Tertiary Minerals plc

Building a strategic position in the fluorspar sector

Annual Report

for the year ended 30 September 2011

Tertiary Minerals plc At a Glance

Tertiary Minerals plc is an AIM-quoted mineral exploration and development company building a significant strategic position in the fluorspar sector.

Fluorspar is an essential raw material in the basic chemical, steel and aluminium industries and in a growing number of high-tech green technologies and pharmaceutical applications.

Fluorspar has a growing **economic & strategic** importance; ranked the fourth most important strategic mineral in US; identified by the European Commission as a **critical raw material** facing a supply shortage.

Our Opportunity is to become a **major European producer** of fluorspar from our Storuman and Lassedalen projects in Scandinavia.

Contents

Highlights

- Fluorspar demand strong in 2011. Spot acid-grade fluorspar prices up 69%.
- Maiden JORC Mineral Resource of 28 million tonnes grading 10.2% fluorspar for Storuman.
- Prefeasibility study, mine and environmental permitting studies in progress.
- Recent drilling at Storuman gives step change in expectations for the ultimate size of the deposit.
- Progress at Lassedalen with positive results from core sampling. Metallurgical testwork and JORC Mineral Resource estimation in progress.
- Encouraging results from first drill programme at Kiekerömaa gold prospect in Finland.

Chairman’s Statement

Patrick Cheetham

I have great pleasure in presenting the Company’s results for the year ended 30 September 2011 and to report on the progress we have made towards our goal of becoming a major supplier of fluorspar to European markets.

Despite the uncertain global economy, fluorspar demand was strong in 2011 and we understand that consumers have seen solid demand and price increases for their downstream chemical fluorine products.

The dynamics of the global fluorspar market continue to evolve. China, the world’s largest producer, has introduced policies which have resulted in its domestic production being directed to the manufacture of high added value fluorine chemicals in a vertically integrated domestic industry. Chinese exports of acid-grade fluorspar, the essential raw material for the fluorine chemical industry, continue to decline and consequently western consumers are looking to secure new sources of raw material supply.

Concerns about climate change have driven the development of new fluorine-based refrigerants and propellants to replace CFCs. Fluorine is becoming an essential component in a number of important emerging technologies such as lithium-ion batteries and rare-earth super-magnets essential for hybrid and electric vehicles. Fluoropolymers are finding increasing uses and in the pharmaceutical industry 30–50% of new drugs being developed involve fluorine in their formulations.

Fluorspar prices continued to climb in 2011 with recent Chinese export (spot) prices reaching $600/tonne, up 69% from the beginning of 2011. Fluorspar markets are expected to remain tight for years to come.

Storuman Fluorspar Project

Against these very positive industry dynamics I am pleased to report that the Company has made substantial progress at the Storuman fluorspar project in Sweden during the period.

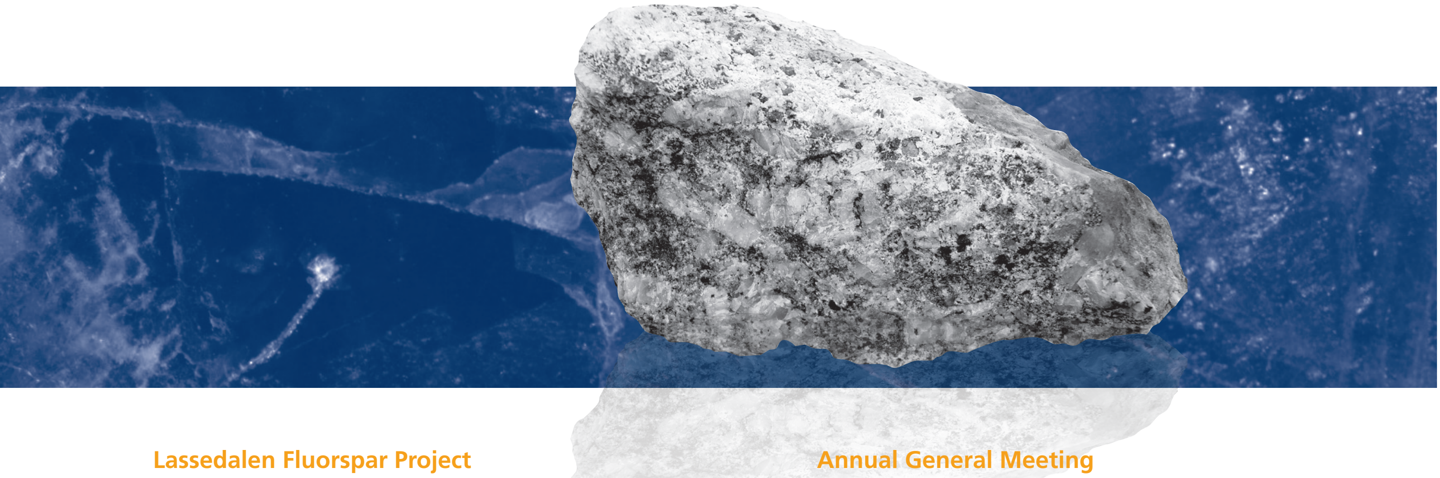
We announced a successful resource definition drilling programme and a maiden JORC compliant Mineral Resource in 2011. The Indicated & Inferred Mineral Resource of 28 million tonnes grading 10.2% fluorspar exceeded expectations from the earlier scoping study with open-pit optimisation delivering a 28% increase in the amount of in-pit fluorspar at a significantly lower mining strip ratio than previously predicted. Furthermore, 90% of the Minerals Resource was reported to be in the “Indicated” category which is suitable for detailed mine planning.

Given the price increases seen this year, the fluorspar pricing assumptions used for the positive scoping study and the resource estimate ($357/tonne delivered Rotterdam) now appear quite conservative.

Preliminary feasibility studies for development of Storuman have commenced. Further metallurgical studies are underway and consultants are being selected for the various component studies which we expect to finish towards the end of 2012. Environmental baseline sampling programmes and mine and environmental permitting studies have started and will continue into 2012. We anticipate that we will submit an application for a mining lease at the end of 2012.

The recent resource estimate allowed us to contemplate a sustainable mining operation with a mine life in excess of 25 years. I am pleased to also report that the results of a further drilling programme carried out this summer have brought a step change in our expectations for the ultimate size of the Storuman deposit. Drilling in untested areas on the west and north-west side of the known mineral resource established that there is an area of mineralisation which is potentially much larger than that defined so far. This includes areas of high grade mineralisation accessible to highly mechanised “in-ore” room and pillar mining methods requiring minimal underground infrastructure development ahead of, or during, production.

These recent discoveries highlight the need to include an evaluation of underground mining options in the current preliminary feasibility studies, as well as increased production rates.



Lassedalen Fluorspar Project

Important progress has also been made in 2011 at the Company's second fluorspar project, Lassedalen, southern Norway, where in May 2011 the Company announced positive results from sampling of archived drill core from holes drilled in the 1970s by Norwegian company Norsk Hydro A/S and the acquisition of an extensive archive of testwork and other feasibility data.

Our own assay results show good correlation with archived data whilst metallurgical reports from the 1970s show that acid-grade fluorspar was produced in pilot plant trials and projected recoveries of fluorspar in excess of 80% (a good recovery in the fluorspar industry today). A programme of confirmatory metallurgical testwork is in progress to confirm the results of earlier testwork.

SRK Consulting (UK) Ltd has been engaged to carry out a maiden Mineral Resource estimate for Lassedalen and the results of this work are expected to form the basis for a preliminary technical and economic evaluation of the project.

Other Projects

We assigned a lower priority to our other projects during the year but nevertheless we concluded a drilling programme on the **Kiekerömaa** prospect which forms part of the Company's **Finland Gold Project**. This programme returned some significant gold intersections but was impacted by poor core-sample recovery. It remains an exciting and intriguing prospect and we are currently evaluating the results of a geophysical programme designed to guide a follow-up drilling programme using alternative drilling techniques which we hope will give acceptable sample recoveries.

The Company has not carried out any further work on the Kolari iron, Ghurayyah tantalum-niobium-rare-earth or Rosendal tantalum projects as licences remain to be granted.

Sunrise Resources plc

The Company has maintained its shareholding in Sunrise Resources plc. The market value of this holding was £285,845 at the year end, up 71% on the 2010 year end value.

Annual General Meeting

At the upcoming AGM shareholders will be asked to renew the usual share issue authorities which, to date, have not been used since the last renewal. I hope you will once again support the Board in putting these in place.

Both of the non-executive directors are offered for re-election this year as, both having served the Company for more than nine years, they are no longer considered "independent" under the UK Corporate Governance Code. Whilst we recognise the need to strengthen and refresh the Board in future I consider that their continuing contribution represents a value for money that is hard to replace and so I commend their re-election to you.

Financials

The Group reported a loss of £289,673 for the year (2010: £321,563). The audited financial statements are prepared under International Financial Reporting Standards (IFRS), as adopted by the European Union.

Conclusions

It is an exciting time for the fluorspar industry and the definition of the maiden Mineral Resource at Storuman and the start of preliminary feasibility studies and permitting marks our transition from explorer to developer.

The forecast growth for fluorspar consumption means that the equivalent of a new medium sized fluorspar mine needs to come on stream every year, but there are just a handful of companies having this ambition. Tertiary Minerals plc is one of very few public listed companies offering investors exposure to this strategic commodity and in 2012 we expect to be able to make further substantial progress towards our goal of becoming a significant and profitable producer.

Patrick Cheetham
Executive Chairman
14 December 2011

Operating Review

Having established its objective last year to become a major European supplier of fluorspar excellent progress has been made in 2011 with the definition of a large Mineral Resource at Storuman and the start of mine permitting and preliminary feasibility studies. Work on the Lassedalen fluorspar project is also accelerating.

Fluorspar Projects

Storuman Fluorspar Project, Sweden

The Company's 100% owned Storuman project is located in north central Sweden and is linked by the E12 highway to the port city of Mo-i-Rana in Norway and by road and rail to the port of Umeå on the Gulf of Bothnia.

A positive scoping study was detailed in last year's annual report and in early 2011 the Company released the results from a 46 drill hole Mineral Resource definition drilling programme.

The 46 holes were drilled mainly on a 200m × 200m grid east of Highway E12, on the south-west slope of the hill Grandlidknösen. All but 2 contain fluorspar grades of potential economic significance with results characterised by wide intervals of fluorite mineralisation suitable for open pit mining and discrete higher grade intervals that may be amenable to mechanised underground mining.

Large Maiden Mineral Resource Estimate

A major milestone in March 2011 was the publication of the maiden Mineral Resource estimate for the Storuman project. This was reported by SRK Consulting (Sweden) AB ("SRK") under the Australasian JORC Code:

Classification	Million Tonnes (Mt)	Fluorspar (CaF_2%)
Indicated	25.0	10.28
Inferred	2.7	9.57
Total	**27.8**	**10.21**

All figures are rounded to reflect the relative accuracy of the estimate.

In order to estimate the Mineral Resource, SRK constructed a block model constrained by grade wireframes containing fluorspar mineralisation above a 2% CaF_2 cut-off (nominally the cut-off between mineralised and non-mineralised material) and by lithological wireframes that also incorporate geological information from all of the previous drilling.

By definition, a Mineral Resource must have reasonable prospects for eventual economic extraction and portions of a mineral deposit that do not have such prospects must be excluded from the estimate. To determine the final Mineral Resource Statement, the resulting blocks were subjected to a pit optimisation exercise to determine the proportion of the material defined that meets this condition.

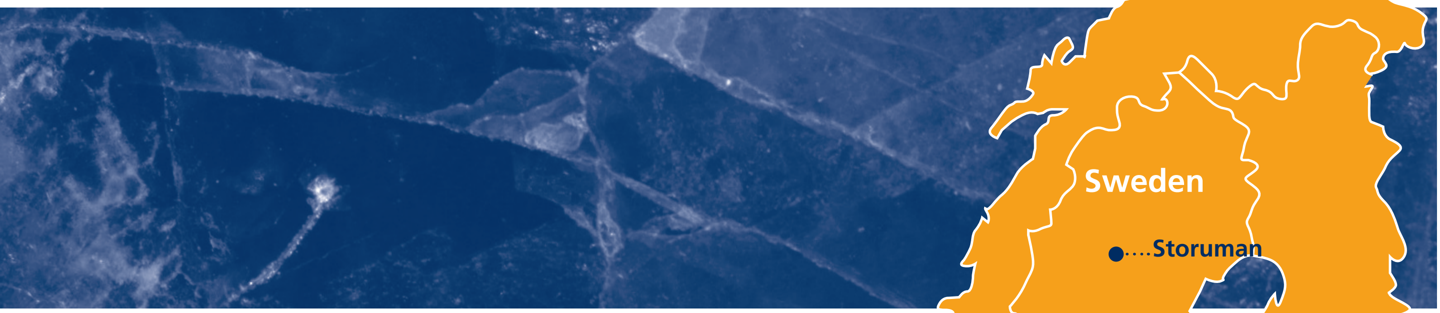
The economic parameters used by SRK for pit optimisation were based, with only minor variation on those used in the 2010 Scoping Study which had already been peer reviewed by SRK.

The reported Mineral Resource Estimate is that constrained within the resulting pit outline and some 90% of this has been classified in the "Indicated Mineral Resource" category which means that confidence in the estimate is sufficient for detailed mine planning.

Positive Implications for Project Economics

The additional drilling results announced this year and the resulting in-pit Mineral Resource estimate has a number of positive implications for the project economics that have previously been published from the 2010 Scoping Study. The in-pit tonnage of mineable fluorspar has increased by 28% and the strip ratio of waste to ore has reduced by 64% to a very low 0.8 tonnes of waste per tonne of ore. Furthermore the mine life is increased from 18 to at least 25 years at the Scoping Study rate of production.

Our Performance
Our Governance
Our Financials



The project NPV for a given optimised open pit mine shell is dependent on the mine scheduling that is applied to the ore and waste contained in the pit shell. In the Scoping Study, early scheduling of higher grade ore resulted in a rapid capital payback. The work carried out by SRK to date has not involved mine scheduling and so the financial model has not been updated. However, the Company believes that the higher contained fluorspar and lower stripping ratio will enhance project economics. This will be considered further as a part of the planned prefeasibility studies.

Latest drilling suggests step change in expectations for size of Storuman deposit

Following completion of the Mineral Resource estimate SRK completed a review of the additional open pit potential at Storuman, as the deposit is not closed off by the drilling to date. The study demonstrated that at current fluorspar prices there is the potential to mine substantially higher tonnages of fluorspar by open pit methods if further drilling in this direction substantiates the modelled assumptions.

As the recently estimated Minerals Resource contains sufficient fluorspar to support the Scoping Study rate of production for over 25 years any mineralisation defined at depth to the north-east would only be mined late in the mine life. Consequently additional drilling was targeted at extensions on the south-west side of deposit, on the opposite side of the E12 highway where the definition of additional resources could affect the mine plan in the earlier years of production.

A total of 11 drill holes were completed in the summer of 2011 in the untested areas to the west and north-west of the defined Mineral Resource. The results indicate potential for major increment in the scale of the fluorspar mineralisation at Storuman and include new discoveries of thick high-grade fluorspar mineralisation in holes up to 1.1km beyond the boundary of current Mineral Resource e.g. 8.70m grading 19.9% fluorspar (CaF_2) from 21.3m in hole 11TS02. Fluorspar mineralisation was also found in a bold step-out hole 3.5km from the previously defined Mineral Resource boundary.

Operating Review continued

The Storuman fluorspar project area has been classified by the Swedish Government as 'a Mineral Deposit of National Interest' under the Environmental Code.

The extensions to the fluorspar mineralised area demonstrated by this latest programme include some areas where open-pit mining may be possible but in the main occur where the unconsolidated glacial overburden is relatively thick or in areas where the topography is steep and where the mineralised horizon will be present at depths more suited to underground mining. Some of these areas are also areas of high nature value where underground mining would be preferred in any event.

The latest results therefore reinforce the need to include an evaluation of underground mining options in the preliminary feasibility studies now in progress. The newly discovered high-grade areas are very accessible and ideally suited to highly mechanised low-cost room and pillar underground mining methods and will require minimal mine infrastructure development ahead of, or during, mining with most development "in-ore".

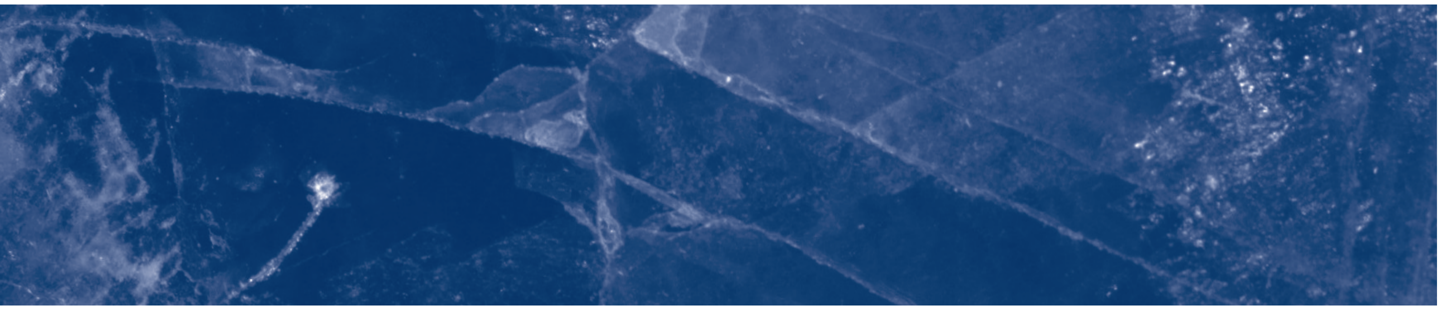
Fluorspar mineralisation remains open to the north-east and south-east of the defined Minerals Resource and will be evaluated in future drill programmes.

Mine & Environmental Permitting Studies under way
The Storuman project area has been classified by the Swedish Government as "a Mineral Deposit of National Interest" which, under the Environmental Code, gives the deposit an enhanced development status. Separately the Storuman Regional Council has advised that the area is designated for mining on its development plan.

In Sweden the time taken to obtain the necessary operating permits varies between two and four years, depending on the complexity and character of the project, the natural and cultural values of the land that are affected by the proposed operations, the quality of the submissions that are made and the degree of stakeholder participation.

The permitting process commenced this summer, with field-based baseline sampling and evaluation, and will continue hand-in-hand with further technical evaluation, for the preliminary and bankable technical and economic feasibility studies.

The Storuman deposit carries a number of natural planning advantages in that the deposit does not contain large amounts of sulphide minerals or heavy metals and the horizontally bedded nature of the deposit lends itself to progressive backfilling of the worked-out pit area such that the mine footprint could be, at any one time, relatively small.



Preliminary Feasibility Studies under way

Preliminary feasibility studies commenced in the summer of 2011 with the award to SGS Minerals Services UK Ltd of a contract to carry our further metallurgical development testwork for the Storuman project.

The additional testwork is expected to define the project flow-sheet for the next stage of engineering design and costing and culminates in the production of several kilos of fluorspar product which can be provided to potential consumers for testing and initial market acceptance.

Additional components of the preliminary feasibility study are also under way, including the tailings, hydrological, hydrogeological, transport, port and infrastructure studies and the main engineering and overall study reporting and financial modelling are currently out to tender.

The Company is planning to complete the preliminary feasibility study in late 2012 and the final feasibility studies and all mine and environmental permitting to allow for a production decision in late 2014.

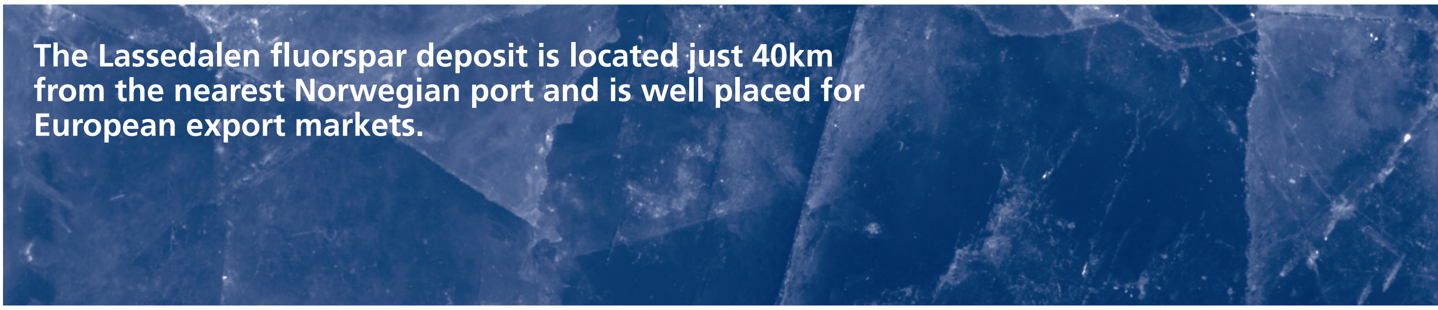
Fluorspar

Fluorspar is the commercial name for concentrates of the industrial mineral fluorite (calcium fluoride — chemical formula CaF_2). Acid-grade fluorspar ("acid-spar") is the main industrial source of fluorine for the manufacture of hydrofluoric acid and derivative fluorine chemicals including propellants, refrigerants, fluoropolymers such as PTFE (Teflon™), aluminium fluoride — a flux used in the reduction of alumina to aluminium, and nuclear fuel (uranium hexafluoride). Metallurgical grade fluorspar ("met-spar") is used as a flux in steel making. Fluorspar is also used in the ceramics industry.

Storuman is targeting the higher price, acid-spar market which accounts for approximately 70% of fluorspar production. Demand for fluorspar is strongly linked to economic activity and future projected demand for fluorspar is expected to be driven in particular by rising demand for refrigerators, air conditioners, and motor cars in China, India, Russia and Brazil, as well as future global growth.

Fluorspar is sold on contract and traded globally. China has been the dominant supplier of fluorspar to world markets but exports have been declining in recent years as internal demand grows as China builds its own industrial capacity. China is likely to become a net importer in time and European consumers face future supply shortages. In June 2010 The European Commission published a report placing fluorspar on the "critical list" of 14 minerals considered essential to European industry and for which supply shortages are foreseen.

Operating Review continued



Lassedalen Fluorspar Project, Norway

The Lassedalen Fluorspar Mine is located near Kongsberg, 80km to the south-west of Oslo in Norway. It is less than 1km from highway E134 and approximately 40km from the nearest Norwegian port. It is well placed for European export markets as well as an important established market within southern Norway where fluorspar is used to manufacture aluminium fluoride for use in Norway's large hydro-powered aluminium smelting and refining industry.

Fluorspar mineralisation at Lassedalen occurs in a steeply dipping vein system that can be traced for several kilometres. The richest 560m long part of the vein system (The Main Zone) was explored from a 60m deep underground horizontal development drive during the Second World War. The deposit was later explored by Norwegian company Norsk Hydro A/S in the 1970s and the Company has recently obtained access to Norsk Hydro's exploration archive.

The archive shows that the wartime underground development drive was dewatered by Norsk Hydro in the 1970s and that 60 underground percussion holes were drilled into the walls of the drive over its full length, to test the width and grade of the vein. Norsk Hydro also completed 28 diamond drill holes from surface to test the vein over a 2.7km strike length. Mine, process plant and infrastructure design was also carried out but the project was not developed at that time as the market conditions for fluorspar were unfavourable.

Positive Sampling Results

In 2011 the Company relogged nearly 3.5km of drill core from 23 of the 28 surface diamond holes. This core has been resampled for assay and metallurgical testwork with the objective to accelerate at low cost, the definition of a JORC compliant Inferred Mineral Resource which could form the basis for a technical and economic scoping study.

Six of the Norsk Hydro drill holes (BH4, 8, 9, 10, 11 & 12) tested the Main Zone and the Company's sampling results have confirmed that all holes intersected significant mineralisation including an 8.75m intersection grading 59.5% fluorspar from 125m deep in hole BH4 and 10.4m grading 44.1% fluorspar from 196m in BH8.

Significant results from three additional, adjacent, holes (BH7, 19 and 20) over a 220m strike length suggest a second fluorspar mineralised zone, whilst hole BH25 may indicate a third fluorspar zone 360m further east again.

Metallurgical Testwork

Norsk Hydro carried out a significant programme of metallurgical development in the 1970s culminating in pilot plant testing during which acid-grade fluorspar was produced and test reports projected that a favourable 80%+ fluorspar recovery should be achievable in commercial practice.

In order to confirm these findings Tertiary has awarded a programme of metallurgical testwork to Wardell Armstrong International Ltd.

Maiden Mineral Resource Estimate

SRK Consulting (Sweden) AB has recently been commissioned to produce a maiden JORC compliant Minerals Resource Estimate for Lassedalen based on the results of 1970s drilling and the Company's recent resampling results. This is expected shortly.

Richard Clemmey

Our new Project Manager, Richard Clemmey has been tasked with developing the Company's fluorspar projects through to production. He is a Chartered Engineer with 20 years' experience in managing large industrial mineral and base-metal mining operations around the world.

Fluorspar Market Summary

What happened in 2011?

Demand for fluorspar and downstream fluorine chemicals has been strong in 2011 despite the global economic stagnation. This reflects ongoing tightness of supply as Chinese exports continue their downward trend.

In response, spot prices for fluorspar in Europe climbed 69% to a high of US $600 per tonne before steadying at US $475 per tonne in December due to seasonal factors.

Concerns around future supplies are leading a wave of backward integration with two major fluorspar consumers acquiring equity positions in new fluorspar mining ventures in 2011.

Demand Drivers

World demand for fluorspar is currently 5.5 million tonnes per year and is forecast to increase by 1.5% per year. Demand is supported by established uses in fluxes in the steel industry and aluminium industries and is growing for acid grades used in the manufacture of fluorine chemicals including new and growing applications of high-tech and green technology products such as:

- New generation low-greenhouse gas potential refrigerants, propellants and proppants
- Fluoropolymers
- Super-magnets for wind turbines and electric vehicle motors
- Lithium battery electrolytes ($LiPF_6$)

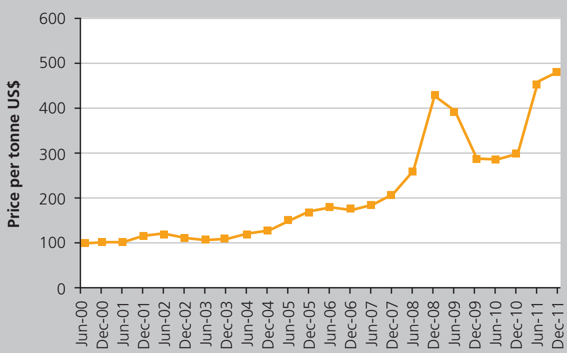
Supply side

Traditional Chinese supplies of acid grade fluorspar are dwindling as China withholds reserves for domestic consumption. Many predict that China will become a net importer in future.

This presents a problem for western consumers and an opportunity for new and prospective producers. Whilst there is significant non-Chinese supply of fluorspar, and some mines placed on care and maintenance in the 2008–9 recession have started production again, vertical integration is reducing free-market supply.

Acid Grade Fluorspar Prices

FOB China wet filtercake



Operating Review continued

Other Projects

Finland Gold Project
The Company's Finland Gold Project includes the Kaaresselkå and Kiekerömaa gold prospects in the Lappland Greenstone Belt, host to a number of advanced gold projects and two operating gold mines including the six million ounce Kittila Gold mine operated by Canadian major, Agnico Eagle Mines.

During the year work has focused on the Kiekerömaa prospect which was drilled in 1997 by Outokumpu to follow up an area of gold-anomalous soils found during regional soil sampling. Encouraging gold-bearing drill intersections were made by Outokumpu but were not followed up in that period of low and declining gold prices.

Mineralisation at the Kiekerömaa project is located close to the contact zone between intrusive diabase and sedimentary rocks. Rocks are strongly altered and gold is associated with sulphide mineralisation.

The drilling programme, whilst affected by low core recovery, has indicated the potential for a significant gold-bearing zone.

Eight diamond drill holes completed in 2011 over a 300m strike length. Substantial and deep weathering of bedrock at the prospect resulted in substantial core loss in hydrothermally altered rocks associated with an extensive gold-mineralised zone. Due to the core loss the mineralised zone was not meaningfully sampled in the majority of holes but the deeper holes with good core recovery gave best result: **4.55m grading 3.62g/t gold from 89.90m within thick sulphide-mineralised zone — 50.55m grading 0.49g/t gold from 74.25m** to the base of hole in 11KAD-006 at the western edge of the area tested.

A pilot programme of geophysics was carried out over the mineralised zone during late summer to test the application of geophysics to define the extent of the sulphide mineralised zone. Results are being assessed.

Although it can not yet be considered as a significant discovery, it is unusual to find such deep weathering in this part of Finland and our experience suggests this reflects the preferential weathering of hydrothermally altered and sulphide mineralised rocks which we now know to be associated with the gold mineralisation at Kiekerömaa.

Kolari Iron Project, Finland
The Kolari iron project is located in the Kolari iron district of northern Finland. 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.

The Company is still awaiting a decision on the grant of a new exploration licence application and notes there are presently substantial delays to the grant of exploration licences generally in Finland. The Finnish government is reportedly taking steps to address this backlog.

Tantalum-Niobium-Rare-Earth Projects
The Company maintains its 50% interest in a licence application with Al Nahla Trading & Contracting Co and A.H.Algosaibi Bros. Co. ("the Consortium") over the 385 million tonne Ghurayyah tantalum-niobium-rare-earth deposit. The operating joint venture agreement, which expired in 2010, will need to be renegotiated if the licence is granted.

The Company is still awaiting the grant of its exploration licence application over the Rosendal tantalum prospect in Finland where previous exploration by the Company defined a JORC compliant Inferred Mineral Resource of 1.05 million tonnes grading 255g/t Ta_2O_5.

Financial & Risk Review

Financial Review

The results for the Group are set out in detail on page 19. The Group reports a loss of £289,673 during the year (2010: £321,563) after administration costs of £282,181 and after crediting interest of £5,114. It also includes expensed pre-licence and reconnaissance exploration costs of £12,606. 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 or otherwise turn to account 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 £1,376,946 at year end.

Administration overhead costs have been shared with Sunrise Resources 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 December 2010 a placing of shares raised £1,800,000 before expenses. In February 2011 a non-executive director exercised 300,000 warrants which raised £7,125.

Non-Current Assets

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

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.

Financial & Risk Review continued

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 20 to the financial statements on page 35.

Key Performance Indicators
The Board considers that normal performance indicators are not appropriate measures of the progress of an exploration and development company and refers 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.

Board of Directors

Patrick Cheetham

Donald McAlister

David Whitehead

Colin Fitch

The Directors & Officers of the Company are:

Patrick Cheetham, aged 51
Executive Chairman
Mr Cheetham is the founder of the Company. He is a mining geologist with 30 years experience in mineral exploration and 24 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 Resources plc.

Donald McAlister, aged 52
Non-Executive Director*
Mr McAlister is a founding director of the Company and has 20 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. He is currently Finance Director of Mwana Africa PLC.

David Whitehead, aged 69
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, led 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 was until recently Chairman of ENK plc.

Colin Fitch 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 Resources plc.

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

† Chairman of the Remuneration Committee and member of the Audit Committee.

Directors' Report

The directors are pleased to submit their annual report and audited accounts for the year ended 30 September 2011.

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 main areas of activity are Sweden, Finland, Norway 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 going concerns. 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 £289,673 (2010: £321,563).

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 20 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 11 and 12.

Directors

The Directors holding office in the period were:

Mr P L Cheetham
Mr D A 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
Barclayshare Nominees Limited	14,628,735	12.31
HSDL Nominees Limited	9,667,273	8.14
TD Waterhouse Nominees (Europe) Ltd SMKTNOMS	8,369,984	7.04
Ronald Bruce Rowan	8,000,000	6.73
Patrick Lyn Cheetham	7,533,288	6.34
Goldman Sachs Securities (Nominees) Ltd COSEG	4,903,095	4.13
Ahmed Hamad Algosaibi and Brothers	4.088,548	3.44

Suppliers and Contractors
Details of the Group's policy and payment of creditors is disclosed on page 17. 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 23.

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

Statement of 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 judgements and accounting 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.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions, to disclose with reasonable accuracy at any time the financial position of the Company and to 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 Auditor is 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 Auditor is aware of that information.

Auditor
A resolution to reappoint PKF (UK) LLP as Auditor 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 24 February 2012 at 2.00 p.m. is set out on page 37 of this report. Explanatory notes giving further information about the proposed resolutions are set out on page 38.

Approved by the Board of Directors on 14 December 2011 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 UK Corporate Governance Code (June 2010). The Company is committed to high standards of corporate governance and the Board seeks to comply with the principles of the UK Corporate Governance Code, insofar as it is appropriate to the Company at this stage in its development.

The Board of Directors currently comprises the Chairman and Chief Executive (in combined role) and two non-executive directors. The Board considers that this structure is suitable for the Company having regard to the fact that it is not yet revenue-earning. However, in future, as the Company grows it will be necessary to re-examine this structure and to strengthen the executive Board.

The two non-executive directors have both served for more than nine years and under the terms of the Code cannot now be regarded as independent. Consequently it is proposed that they should now seek annual re-election rather than retiring by rotation. The Company has been fortunate to secure the services of Donald McAlister and David Whitehead during that time and both continue to provide valuable advice based on their long experience of the mining industry. The Board is aware of the need to refresh its membership from time to time and will seek additional independent non-executive directors when appropriate.

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, Remuneration and Nomination 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 Auditor 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 2010 or 2011) 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 17.

Nomination Committee

A Nomination Committee was formed in November 2011 and comprises the Chairman and the non-executive directors. The Nomination Committee meets at least once per year to lead the formal process of rigorous and transparent procedures for Board appointments and to make recommendations to the Board in accordance with the requirements of the UK Corporate Governance Code and other applicable rules and regulations, insofar as they are appropriate to the Group at this stage in its development.

Conflicts of Interest

The Companies Act 2006 permits directors of public companies to authorise directors' conflicts and potential conflicts, where appropriate and the Articles of Association contain a provision to this effect.

At 30 September 2011, Tertiary Minerals held 8.23% of the issued share capital of Sunrise Resources plc and the Chairman of Tertiary Minerals is also Chairman of Sunrise Resources. Tertiary Minerals also provides management services to Sunrise Resources, 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 Resources 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.

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.

The Company has adopted an Anti-corruption Policy and Code of Conduct.

Shareholders

As set out above, the Board seeks to protect shareholders' interests by following, where appropriate, the guidelines in the UK Corporate Governance Code (June 2010) 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 14 days of average daily purchases (2010: 26 days).

Independent Auditor's Report to the Members of Tertiary Minerals plc

for the year ended 30 September 2011

We have audited the financial statements of Tertiary Minerals plc for the year ended 30 September 2011 which comprise the consolidated income statement, the consolidated statement of comprehensive income, the consolidated and parent company statements of financial position, the consolidated and parent company statements of changes in equity, the consolidated and parent company statements of cash flows 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 Chapter 3 of Part 16 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 auditor's 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 auditor

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 and express an opinion on 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 of the financial statements

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. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

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 2011 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 modified, we have considered the adequacy of the disclosure made in note 1(b) to the financial statements concerning the group's and the company's ability to continue as going concerns. As explained in note 1(b) to the financial statements, the group will need to raise further funds within the next 12 months in order to cover the company's and group's overheads and carry out the company's and group's planned discretionary project expenditure. As there is no assurance that adequate funds will be obtained, these conditions, along with the other matters explained in note 1(b) to the financial statements, indicates the existence of a material uncertainty which may cast significant doubt about the group's and the company's ability to continue as going concerns. The financial statements do not include the adjustments that would result if the group and company were unable to continue as going concerns.

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 auditor
Manchester, UK
14 December 2011

Consolidated Income Statement

for the year ended 30 September 2011

	Notes	2011 £	2010 £
Pre-licence exploration costs		**12,606**	32,960
Impairment of deferred exploration costs	8	**—**	69,134
Administrative expenses		**282,181**	220,456
Operating loss		**(294,787)**	(322,550)
Interest receivable		**5,114**	987
Loss on ordinary activities before taxation	3	**(289,673)**	(321,563)
Tax on loss on ordinary activities	7	**—**	—
Loss for the year attributable to equity holders of the parent		**(289,673)**	(321,563)
Loss per share — basic and diluted (pence)	6	**(0.26)**	(0.36)

All amounts relate to continuing activities.

Consolidated Statement of Comprehensive Income

for the year ended 30 September 2011

	2011 £	2010 £
Loss for the year	**(289,673)**	(321,563)
Movement in revaluation of available for sale investment	**118,458**	—
Foreign exchange translation differences on foreign currency net investments in subsidiaries	**(6,927)**	8,046
Comprehensive loss for the year attributable to the equity holders of the parent	**(178,142)**	(313,517)

Company Number 0382141

Consolidated and Company Statement of Financial Position

at 30 September 2011

	Notes	**Group 2011 £**	**Company 2011 £**	Group 2010 £	Company 2010 £
Non-current assets					
Intangible assets	8	**1,376,946**	**—**	709,130	—
Property, plant & equipment	9	**22,845**	**19,980**	1,238	1,206
Investment in subsidiary	10	**—**	**3,816,088**	—	3,131,730
Available for sale investment	10	**285,846**	**285,846**	167,387	167,387
		1,685,637	**4,121,914**	877,755	3,300,323
Current assets					
Receivables	11	**87,970**	**55,132**	42,263	38,965
Cash and cash equivalents	12	**1,178,941**	**1,125,487**	370,334	75,222
		1,266,911	**1,180,619**	412,597	114,187
Current liabilities					
Trade and other payables	13	**(164,523)**	**(51,739)**	(95,781)	(43,957)
Net current assets		**1,102,388**	**1,128,880**	316,816	70,230
Net assets		**2,788,025**	**5,250,794**	1,194,571	3,370,553
Equity					
Called up share capital	14	**1,188,161**	**1,188,161**	885,162	885,162
Share premium account		**6,449,238**	**6,449,238**	5,035,112	5,035,112
Merger reserve		**131,096**	**131,096**	131,096	131,096
Share option reserve		**187,567**	**187,567**	133,096	133,096
Available for sale revaluation reserve		**3,117**	**45,642**	(115,341)	(72,816)
Foreign currency reserve		**136,352**	**—**	143,279	—
Accumulated losses		**(5,307,506)**	**(2,750,910)**	(5,017,833)	(2,741,097)
Equity attributable to the owners of the parent		**2,788,025**	**5,250,794**	1,194,571	3,370,553

These financial statements were approved and authorised for issue by the Board of Directors on 14 December 2011 and were signed on its behalf.

P L Cheetham
Executive Chairman

D A R McAlister
Director

Consolidated Statement of Changes in Equity

Group	Share Capital £	Share Premium account £	Merger reserve £	Share Option reserve £	Available for sale revaluation reserve £	Foreign currency reserve £	Accumulated losses £	Total £
At 30 September 2009	**883,346**	**5,031,655**	**131,096**	**96,051**	**(115,341)**	**135,233**	**(4,696,270)**	**1,465,770**
Loss for the period	—	—	—	—	—	—	(321,563)	(321,563)
Exchange differences	—	—	—	—	—	8,046	—	8,046
Total comprehensive loss for the year	**—**	**—**	**—**	**—**	**—**	**8,046**	**(321,563)**	**(313,517)**
Share issue	1,816	3,457	—		—	—	—	5,273
Share based payments	—	—	—	37,045	—	—	—	37,045
At 30 September 2010	**885,162**	**5,035,112**	**131,096**	**133,096**	**(115,341)**	**143,279**	**(5,017,833)**	**1,194,571**
Loss for the period	—	—	—	—	—	—	(289,673)	(289,673)
Change in fair value	—	—	—	—	118,458	—	—	118,458
Exchange differences	—	—	—	—	—	(6,927)	—	(6,927)
Total comprehensive loss for the year	**—**	**—**	**—**	**—**	**118,458**	**(6,927)**	**(289,673)**	**(178,142)**
Share issue	302,999	1,414,126	—	—	—	—	—	1,717,125
Share based payments	—	—	—	54,471	—	—	—	54,471
At 30 September 2011	**1,188,161**	**6,449,238**	**131,096**	**187,567**	**3,117**	**136,352**	**(5,307,506)**	**2,788,025**

Company Statement of Changes in Equity

Company	Share Capital £	Share Premium account £	Merger reserve £	Share Option reserve £	Available for sale revaluation reserve £	Accumulated losses £	Total £
At 30 September 2009	**883,346**	**5,031,655**	**131,096**	**96,051**	**(72,816)**	**(1,616,608)**	**4.452,724**
Loss for the period	—	—	—	—	—	(1,124,489)	(1,124,489)
Total comprehensive loss for the year	**—**	**—**	**—**	**—**	**—**	**(1,124,489)**	**(1,124,489)**
Share issue	1,816	3,457	—	—	—	—	5,273
Share based payments	—	—	—	37,045	—	—	37,045
At 30 September 2010	**885,162**	**5,035,112**	**131,096**	**133,096**	**(72,816)**	**(2,741,097)**	**3,370,553**
Loss for the period	—	—	—	—	—	(9,813)	(9,813)
Change in fair value	—	—	—	—	118,458	—	118,458
Total comprehensive loss for the year	**—**	**—**	**—**	**—**	**118,458**	**(9,813)**	**108,645**
Share issue	302,999	1,414,126	—	—	—	—	1,717,125
Share based payments	—	—	—	54,471	—	—	54,471
At 30 September 2011	**1,188,161**	**6,449,238**	**131,096**	**187,567**	**45,642**	**(2,750,910)**	**5,250,794**

Consolidated and Company Statement of Cash Flows

for the year ended 30 September 2011

	Notes	Group 2011 £	Company 2011 £	Group 2010 £	Company 2010 £
Operating activity					
Operating loss		**(294,787)**	**(14,767)**	(322,550)	(1,125,200)
Issue of shares in lieu of net wages		**—**	**—**	5,273	5,273
Depreciation charge		**5,984**	**5,540**	2,037	1,750
Impairment charge		**—**	**—**	69,134	—
Share based payment charge		**54,471**	**54,471**	37,045	37,045
(Decrease)/increase in provision for impairment of loans to subsidiaries		**—**	**(250,483)**	—	928,988
(Increase)/decrease in receivables	11	**(45,709)**	**(16,167)**	9,833	9,655
Increase in payables	13	**68,742**	**7,782**	19,150	2,721
Net cash outflow from operating activity		**(211,299)**	**(213,624)**	(180,078)	(139,768)
Investing activity					
Interest received		**5,114**	**4,954**	987	711
Purchase of intangible assets		**(666,855)**	**—**	(169,394)	—
Purchase of property, plant & equipment	9	**(27,591)**	**(24,315)**	(706)	(706)
Additional loans to subsidiaries		**—**	**(433,875)**	—	(201,961)
Net cash outflow from investing activity		**(689,332)**	**(453,236)**	(169,113)	(201,956)
Financing activity					
Issue of share capital (net of expenses)		**1,717,125**	**1,717,125**	—	—
Net cash inflow from financing activity		**1,717,125**	**1,717,125**	—	—
Net (decrease)/increase in cash and cash equivalents		**816,494**	**1,050,265**	(349,191)	(341,724)
Cash and cash equivalents at start of year		**370,334**	**75,222**	725,080	416,946
Exchange differences		**(7,887)**	**—**	(5,555)	—
Cash and cash equivalents at 30 September	12	**1,178,941**	**1,125,487**	370,334	75,222

Notes to the Financial Statements

for the year ended 30 September 2011

Background

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 — code "TYM".

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.

1. Accounting policies

(a) Basis of preparation

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. 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 adoption of standards or interpretations which have been issued by the International Accounting Standards Board, but have not been adopted, will have a material impact on the financial statements.

(b) Going concern

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 necessary within the next 12 months to meet the Company's and Group's planned discretionary project expenditures and to maintain the Company and Group as going concerns. 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. This represents a material uncertainty related to events or conditions which may cast significant doubt on the Group and Company's ability to continue as going concerns and, therefore, that it may be unable to realise its assets and discharge its liabilities in the normal course of business. 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 acquisition method and eliminate intercompany balances and transactions.

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 Statement of comprehensive Income. The amount of the loss for the financial year recorded within the financial statements of Tertiary Minerals plc is £9,813 (2010: £1,124,489).

Notes to the Financial Statements

for the year ended 30 September 2011

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 these criteria.

Accumulated costs where the Group 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.

Useful life and residual value are reassessed annually.

(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 initially measured at cost and subsequently at fair value, being the equivalent of market 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.

(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.

1. **Accounting policies — continued**

(j) Foreign currencies

The Group's and the Company's functional and presentation 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.

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. Income statements of overseas subsidiaries are translated at exchange rates at the date of transaction. Exchange differences arising on these translations are taken to the foreign currency reserve.

(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.

(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.

Notes to the Financial Statements

for the year ended 30 September 2011

1. Accounting policies — continued

Share based payments

The estimates of share based payments costs require 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 Chief Operating Decision Maker is the Board of Directors. The Board considers the business has one reportable segment, the management of exploration projects, which is supported by a Head Office function. For the purpose of measuring segmental profits and losses the exploration segment bears only those direct costs incurred by or on behalf of those projects; no Head Office cost allocations are made to this segment. The Head Office function recognises all other costs.

2011	Exploration Projects £	Head Office £	Total £
Consolidated Income Statement			
Impairment of deferred exploration costs	—	—	—
Pre-licence exploration costs	—	(12,606)	(12,606)
Share based payments	—	(54,471)	(54,471)
Other expenses	—	(227,710)	(227,710)
Operating Loss	—	(294,787)	(294,787)
Bank interest received	—	5,114	5,114
Loss on ordinary activities before taxation	—	(289,673)	(289,673)
Tax on loss on ordinary activities	—	—	—
Loss for the year attributable to equity holders	—	(289,673)	(289,673)
Non-current assets			
Intangible assets:			
Deferred exploration costs:			
Kaareselkä Gold Project, Finland	260,056	—	260,056
Kiekerömaa Gold Project, Finland	114,908	—	114,908
Kolari Iron Project, Finland	—	—	—
Lassedalen Fluorspar Project, Norway	108,224	—	108,224
Rosendal Tantalum Project, Finland	—	—	—
Storuman Fluorspar Project, Sweden	893,758	—	893,758
Ghurayyah Tantalum Project, Saudi Arabia	—	—	—
	1,376,946	—	1,376,946
Property, plant & equipment	—	22,845	22,845
Investment in subsidiary	—	—	—
Available for sale investment	—	285,846	285,846
	1,376,946	308,691	1,685,637
Current assets			
Receivables	—	87,970	87,970
Cash and cash equivalents	—	1,178,941	1,178,941
	—	1,266,911	1,266,911
Current liabilities			
Trade and other payables	(84,222)	(80,301)	(164,523)
Net current assets	(84,222)	1,186,610	1,102,388
Net assets	1,292,724	1,495,301	2,788,025
Other data			
Deferred exploration additions	666,855	—	666,855
Exchange rate adjustments to deferred exploration costs	—	961	961

2. Segmental analysis — continued

2010	Exploration Projects £	Head Office £	Total £
Consolidated Income Statement			
Impairment of deferred exploration costs:			
Kolari Iron Project, Finland	(69,134)	—	(69,134)
	(69,134)		(69,134)
Pre-licence exploration costs	—	(32,960)	(32,960)
Share based payments	—	(37,045)	(37,045)
Other expenses	—	(183,411)	(183,411)
Operating Loss	(69,134)	(253,416)	(322,550)
Bank interest received	—	987	987
Loss on ordinary activities before taxation	(69,134)	(252,429)	(321,563)
Tax on loss on ordinary activities	—	—	—
Loss for the year attributable to equity holders	(69,134)	(252,429)	(321,563)
Non-current assets			
Intangible assets:			
Deferred exploration costs:			
Kaareselkä Gold Project, Finland	247,301	—	247,301
Kiekerömaa Gold Project, Finland	11,491	—	11,491
Kolari Iron Project, Finland	—	—	—
Lassedalen Fluorspar Project, Norway	29,408	—	29,408
Rosendal Tantalum Project, Finland	—	—	—
Storuman Fluorspar Project, Sweden	420,930	—	420,930
Ghurayyah Tantalum Project, Saudi Arabia	—	—	—
	709,130	—	709,130
Property, plant & equipment	—	1,238	1,238
Investment in subsidiary	—	—	—
Available for sale investment	—	167,387	167,387
	709,130	168,625	877,755
Current assets			
Receivables	—	42,263	42,263
Cash and cash equivalents	—	370,334	370,334
	—	412,597	412,597
Current liabilities			
Trade and other payables	(36,883)	(58,898)	(95,781)
Net current assets	(36,883)	353,699	316,816
Net assets	672,247	522,324	1,194,571
Other data			
Deferred exploration additions	169,394	—	169,394
Exchange rate adjustments to deferred exploration costs	—	13,601	13,601

Notes to the Financial Statements

for the year ended 30 September 2011

3. Loss on ordinary activities before taxation

	2011 £	2010 £
The operating loss is stated after charging		
Operating lease rentals — land and buildings	**15,136**	14,430
Fees payable to the Company's Auditor for:		
The audit of the Company's annual accounts	**9,410**	8,555
Other Services	**1,050**	1,050
Depreciation — owned assets	**5,984**	2,037

4. Directors' emoluments

	2011 £	2010 £
Remuneration in respect of directors was as follows:		
P L Cheetham (salary)	**43,891**	37,627
D A R McAlister (salary)	**10,000**	10,000
D Whitehead (fees)	**11,000**	8,000
D Whitehead (gain on exercise of share options)	**36,045**	—
	100,936	55,627

Share based payments charged in these financial statements in respect of the directors amounted to £47,068 (2010: £26,684).

5. Staff costs

	2011 £	2010 £
Staff costs for Group and Company, including directors, were as follows:		
Wages and salaries	**136,220**	114,419
Social security costs	**13,305**	12,944
Share based payments	**59,943**	33,937
	209,468	161,300

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

	2011 Number	2010 Number
Technical employees	**3**	2
Administration employees (including non-executive directors)	**4**	4
	7	6

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.

	2011	2010
Loss (£)	**(289,673)**	(321,563)
Weighted average shares in issue (No.)	**112,533,476**	88,408,966
Basic and diluted loss per share (pence)	**(0.26)**	(0.36)

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 anti-dilutive.

7. Taxation on ordinary activities

No liability to corporation tax arises for the year due to the Group recording a taxable loss (2010: £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 — 26% (2010: 28%). The differences are explained below.

	2011 £	2010 £
Tax reconciliation		
Loss on ordinary activities before tax	**(289,673)**	(321,563)
Tax at 26% (2010: 28%)	**(75,315)**	(90,037)
Effects (at 26%) (2010: 28%) of:		
Differences between capital allowances and depreciation	**(1,182)**	1,181
Pre-trading expenditure no longer deductible for tax purposes	**311,039**	177,535
Utilisation of losses brought forward	**(234,542)**	(88,679)
Tax losses carried forward	**—**	—
Tax on loss from ordinary activities	**—**	—

Factors that may affect future tax charges

The Group has total losses carried forward of £4,101,780 (2010: £4,392,446). This amount would be recoverable if sufficient profits were made in the future.

8. Intangible assets

Group	Deferred exploration expenditure 2011 £	Deferred exploration expenditure 2010 £
Cost		
At start of year	**1,956,692**	1,773,697
Additions	**666,855**	169,394
Exchange adjustments	**961**	13,601
At 30 September	**2,624,508**	1,956,692
Impairment losses		
At start of year	**(1,247,562)**	(1,178,428)
Charge during year	**—**	(69,134)
At 30 September	**(1,247,562)**	(1,247,562)
Carrying amounts		
At 30 September	**1,376,946**	709,130
At start of year	**709,130**	595,269

Notes to the Financial Statements

for the year ended 30 September 2011

9. Property, plant & equipment

	Group fixtures and fittings 2011 £	**Company fixtures and fittings 2011 £**	Group fixtures and fittings 2010 £	Company fixtures and fittings 2010 £
Cost				
At start of year	**40,838**	**14,389**	40,132	13,683
Additions	**27,591**	**24,315**	706	706
Disposals	**(7,500)**	**(7,500)**	—	—
At 30 September	**60,929**	**31,204**	40,838	14,389
Depreciation				
At start of year	**(39,600)**	**(13,184)**	(37,563)	(11,434)
Charge for the year	**(5,984)**	**(5,540)**	(2,037)	(1,750)
Released on disposal	**7,500**	**7,500**	—	—
At 30 September	**(38,084)**	**(11,224)**	(39,600)	(13,184)
Net Book Value				
At 30 September	**22,845**	**19,980**	1,238	1,206
At start of year	**1,238**	**1,206**	2,569	2,250

10. Investments

Subsidiary undertakings

Company	**Country of incorporation/ registration**	**Type and percentage of shares held at 30 September 2011**	**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 2011 £**	Company 2010 £
Ordinary shares — Tertiary (Middle East) Limited	**1**	1
Ordinary shares — Tertiary Gold Limited	**93,792**	93,792
Loan — Tertiary (Middle East) Limited	**678,505**	928,988
Less — Provision for impairment	**(678,505)**	(928,988)
Loan — Tertiary Gold Limited	**3,722,295**	3,037,937
At 30 September	**3,816,088**	3,131,730

Available for sale investment

Company	**Country of incorporation/ registration**	**Type and percentage of shares held at 30 September 2011**	**Principal activity**
Sunrise Resources plc	England & Wales	8.23% of ordinary shares	Mineral exploration

Available for sale investment	**Group 2011 £**	**Company 2011 £**	Group 2010 £	Company 2010 £
Value at start of year	**167,387**	**167,387**	167,387	167,387
Movement in valuation of available for sale investment	**118,459**	**118,459**	—	—
At 30 September	**285,846**	**285,846**	167,387	167,387

The fair value of the available for sale investment is equal to the market value of the shares in Sunrise Resources plc at 30 September 2011, based on the closing mid-market price of shares on the AIM Market.

11. Receivables

	Group 2011 £	Company 2011 £	Group 2010 £	Company 2010 £
Trade receivables	**34,493**	**34,493**	28,090	28,090
Other receivables	**31,816**	**3,020**	585	—
Prepayments	**21,661**	**17,619**	13,588	10,875
	87,970	**55,132**	42,263	38,965

The Group aged analysis of trade receivables is as follows:

	Not impaired £	30 days or less £	Over 30 days £	Total carrying amount £
2011 Trade receivables	**34,493**	**34,493**	**—**	**34,493**
2010 Trade receivables	28,090	28,090	—	28,090

12. Cash and cash equivalents

	Group 2011 £	Company 2011 £	Group 2010 £	Company 2010 £
Cash at bank and in hand	**62,647**	**11,175**	295,975	2,827
Short-term bank deposits	**1,116,294**	**1,114,312**	74,359	72,395
	1,178,941	**1,125,487**	370,334	75,222

13. Trade and other payables

	Group 2011 £	Company 2011 £	Group 2010 £	Company 2010 £
Trade creditors	**38,547**	**18,533**	20,244	11,256
Other taxes and social security costs	**7,620**	**7,620**	12,968	14,308
Accruals	**113,633**	**20,863**	62,021	17,845
Other payables	**4,723**	**4,723**	548	548
	164,523	**51,739**	95,781	43,957

14. Share capital

	2011 No.	2011 £	2010 No.	2010 £
Allotted, called up and fully paid				
Ordinary shares of 1p each	**118,816,214**	**1,188,161**	88,516,200	885,162
	118,816,214	**1,188,161**	88,516,200	885,162

During the year to 30 September 2011 the following share issues took place:

An issue of 29,999,994 1.0p ordinary shares at 6.00p per share, by way of placing, for a total consideration of £1,710,000 net of expenses (15 December 2010).

An issue of 300,000 1.0p ordinary shares at 2.375p per share, being a share option exercise by a director, for a total consideration of £7,125 (22 February 2011).

During the year to 30 September 2010 a total of 181,579 1.0p ordinary shares were issued, at an average price of 2.90p, for a total consideration of £5,274.

Notes to the Financial Statements

for the year ended 30 September 2011

15. Warrants and options granted

Unexercised warrants Issue date	Exercise price	Number	Exercisable	Expiry dates
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	2,000,000	Any time before expiry	09/12/14
09/12/08	2.375p	600,000	Any time before expiry	09/12/14
07/12/09	4.375p	2,300,000	Any time before expiry	07/12/14
07/12/09	4.375p	600,000	Any time before expiry	07/12/14
17/12/10	6.25p	2,300,000	Any time after 17/12/2011	07/12/15
17/12/10	6.25p	600,000	Any time after 17/12/2011	07/12/15
01/09/11	6.75p	250,000	Any time after 01/09/2012	01/09/16
01/09/11	6.75p	250,000	Any time after 01/09/2013	01/09/16
01/09/11	11.00p	250,000	Any time after 01/09/2014	01/09/16
01/09/11	11.00p	250,000	Any time after 01/09/2015	01/09/16

Unexercised options Issue date	Exercise price	Number	Exercisable	Expiry dates
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.

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:

	2011		2010	
	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	**8,265,000**	**5.560**	5,365,000	6.200
Granted during the year	**3,900,000**	**6.923**	2,900,000	4.375
Exercised during the year	**(300,000)**	**2.375**	—	—
Expired during the year	**(360,000)**	**15.170**	—	—
Outstanding at 30 September	**11,505,000**	**5.800**	8,265,000	5.560
Exercisable at 30 September	**4,705,000**	**5.760**	5,365,000	6.200

15. Warrants and options granted — continued

The warrants and options outstanding at 30 September 2011 had a weighted average exercise price of £0.06 and a weighted average remaining contractual life of 3.6 years.

In the year ended 30 September 2011, warrants were granted on 17 December 2010 and 1 September 2011. The aggregate of the estimated fair values of the warrants granted on these dates is £108,657. In the year ended 30 September 2010, warrants were granted on 7 December 2009. The aggregate of the estimated fair values of the warrants granted on this date is £38,472.

No options were granted in the year ended 30 September 2011 or the year ended 30 September 2010.

A director exercised 300,000 warrants on 22 February 2011 at an exercise price of 2.375p. The mid-market price on that date was 14.39p.

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

	2011	2010
Weighted average share price	**5.54**	3.50p
Weighted average exercise price	**6.92**	4.38p
Expected volatility	**80%**	60%
Expected life	**4 years**	4 years
Risk-free rate	**2.19%**	3.09%
Expected dividend yield	**0%**	0%

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous four 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 £54,471 and £37,045 related to equity-settled share-based payment transactions in 2011 and 2010 respectively.

16. Operating lease commitments

The Company rents office premises under an operating lease agreement. The current lease term is for one year, expiring on 30 November 2011. No contingent rent is payable.

Future minimum lease payments under non-cancellable operating leases are:

	2011 Land & buildings £	2010 Land & buildings £
Office accommodation:		
Within one year	**2,926**	1,200

The Company does not sub-lease any of its leased premises.

Lease payments recognised in profit for the period amounted to £15,136 (2010: £14,400).

Notes to the Financial Statements

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17. 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 2011				At 30 September 2010	
		Warrants				
	Shares Number	Number	Exercise price	Expiry date	Shares Number	Warrants Number
P L Cheetham*	**10,376,913**	**1,000,000**	**8.750p**	**31/10/2013**	10,376,913	4,000,000
		1,500,000	**2.375p**	**09/12/2014**		
		1,500,000	**4.375p**	**07/12/2014**		
		1,500,000	**6.250p**	**17/12/2015**		
D A R McAlister	**457,821**	**100,000**	**8.750p**	**31/10/2013**	457,821	700,000
		300,000	**2.375p**	**09/12/2014**		
		300,000	**4.375p**	**07/12/2014**		
		300,000	**6.250p**	**17/12/2015**		
D Whitehead	**—**	**100,000**	**8.750p**	**31/10/2013**	—	700,000
		300,000	**4.375p**	**07/12/2014**		
		300,000	**6.250p**	**17/12/2015**		

* 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 2011. 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 Resources plc

During the year the Company recharged costs of £121,218 (2010: £108,526) to Sunrise Resources plc being shared overheads of £19,285 (2010: £14,278), costs paid on behalf of Sunrise Resources plc of £12,374 (2010: £3,761), staff salary costs of £50,986 (2010: £47,820) and directors' salary costs of £38,571 (2010: £42,397). The salary costs in notes 4 and 5 are shown net of these recharges.

At the balance sheet date an amount of £34,525 (2010: £28,029) was due from Sunrise Resources plc, which was repaid in November 2011.

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

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

	At 30 September 2011				At 30 September 2010	
		Warrants				
	Shares Number	Number	Exercise price	Expiry date	Shares Number	Warrants Number
P L Cheetham*	**10,881,198**	**500,000**	**2.750p**	**06/12/11**	10,674,956	5,000,000
		500,000	**2.000p**	**31/10/13**		
		2,000,000	**0.575p**	**08/12/14**		
		2,000,000	**0.850p**	**07/12/15**		
		2,000,000	**2.500p**	**07/12/15**		
D A R McAlister	**550,000**	**—**	**—**	**—**	550,000	—
D Whitehead	**—**	**—**	**—**	**—**	500,000	—

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

18. Post-balance sheet event

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

19. 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.

20. Financial instruments

At 30 September 2011, 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 2011, as defined in IAS 39, are as follows:

	Group 2011 £	**Company 2011 £**	Group 2010 £	Company 2010 £
Loans & receivables	**1,245,250**	**1,163,000**	399,009	103,312
Available for sale investments	**285,846**	**285,846**	167,387	167,387
Financial liabilities at amortised cost	**156,903**	**44,119**	82,813	29,649

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.

Liquidity risk

The Group currently holds cash balances in Sterling, US Dollars, Canadian Dollars, Saudi Riyals and Swedish Kronor to provide funding for exploration and evaluation activity, whilst the Company holds cash balances in Sterling. The Group and Company are dependent 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.

Notes to the Financial Statements

for the year ended 30 September 2011

20. Financial instruments — continued

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	
	2011	2010	**2011**	2010
	£	£	**£**	£
United Kingdom Sterling	**1,141,379**	76,215	**1,125,487**	75,210
United States Dollar	**30,566**	291,637	**—**	—
Canadian Dollar	**37**	168	**—**	—
Saudi Riyal	**4**	21	**—**	—
Swedish Krona	**6,955**	2,293	**—**	12
	1,178,941	370,334	**1,125,487**	75,222

Surplus funds in all currencies are placed with NatWest bank on a number of short-term treasury deposits at varying fixed rates of interest, but the Group held only one US Dollar treasury deposit at 30 September 2011.

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 2011 would increase or decrease by £1,528 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 insofar 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.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of **Tertiary Minerals plc** will be held in the Jacotot Room, Bloomsbury House, 2-3 Bloomsbury Square, London WC1A 2RL on Friday 24 February 2012, at 2.00 p.m. for the following purposes:

Ordinary Business

1. To receive the Accounts and Reports of the Directors and of the Auditor for the year ended 30 September 2011.
2. To re-elect Mr D McAlister who is retiring as a director of the Company.
3. To re-elect Mr D Whitehead who is retiring as a director of the Company.
4. To reappoint PKF (UK) LLP as Auditor of the Company and to authorise the directors to fix their remuneration.

Special Business

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 £1,000,000 (consisting of 100,000,000 ordinary shares of 1p each) 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 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 £1,000,000 (consisting of 100,000,000 ordinary shares of 1 pence each).

   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 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.

   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. Please refer to the notes on page 40.

By order of the Board

C D T Fitch
Company Secretary
14 December 2011
Registered Office: Sunrise House, Hulley Road, Macclesfield, Cheshire, SK10 2LP

Explanatory Notes to the Notice of Annual General Meeting

The Annual General Meeting of Tertiary Minerals plc will be held on Friday 24 February 2012 in the Jacotot Room, Bloomsbury House, 2-3 Bloomsbury Square, London WC1A 2RL 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 Reports of Directors and the Auditor for the year ended 30 September 2011 which can be found on pages 14 to 36.

Resolutions 2 and 3

The two non-executive directors, Mr Donald McAlister and Mr David Whitehead, have both served the Company for more than nine years and under the terms of the UK Corporate Governance Code cannot now be regarded as independent. Accordingly, it is proposed that they should now seek annual re-election rather than re-election by rotation. The Company has been fortunate enough to secure the services of these two non-executive directors during their period of office and both continue to provide valuable advice based on their long experience of the mining industry.

The Board will seek, when appropriate, additional independent non-executive directors and Mr McAlister and Mr Whitehead will be proposed for annual re-election.

Resolution 4

The Company's Auditor PKF (UK) LLP is offering itself for reappointment 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 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 31 January 2011 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 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 activities.

If given, this authority will expire at the conclusion of the Annual General Meeting in 2013.

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.

If given, this authority will expire at the conclusion of the Annual General Meeting in 2013.

Form of Proxy

Tertiary Minerals plc

Company No. 03821411

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 on page 40) 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 24 February 2012 in the Jacotot Room, Bloomsbury House, 2-3 Bloomsbury Square, London WC1A 2RL 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 Auditor for the year ended 30 September 2011.			
2. Ordinary Resolution to re-elect Mr D McAlister who is retiring as a director of the Company.			
3. Ordinary Resolution to re-elect Mr D Whitehead who is retiring as a director of the Company.			
4. Ordinary Resolution to reappoint PKF (UK) LLP as Auditor of the Company and authorise the directors to fix their remuneration.			
Special Business			
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.			

Please see notes on page 40.

Please return this proxy form in the enclosed envelope, or in accordance with note 6 overleaf.

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, PXS, 34 Beckenham Road, Beckenham, BR3 4TU; and received by Capita Registrars no later than 2.00 p.m. on Wednesday 22 February 2012.
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, PXS, 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 22 February 2012. 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.

Company Information

Tertiary Minerals plc (AIM and Plus Markets – Ticker Symbol TYM)

Company No. 03821411

Head Office
Silk Point
Queens Avenue
Macclesfield
Cheshire SK10 2BB
United Kingdom
Tel: +44 (0)845 868 4580
Fax: +44 (0)1625 838 559

Registered Office
Sunrise House
Hulley Road
Macclesfield
Cheshire SK10 2LP
United Kingdom

Company website:
www.tertiaryminerals.com

Auditor
PKF (UK) LLP
3 Hardman Street
Spinningfields
Manchester
M3 3HF
United Kingdom

Bankers
National Westminster Bank plc
2 Spring Gardens
Buxton
Derbyshire
SK17 6DG
United Kingdom

Broker & Nominated Adviser
Seymour Pierce Limited
20 Old Bailey
London
EC4M 7EN
United Kingdom

Solicitors
Cobbetts
58 Mosley Street
Manchester
M2 3HZ
United Kingdom

Registrars
Capita Registrars Limited
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU
United Kingdom

www.tertiaryminerals.com

Tertiary Minerals plc

Silk Point, Queens Avenue
Macclesfield, Cheshire
SK10 2BB United Kingdom

Tel: +44 (0) 845 868 4580
Fax: +44 (0) 1625 838 559