section 551 of the Companies Act 2006 requires that directors be authorised by shareholders before any of the unissued share capital can be issued.

At this stage in its development the Company relies on raising funds through the issue of shares from the equity markets from time to time and unless this resolution is put in place the Company will not be in a position to continue to raise funds to continue its Group's activities.

Unless the New Articles are adopted the authority being sought under this resolution will be limited by the Company's Authorised Capital, under the existing memorandum of association.

If given, this authority will expire at the conclusion of the Annual General Meeting in 2011.

Resolution 6

This resolution will be proposed as a Special Resolution in the event that Resolution 5 is passed by shareholders. Resolution 6 is proposed to give the directors authority to issue shares other than by way of rights issues which are, for regulatory reasons, complex, expensive, time consuming and impractical for a company the size of Tertiary Minerals plc.

A similar authority granted at last year's Annual General Meeting is due to expire at the coming Annual General Meeting.

The resolution will, if passed, authorise directors to allot shares or grant rights over shares of the Company where they propose to do so for cash and otherwise than to existing shareholders pro-rata to their holdings — for example through a placement of shares and/or in connection with the operation of the Employee Share Scheme.

If given, this authority will expire at the conclusion of the Annual General Meeting in 2011.

Company Information

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