

# Tertiary Minerals plc



Annual Report 2005

## Tertiary Minerals plc

Tertiary is a mineral exploration and development company with a diverse portfolio of mineral projects in Scandinavia and Saudi Arabia. Our small team of dedicated professionals is committed to exploration and management excellence. Our aim is to add value to our projects and create wealth for our stakeholders through the cost effective discovery and development of mineral resources.

### asset base

Tertiary's portfolio of mineral projects includes the 385 million tonne Ghurayyah tantalum-niobium deposit in Saudi Arabia where the value of the project has recently been highlighted by the commitment of a Saudi Consortium to fund up to US\$7 million of feasibility studies for the development of this world-class mineral deposit.



## year in brief



- ◆ Up to US\$7 million funding package agreed with Saudi consortium for feasibility studies on world-class Ghurayyah tantalum-niobium project.
- ◆ Kuusamo diamond project valorised to a 26% interest in new AIM traded company Sunrise Diamonds plc after oversubscribed, discounted, entitlement issue to Tertiary shareholders.
- ◆ Sunrise Diamonds recovers micro-diamonds from Kuusamo kimberlite and acquires BHP Billiton's Finland diamond exploration database having estimated replacement value of over US\$10 million.
- ◆ Follow up drilling on Vanha zone at Karesselka gold project returns further high-grade intersections.
- ◆ Bull-run for commodity demand and prices continues with gold price above \$500 per ounce.

## contents

Year in Brief	1	Balance Sheets	15
Chairman's Statement	2	Consolidated Cash Flow Statement	16
Operating and Financial Review	4	Notes to the Financial Statements	17
Directors' Report	9	Notice of Annual General Meeting	25
Auditors' Report to the Members	10	Form of Proxy	27
Consolidated Profit and Loss Account	14	Company Information	IBC
Consolidated Statement of Total Recognised Gains and Losses	14		

## chairman's statement

During 2005 your Company's efforts to enhance shareholder value were rewarded with the recent announcement of a US\$7 million funding agreement with a Saudi Consortium for the completion of feasibility studies at our Ghurayyah tantalum-niobium project.

### Ghurayyah Project Funding

This agreement demonstrates the underlying value of Ghurayyah and it is a significant milestone in the development of this major project. The financing included a placing of shares at a significant premium to the then share price and allows the Company to retain a 50% interest in the project. It is hoped that, at the development stage, when bank financing is sought, the favourable local financing environment could reduce Tertiary's equity requirement to just over 6% of the overall \$US100 million capital cost that was estimated for the project in the 2003 Scoping Study.

The agreement to fund Ghurayyah comes at a time when the tantalum market has substantially recovered from the volatility of the year 2000 'electronics bubble'. Demand has returned to 1999 levels and is

believed to be growing at rates in excess of 5%. On the supply side, concerns remain over future raw material supplies. The US Defence Logistics stockpile is expected to be depleted in the near future and the world's leading supplier of tantalum, Sons of Gwalia, remains in administration.

### Sunrise Diamonds plc

Another notable achievement during the year was the re-organisation of the Company's diamond interests into a separate company, Sunrise Diamonds plc, ("Sunrise") which was admitted to trading on AIM in June 2005.

This was achieved through an entitlement issue of shares to all Tertiary shareholders and those who took advantage of this opportunity have seen their Sunrise shares continuing to trade at a premium to their subscription price. Sunrise has built on Tertiary's initial work with the announcement of further kimberlite discoveries, one of which contains micro-diamonds. With a direct 26.5% equity interest, Tertiary remains the largest shareholder in Sunrise whose exploration portfolio has recently been



enhanced by the acquisition of BHP Billiton's Finland diamond exploration database, estimated to have a replacement value of over US\$10 million.

### Exploration Projects

Turning to our other projects, it was pleasing to report further positive gold drill-intersections on the Vanha lode at our Kaaresselkä gold project in Finland where follow up exploration is warranted. Exploration on the Notträsk nickel project in Sweden, and the Pitkäjärvi gold-copper project in Finland yielded less favourable results and these projects have now been relinquished.

Drilling of a large iron-oxide related copper-cobalt-gold mineralised system at Ahmavuoma in northern Sweden was deferred in 2005 but is budgeted for 2006.

### Annual Results

The Group reported a loss of £415,803 for the year (2004: £861,081).

Further details are provided in the Operating and Financial Review on page 8.

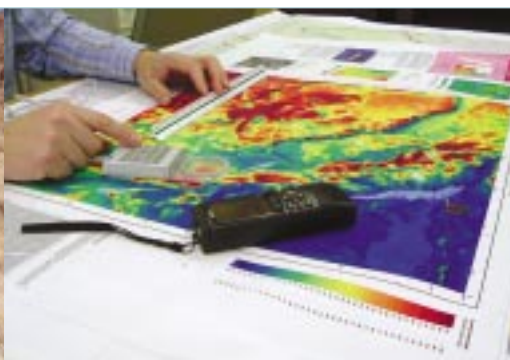
### In Conclusion

The Company's management has been working hard to advance the Company's major projects during the year. These efforts have culminated in the listing of Sunrise and the recent announcement of value-adding agreements on Ghurayyah and, in Sunrise, with BHP Billiton and I am pleased to see a turnaround in the Company's share price. We look forward to working with our new partners to bring Ghurayyah to production and to building on the Company's firm foundations.

### Patrick L Cheetham

*Executive Chairman*

15 December 2005



# operating and financial review

**During the past year work has focused on exploration for gold, nickel and diamonds in Finland and Sweden, progressing the start of feasibility work on the Company's Ghurayyah tantalum-niobium project in Saudi Arabia through the recently announced funding agreement, and the sale of the Company's diamond exploration interests into a new public company, Sunrise Diamonds plc.**

## SUNRISE DIAMONDS PLC

Following the success of the Company's diamond exploration projects in Finland in 2004 a decision was made to separate these interests into a new public company for separate funding and in February 2005 Sunrise Diamonds plc ("Sunrise") was formed to acquire the Company's diamond projects. This was followed by an issue of seed capital made largely by way of an entitlement issue to our existing shareholders on the basis of one Sunrise share for every two shares held in Tertiary. Sunrise subsequently made a further placing of shares at twice the entitlement price and made its debut on the AIM market in June 2005.

The Sunrise entitlement issue proved popular and was oversubscribed. As a result of this Tertiary shareholders held approximately 50% of the issued capital of Sunrise on admission to AIM and Tertiary now holds a direct 26.5% stake in Sunrise.

Since being admitted to AIM Sunrise has made excellent progress having announced the discovery of two new kimberlites in the Kuusamo project whilst drill testing Anomalies 45 and 47, the recovery of 5 micro-diamonds from a 23kg sample of Anomaly 45 kimberlite and the conclusion of an agreement with BHP Billiton to acquire their Finland diamond exploration database which is estimated by Sunrise to have a replacement value of over US\$10 million.

## TANTALUM PROJECTS

### Tantalum Market

Tantalum has the ability to store and release electric charge and its main use is in the manufacture of capacitors, a component that regulates the flow of electricity in electronic circuit boards. Capacitors are widely used in most electronic devices, especially mobile phones, digital cameras, DVDs, gaming platforms and laptops where the trend to smaller case sizes has led to reduced tantalum consumption per capacitor unit. However this reduction in unit consumption is offset by the need for an increased number of capacitor units in each operating device (e.g. mobile phones and gaming platforms) to deliver their ever-increasing functionality.

Tantalum being inert, with a high melting point, is also used in medical implants and in special alloys for the aerospace industry where the markets are expanding. Strong growth for tantalum is also coming from the semiconductor chip manufacturing industry where the trend to substitute copper for aluminium in wiring lines requires a tantalum coating.

The structure of the raw material processing industry (i.e. the customers for the Company's future tantalum production) continues to evolve. There is increasing demand from China as its domestic processing and electronics industries develop. Much of Chinese raw material demand is met from the spot market and is mainly sourced from Africa, often from organised artisanal mining activities on alluvial or soft, weathered-rock tantalum and niobium deposits. These sources have natural supply and expansion limitations. The major Western raw material processors currently source the majority of their raw material supply on long-term contracts from Sons of Gwalia's higher-cost, hard-rock mining operations in Australia. A significant supply of raw material, the US Defence Logistics Agency (DLA) stockpile, which traditionally supplies around 500,000 lbs per annum



of tantalum pentoxide ( $Ta_2O_5$ ) in concentrates, is expected to be depleted within 12 months at current disposal rates.

Presentations made at the Tantalum and Niobium World Symposium in 2005 confirm that the market for tantalum has now recovered to the levels that prevailed in 1999 immediately prior to the spike in demand and prices that characterised the electronics bubble of the year 2000. Demand for tantalum raw materials is currently running at 5 million pounds (lbs) per annum of contained  $Ta_2O_5$  and thought to be growing at an estimated 5-8% per year after averaging over 8% annual growth last decade.

The market for niobium, another important component of the Company's Ghurayyah deposit, continues to grow strongly on the back of strong demand for ferro-niobium use in steel, the dominant market for niobium. Annual niobium demand is currently 120,000,000 lbs per annum and raw material prices remain stable.

The current market dynamics in the tantalum industry are considered by the Company to be very positive for the orderly development of the Ghurayyah project. The need for further diversity in the raw material supply chain is highlighted by the fact that Sons of Gwalia remains in Administration and the likely depletion of the DLA stockpile.

#### Ghurayyah Project

Ghurayyah is a world-class deposit of tantalum, niobium and zircon in Saudi Arabia with an Inferred Mineral Resource of nearly 400 million tonnes grading 245 grammes/tonne (0.024%) tantalum pentoxide ( $Ta_2O_5$ ), 2,840 grammes/tonne (0.28%) niobium pentoxide ( $Nb_2O_5$ ) and 8,915 grammes/tonne (0.89%) zirconium oxide ( $ZrO_2$ ). Ghurayyah also contains significant amounts of uranium and yttrium (a rare-earth

element) which may also have commercial significance. On 7 December the Company announced the signing of a Preliminary Agreement with a consortium of Saudi Arabian investors ("the Consortium") that will provide a funding package of up to US\$7 million for the completion of feasibility studies for the development of the Ghurayyah project. Assuming successful completion of these studies a special purpose vehicle, funded and owned equally by Tertiary and the Consortium, will be incorporated to develop the 400 million tonne, open-pit table, Ghurayyah deposit which could have a mine life of some 200 years. A binding joint venture agreement is now being drafted.

The Consortium comprises two of Saudi Arabia's leading family companies – A. H. Alghosaibi & Bros. Co. and AlNahla Trading & Contracting Co. Both are diversified industrial companies with a range of domestic and international business interests. This joint venture is believed to be the first minerals based joint venture to be established between Saudi and foreign companies under the terms of the current Saudi Investment Code and the newly introduced Mining Code which has been revised and updated in line with international expectations. Further information on the terms of this joint venture is given in the Financial Review on page 8.

Work has now commenced on the Preliminary Feasibility Study. This will include metallurgical testwork designed to optimise the process flow sheet, resource upgrading and further financial, technical and marketing studies. Seven tonnes of representative mineralised material from previous drilling programmes has been assembled in Jeddah for shipment to selected metallurgical laboratories for further metallurgical testwork.

#### Rosendal Project

The Rosendal pegmatite deposit is located in



# operating and financial review

## continued

south-west Finland and contains an Inferred Mineral Resource of 1.05 million tonnes at a mean grade of 255ppm Ta<sub>2</sub>O<sub>5</sub>.

No work was carried out on this project during the year. Initial work on a preliminary feasibility study suggested that the resources were insufficient to justify development at lower tantalum prices.

However there is still the opportunity to add to resources at Rosendal through further exploration and a re-evaluation of the project is warranted.

## GOLD PROJECTS

### Kaaresselkä Gold Project

Originally discovered by the Geological Survey of Finland (GTK), the Kaaresselkä project includes gold mineralisation in three separate zones – Vanha, Tienvarsi and Lampi – within an area of 1.1km by 0.6km. These zones are defined by over 10,000m of diamond drilling carried out by the Geological Survey of Finland (“GTK”).

The results from the Company’s first drilling programme at Kaaresselkä, reported last year, are considered to be highly encouraging, confirming that gold mineralisation is spread over a wide area, with a number of high-grade intersections having been returned both from surface in the weathered zone and from fresh bedrock.

The Company carried out a second drilling programme between November 2004 and January 2005 to test the depth extent of high-grade gold mineralisation in the Vanha lode, the south-eastern extension of the Tienvarsi lode and high-grade near-surface mineralisation at Lampi. Five holes were drilled for a total of 750m and a small programme of trenching was carried out at Lampi.

At **Vanha** four holes (04KD011, 04KD012, 04KD013 and 05KD002) were completed at an average 50m spacing to test for mineralisation at a vertical depth of 100-150m. All holes intersected gold mineralisation with a best result of 20.1g/t gold over 1.75m within a 8.25m section of 4.9g/t gold.

The higher-grade mineralisation is narrow, but the results confirm that the mineralisation at Vanha is continuing, and remains open at depth over a strike-length of at least 200m. It is open both to the east and west. The structure hosting the mineralisation at Vanha is at least 600m long and up to 60m wide.

One hole, 05KD001, was drilled to test the eastern extension of the **Tienvarsi** zone, some 165m from its known limits. A narrow interval of gold mineralisation was found in a weathered breccia on the south side of the Tienvarsi magnetic lineament.

Trenching at **Lampi** targeted mineralisation in hole 04KD010 (10.3m grading 3.88g/t gold from bedrock surface beneath the glacial till). Gold mineralisation was found to be associated with a localised breccia with no significant strike length. Consequently, no follow-up drilling was carried out.

The variability in grade and thickness at Kaaresselkä is typical of structurally hosted gold mineralisation where an understanding of the controls of mineralisation is critical to the success of exploration. The Company is encouraged by the results obtained to-date, and by the widespread distribution of gold over a drilled area of 1.1km by 0.6km.

Whilst detailed exploration at Kaaresselkä has been confined to a limited area so far, the prospect sits adjacent to a large regional shear-zone that has good exploration potential outside of the current area of focus. This potential is defined in part by GTK



geophysical and geochemical anomalies and within the current claim holdings some of these anomalies were tested earlier this year with a programme of shallow bedrock percussion drilling. Gold anomalies have been defined that require follow-up. In addition, a further claim is held for an area some 20km west of Kaaresselkä where previous drilling by Outokumpu on the Kiekerömaa project reportedly intersected gold values up to 13g/t (over an unreported width).

### COPPER-GOLD-(IRON-OXIDE) PROJECTS

#### Ahmavuoma Copper-Gold-Cobalt Project

This is an advanced copper-gold-cobalt exploration project in northern Sweden covering a 3km long zone of iron-oxide and associated copper mineralisation with multiple targets defined by coincident geophysical and geochemical anomalies. Known mineralisation has characteristics of IOCG (iron-oxide-copper-gold) type deposits that include a number of world-class deposits such as Olympic Dam in Australia and Kiruna in Sweden.

In January 2004 a programme of deep-seeking ground geophysics defined a 2km long electrical conductor with a weak magnetic signature on the North-West zone. Plans to test this conductor were deferred in 2005 but further work is warranted.

#### Other Copper-Gold Projects

The Company carried out a programme of geophysics and drilling at **Pitkäjärvi** (Finland) targeting the source of numerous boulders containing high-grade copper and gold mineralisation. Results of drilling were disappointing and the project was subsequently returned to the original prospector.

During the year no significant work was carried out on the **Vähäjoki**, **Kolari** or **Rauttavaara** iron-oxide-copper-gold projects in Finland. The Company's Kolari

project includes the **Sivakkalehto** magnetite iron-ore deposit where, based on wide spaced drilling, previous operators have referred to a major magnetite (iron-ore) resource of over 200 million tonnes but these estimates were not made according to any currently recognised reserve or resource estimation code. The Company is currently compiling data on this project.

### BASE METAL PROJECTS

#### Notträsk Nickel Project

A programme of large-loop and follow-up Slingram electromagnetic geophysical exploration defined several drill targets in the Notträsk mafic intrusion in central Sweden. Exploration targeted Voisey's Bay style massive nickel sulphides in magma chambers and feeder dykes.

Follow-up drilling encountered multiple narrow bands of massive sulphides within a 50m wide sulphide mineralised zone. The dominant sulphide was found to be pyrrhotite and assay results for nickel and copper were uniformly low.

Based on detailed core logging it is now considered that the new zone of sulphide mineralisation discovered by recent drilling is related to sulphide-bearing sedimentary rocks assimilated into the interior of the Notträsk intrusion. No further work is planned.

#### Other Base Metal Projects

During the year claim reservations and claims were acquired at **Kalkinnen** in Finland. This is a new prospect where recent reconnaissance grab sampling has returned results which include 2.3% copper with 3.4g/t palladium-platinum-gold, and 0.3% copper with 3.2g/t palladium-platinum-gold.

No work was carried out on the Company's **Djuragruvan** or **Windfall** zinc-lead-silver projects in Sweden.



# operating and financial review

continued

## FINANCIAL REVIEW

The financial loss set out in the financial statements is £415,803. This includes losses of the Group and a share of the losses of the associated undertaking, Sunrise Diamonds plc, written-off expenditure of £294,088 on projects where the Board has decided that further exploration is not a priority, a profit on the deemed sale of interests in Sunrise of £134,371, and a profit on the disposal of fixed assets of £75,100.

A reduction in the total project write-offs, a profit on the disposal of our diamond interests and the deemed profit arising on the dilution of our shareholding in Sunrise have led to the reduction in the loss for the year. The written-off historical expenditures on the Nottråsk nickel-copper-PGE and Pitkäjärvi gold and copper projects together account for 75% of the total project write-offs.

Administration costs are shared with the associated undertaking, Sunrise Diamonds plc, to the benefit of both companies. This cost sharing will continue.

In January 2005, the Company made a placement of 6,000,000 shares at a price of 8 pence per share pursuant to authorities granted at the Annual General Meeting in January 2004 and, subsequent to the end of the year on 13 December 2005, the Company issued 5,000,000 shares to two Saudi Companies as part of a Preliminary Agreement on the Ghurayyah project.

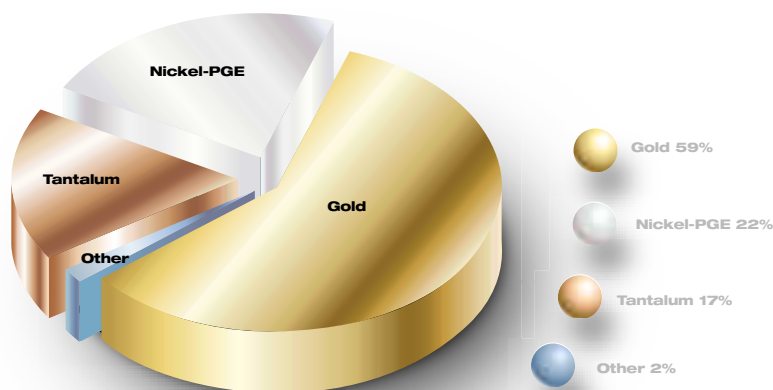
This Ghurayyah Preliminary Agreement is designed to provide funding for feasibility studies and it proposes that the cost of the Ghurayyah Preliminary Feasibility Study, estimated at US\$2,000,000 will be funded

US\$300,000 from the proceeds of the initial placing in Tertiary, US\$850,000 from the issue to the Consortium of zero-coupon convertible notes and a further US\$850,000 direct contribution to the joint venture expenses from the Consortium. The convertible notes can be converted at the holders option to ordinary shares in Tertiary at any time prior to completion of the Preliminary Feasibility Study at a price equal to the higher of 15p per share or 80% of the weighted average market price in the 30 days prior to conversion. The share placement and full conversion would result in the Consortium holding a 15% interest in the enlarged capital. The cost of the Bankable Feasibility Study, estimated at US\$5 million, will be met 90% by the Consortium and 10% by Tertiary by direct contribution to joint venture expenses.

On construction, the Ghurayyah project will seek to maximise the benefit of favourable debt funding available in Saudi Arabia, including that from the Saudi Industrial Development Fund and the Al Yamamah Offset programme, which could reduce Tertiary's project equity requirement to as little as 6.5% of the US\$75-100 million total capital costs of the project estimated in the 2003 Scoping Study.

Funds raised by the Company during the year have been applied to exploration and administration costs. Project and reconnaissance expenditure during the year totalled £261,365 and was applied principally to gold at Kaasselkä, to nickel at Nottråsk and to copper-gold at Pitkäjärvi. Lesser amounts were spent on other exploration programmes described earlier in this report. The breakdown of exploration spending by commodity is shown in the pie-chart below.

Exploration Spend by Commodity



# directors' report

The Directors are pleased to submit their annual report and audited accounts for the year ended 30th September 2005.

## Principal Activities

The principal activities of the Group continue to be the identification, acquisition, exploration and development of mineral projects. The principal areas of activity are Finland, Sweden 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

A full review of activity is given in the Chairman's Statement and the Operating and Financial Review.

The results for the Group are set out in detail on page 14. The loss for the year was £415,803, (2004: £861,081).

## Proposed Dividend

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

## Fixed Assets

Details of fixed assets are set out in notes 8, 9 and 10 in the accounts.

## Directors and Directors' Interests

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

	Shares Number	At 30 September 2005			At 30 September 2004	
		Warrants			Shares	Warrants
		Number	Exercise price	Expiry date	Number	Number
P L Cheetham*	5,787,250	1,500,000	6.5p	10/08/08	5,687,250	–
D A R McAlister	100,000	300,000	6.5p	10/08/08	–	–
D Whitehead	–	300,000	6.5p	10/08/08	–	300,000

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

There has been no change in these beneficial interests as at the date of this report.

The Directors have no beneficial interests in the shares of the Company's subsidiary undertakings as at 30th September 2005.

## 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 maintained under the provisions of Section 211 of the Companies Act 1985:

	Number of shares	% of share capital
Mrs Carole Rowan	2,954,499	5.7
Mr Patrick Lyn Cheetham	2,843,625	5.5
Mrs Karen Elizabeth Cheetham	2,843,625	5.5
Ahmed Hame Algosaiibi and Brothers Company	2,500,000	4.9
Al Nahla Offshore Company Limited	2,500,000	4.9
Barclayshare Nominees Limited	1,638,038	3.2

# directors' report

continued

## Corporate Governance

Companies whose shares trade on AIM are not required to make an annual statement to shareholders regarding compliance with the Combined Code (as updated in July 2003). However, the Board seeks to comply with the principles of the Combined Code in so far as they are appropriate to a company of the size of Tertiary Minerals plc at its stage of development.

## Directors

The Board comprises three directors, two of whom are non-executive:

### **Patrick Cheetham, aged 45** *Executive Chairman*

Mr Cheetham, the founder of the Company, is a mining geologist, has 24 years experience in mineral exploration in Australia, Europe and North America and 18 years experience in public company management.

### **Donald McAlister, aged 46** *Non-executive Director*

Mr McAlister is an accountant. He is a founding Director of the Group and is also Finance Director of Ridge Mining plc and was formerly Finance Director of Reunion Mining plc.

### **David Whitehead, aged 63** *Non-executive Director*

Mr Whitehead is a mining geologist. He joined the Board in 2002 on retiring as Vice President Integration, Exploration and Innovation at BHP Billiton Group Plc, having been Chief Executive, Exploration and Development of Billiton Plc from 1997. He is also a Director of Latitude Resources plc.

The role of the Board 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 Share Allotment Committees of the Board. These Committees operate within clearly defined terms of reference.

## Accountability and Audit

### 1. **Directors' Responsibilities**

The Directors are required by UK Company Law to prepare financial statements, which give a true and fair view of the state of the Company and the Group as at the end of the year and of the Group loss for the year. The Directors have responsibility for ensuring that proper accounting records are kept which disclose with reasonable accuracy the financial position of the Group and to enable them to ensure the accounts comply with the Companies Act 1985. They have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Appropriate accounting policies, which follow generally accepted accounting practice and are explained in the notes to the accounts, have been applied consistently and applicable accounting standards have been followed. In addition reasonable and prudent judgements and estimates have been used in the preparation of the financial statements.

The Directors are responsible for ensuring the Directors' Report and other information included in the annual report is prepared in accordance with Company Law in the United Kingdom.

The maintenance and integrity of the Tertiary Minerals plc web site is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the web site.

Legislation in the United Kingdom governing the preparation and dissemination of the financial statements and other information included in annual reports may differ.

**2. Going Concern**

The Directors are satisfied that the Group has adequate resources to continue to operate for the foreseeable future. For this reason, they continue to adopt the “going concern” basis for preparing the accounts.

**3. Audit Committee and Auditors**

The Audit Committee, composed entirely of Non-Executive Directors, assists the Board in meeting its responsibilities in respect of external financial reporting and internal controls. The Audit Committee also keeps under review the scope and results of the audit. It also considers the cost effectiveness, independence and objectivity of the auditors taking account of any non-audit services provided by them.

**4. Remuneration Committee**

The Remuneration Committee comprises the Non-Executive Directors. The main purpose of the Committee is 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.

**5. Internal Controls**

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 responsibility, 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 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.

**6. Appointment of Auditors**

On 25 May 2005 PKF transferred their business to PKF (UK) LLP, a limited liability partnership. PKF (UK) LLP have expressed their willingness to continue in office and a resolution to reappoint them will be proposed at the Annual General Meeting.

**Corporate Social Responsibility**

The Board takes regular account of the significance of social, environmental and ethical matters affecting the business of the Company. 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.

**1. Shareholders**

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

**2. 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.

# directors' report

continued

### 3. Employees

The Company engages its employees to understand all aspects of the Company'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 from disabled persons, having regard to their particular aptitudes and abilities. The Board takes account of employees' interests when making decisions and suggestions from employees aimed at improving the Group's performance are welcomed.

### 4. 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 Company 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 creditors at the end of the financial year represents 9 days of average daily purchases (2004: 10 days).

### Post Balance Sheet Event

On 13 December 2005, as a result of agreement reached with two Saudi companies on the Ghurayyah project, Tertiary Minerals issued 5,000,000 ordinary shares of one pence each, at a price of 10p per share, to raise £500,000 before expenses.

### Charitable and Political Donations

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

### Annual Report

Copies of the Tertiary Minerals plc Group financial statements are available from Companies House, Crown Way, Cardiff, CF14 3UZ and also on the Company's website: [www.tertiaryminerals.com](http://www.tertiaryminerals.com).

### Annual General Meeting

Notice of the Company's sixth Annual General Meeting convened for 31 January 2006 at 2.00 p.m. is set out on page 25 of this report.

One item of special business will be conducted at the meeting. In proposing Resolution No. 4 (Authority to Disapply Pre-emption Rights) your Directors are seeking authority from shareholders to allot shares or grant rights over shares of the Company where they propose to do so for cash and otherwise than to existing shareholders pro-rata to their holdings – for example through a placement of shares and/or in connection with the operation of the employee share scheme. The authority granted at last year's Annual General Meeting is due to expire at the forthcoming Annual General Meeting. Accordingly, Resolution 4 will be proposed as a special resolution to grant a renewed authority. Apart from rights issues, the authority will be limited to the issue of new shares up to an aggregate nominal value of £200,000 (being 20,000,000 ordinary shares of 1p each and 39% of the issued ordinary share capital of the Company as at the date of this report). If given, this authority will expire on 31 January 2007 or at the conclusion of the Annual General Meeting for 2007, whichever is the earlier.

On behalf of the Board

### Patrick Cheetham

*Chairman*

Approved by the Board of Directors on 15 December 2005.

# auditors' report to the members

for the year ended 30 September 2005

We have audited the financial statements of Tertiary Minerals plc for the year ended 30th September 2005, which comprise the Consolidated Profit and Loss Account, the Balance Sheets, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated Cash Flow Statement and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 the Directors and auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company had not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions with the company and other members of the Group is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements within it. The other information comprises only the Directors' Report, the Chairman's Statement and the Operating and Financial Review.

## Basis of opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

In our opinion the financial statements give a true and fair view of the state of the group's and the company's affairs as at 30th September 2005 and of the group loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

## PKF (UK) LLP

*Registered Auditors*  
Manchester, UK

15 December 2005

## consolidated profit and loss account

for the year ended 30 September 2005

	Notes	2005 £	2004 £
Exploration costs written off		294,088	636,714
Administrative expenses		310,269	245,030
<b>Operating loss</b>		<b>(604,357)</b>	(881,744)
Share of loss of associate	21	(44,892)	–
Profit on disposal of intangible asset		75,100	–
Profit on sale of interest in subsidiary	20	134,371	–
Interest receivable		22,579	20,663
Share of interest receivable of associate	21	1,396	–
Loss on ordinary activities before taxation	3	(415,803)	(861,081)
Tax on profit on ordinary activities		–	–
<b>Loss for the financial year</b>	15	<b>(415,803)</b>	(861,081)
Loss per share – basic (pence)	6	(0.93)	(2.30)

All amounts relate to continuing activities.

## consolidated statement of total recognised gains and losses

for the year ended 30 September 2005

	Notes	2005 £	2004 £
<b>Loss for the financial year</b>	15	<b>(415,803)</b>	(861,081)
Foreign exchange translation differences on foreign currency net investments in subsidiaries		(19,488)	(7,830)
<b>Total recognised losses since last accounts</b>		<b>(435,291)</b>	(868,911)

# balance sheets

for the year ended 30 September 2005

	Notes	Group		Company	
		2005 £	2004 £	2005 £	2004 £
<b>Fixed assets</b>					
Intangible assets	8	943,219	959,260	–	–
Tangible assets	9	5,676	5,036	–	–
Investment in subsidiary	10	–	–	224,889	224,889
Investment in associate	10	–	–	150,000	–
Share of net assets of associate	21	157,350	–	–	–
		<b>1,106,245</b>	964,296	<b>374,889</b>	224,889
<b>Current assets</b>					
Debtors	11	65,705	70,583	2,334,206	2,051,199
Cash at bank and in hand		435,969	557,666	424,940	554,239
		<b>501,674</b>	628,249	<b>2,759,146</b>	2,605,438
<b>Creditors: amounts falling due within one year</b>	12	<b>37,916</b>	62,448	<b>25,074</b>	26,584
<b>Net current assets</b>		<b>463,758</b>	565,801	<b>2,734,072</b>	2,578,854
<b>Total assets less current liabilities</b>		<b>1,570,003</b>	1,530,097	<b>3,108,961</b>	2,803,743
<b>Capital and reserves</b>					
Called up share capital	13	464,210	404,210	464,210	404,210
Share premium account	15	3,376,862	2,961,665	3,376,862	2,961,665
Merger reserve	15	131,096	131,096	131,096	131,096
Profit and loss account	15	(2,402,165)	(1,966,874)	(863,207)	(693,228)
<b>Shareholders funds</b>	16	<b>1,570,003</b>	1,530,097	<b>3,108,961</b>	2,803,743

These financial statements were approved by the Board of Directors on 15 December 2005.

**P L Cheetham**  
Executive Chairman

**D A R McAlister**  
Director

# consolidated cash flow statement

for the year ended 30 September 2005

	Notes	2005 £	2004 £
<b>Net cash outflow from operating activities</b>	18	<b>(303,749)</b>	(289,450)
<b>Returns on investment and servicing of finance</b>			
Interest received		<b>19,898</b>	20,663
<b>Net cash outflow from operating activities after returns on investments and servicing of finance</b>		<b>(283,851)</b>	(268,787)
<b>Capital expenditure and financial investment</b>			
Purchase of intangible fixed assets		<b>(304,658)</b>	(397,630)
Purchase of tangible fixed assets		<b>(3,675)</b>	(5,021)
Receipts from sale of intangible fixed assets		<b>150,000</b>	–
<b>Net cash outflow from capital expenditure and financial investment</b>		<b>(158,333)</b>	(402,651)
<b>Acquisitions and disposals</b>			
Payments to acquire investment in associate		<b>(150,000)</b>	–
<b>Net cash outflow from acquisitions and disposals</b>		<b>(150,000)</b>	–
<b>Financing</b>			
Issue of share capital (net of expenses)		<b>475,197</b>	996,687
Exchange differences		<b>(4,710)</b>	4,912
<b>Net cash inflow from financing</b>		<b>470,487</b>	1,001,599
<b>(Decrease)/increase in cash</b>		<b>(121,697)</b>	330,161

# notes to the financial statements

for the year ended 30 September 2005

## 1. Accounting policies

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

### Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules.

### Basis of consolidation

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

In the Group accounts interests in associated undertakings are accounted for using the equity method of accounting. The consolidated profit and loss account includes the Group's share of the operating results and interest pre tax results based on audited financial statements. In the consolidated balance sheet the interests in associated undertakings are shown as the Group's share of the identifiable net assets as required under FRS 9.

In accordance with section 230 (4) of the Companies Act 1985, Tertiary Minerals plc is exempt from the requirement to present its own profit and loss account. The amount of the loss for the financial year recorded within the financial statements of Tertiary Minerals plc is £169,979 (2004: £170,357) as shown in note 15.

### Depreciation

Depreciation is provided by the Group on all tangible fixed assets, 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            25% to 33% per annum.

### Intangible assets – exploration and development

Accumulated 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:

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

An 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 accordingly.

Accumulated costs in respect of areas of interest which have been abandoned, are written off to the profit and loss account in the year in which the area is abandoned.

Costs in respect of reconnaissance exploration (where the Group has no licences or licence applications) are written off to the profit and loss account in the year in which the reconnaissance exploration took place.

Exploration and development costs are carried at the lower of cost and expected net realisable value.

The costs capitalised on specific areas of interest will be amortised over the useful economic life of the projects, once they become income generating, and the costs can be recouped.

### Deferred taxation

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

Deferred tax assets are recognised to the extent that they are regarded as recoverable. No deferred tax asset is recognised in the financial statements.

### Foreign currencies

For consolidation purposes, the assets and liabilities and the profit and loss accounts of overseas subsidiary undertakings and associated undertakings are translated at the closing exchange rates. Exchange differences arising on these translations are taken to reserves, net of exchange differences arising on related foreign currency borrowings.

### 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 profit and loss account on a straight-line basis.

# notes to the financial statements

continued

## 2. Segmental analysis

	Operating loss 2005 £	Net assets 2005 £	Operating loss 2004 £	Net assets 2004 £
United Kingdom	153,985	2,734,072	163,958	2,578,854
Overseas	261,818	(1,164,069)	697,123	(1,048,757)
	415,803	1,570,003	861,081	1,530,097

In the opinion of the Directors, the Group's activities represent one class of business.

A split of overseas segmental information is not considered to be meaningful by the Directors.

## 3. Loss on ordinary activities before taxation

	2005 £	2004 £
<b>The operating loss is stated after charging</b>		
Operating lease rentals – land and buildings	17,413	16,250
Auditors remuneration – audit	9,788	8,286
Auditors remuneration – other services	6,675	–
Depreciation – owned assets	3,035	3,864

## 4. Directors emoluments

	2005 £	2004 £
<b>Remuneration in respect of Directors was as follows:</b>		
P L Cheetham (salary)	68,540	80,000
D A R McAlister (salary)	8,266	7,500
D Whitehead (directors' fees)	7,875	7,500
	84,681	95,000

## 5. Staff costs

	2005 £	2004 £
Staff costs, including Directors, were as follows:		
Wages and salaries	150,975	142,567
Social security costs	15,687	14,892
	166,662	157,459

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

	2005 Number	2004 Number
Technical employees	3	2
Administration employees (including non executive Directors)	3	3
	6	5

## 6. Loss per share

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

	2005	2004
Loss (£)	(415,803)	(861,081)
Weighted average shares in issue (No.)	44,530,682	38,043,359
Basic loss per share (pence)	(0.93)	(2.30)

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 would have the effect of reducing the loss per ordinary share and is therefore not dilutive under the terms of FRS 14.

## 7. Taxation of ordinary activities

No liability to corporation tax arises for the year due to tax losses.

The Group has not recognised a deferred tax asset of £678,134 (Company £258,599). These amounts would be recoverable if sufficient taxable profits were made in the future.

## 8. Intangible fixed assets

Group	Deferred exploration expenditure £
<b>Cost</b>	
At 1 October 2004	959,260
Additions during the year	304,658
Project costs written off	(231,021)
Disposals	(74,900)
Exchange differences	(14,778)
<b>At 30 September 2005</b>	<b>943,219</b>

## 9. Tangible fixed assets

	Group fixtures and fittings £	Company fixtures and fittings £
<b>Cost</b>		
At 1 October 2004	27,572	5,778
Additions	3,675	–
Disposal	–	–
<b>At 30 September 2005</b>	<b>31,247</b>	<b>5,778</b>
<b>Depreciation</b>		
At 1 October 2004	(22,536)	(5,778)
Charge for the year	(3,035)	–
Released on disposal	–	–
<b>At 30 September 2005</b>	<b>(25,571)</b>	<b>–</b>
<b>Net Book Value</b>		
<b>At 30 September 2005</b>	<b>5,676</b>	<b>–</b>
At 1 October 2004	5,036	–

# notes to the financial statements

continued

## 10. Fixed assets investments

<b>Share in Group undertakings</b>	<b>Company</b>	
	<b>£</b>	
Cost at 1 October 2004	224,889	
Additions	–	
<b>30 September 2005</b>	<b>224,889</b>	
<b>Share in associated undertakings</b>	<b>Group</b>	<b>Company</b>
	<b>£</b>	<b>£</b>
Cost at 1 October 2004	–	–
Additions – Investment	150,000	150,000
Additions – Including deemed profit and share of Associate's loss	7,350	–
<b>30 September 2005</b>	<b>157,350</b>	<b>150,000</b>

<b>Company</b>	<b>Country of Incorporation/ Registration</b>	<b>Type and Percentage of shares held</b>	<b>Principal Activity</b>
Tertiary Gold Limited	England & Wales	100% of ordinary shares	Mineral exploration
Tertiary (Middle East) Ltd	England & Wales	100% of ordinary shares	Mineral exploration
Sunrise Diamonds plc	England & Wales	26.5% of ordinary shares	Diamond exploration

## 11. Debtors

	<b>Group 2005 £</b>	Group 2004 £	<b>Company 2005 £</b>	Company 2004 £
Amounts owed by Group undertakings due after more than one year	–	–	<b>2,293,279</b>	2,038,979
Amounts owed by associated undertakings due within one year	<b>28,993</b>	–	<b>28,993</b>	–
Other debtors	<b>24,954</b>	53,398	<b>725</b>	–
Prepayments and accrued income	<b>11,758</b>	17,185	<b>11,209</b>	12,220
	<b>65,705</b>	70,583	<b>2,334,206</b>	2,051,199

**12. Creditors: amounts falling due within one year**

	Group 2005 £	Group 2004 £	Company 2005 £	Company 2004 £
Trade creditors	13,679	13,515	5,245	6,013
Other taxes and social security costs	5,729	5,544	5,729	5,546
Accruals and deferred income	18,508	43,389	14,100	15,025
	<b>37,916</b>	62,448	<b>25,074</b>	26,584

**13. Share capital**

	2005 No.	2005 £	2004 No.	2004 £
<b>Authorised</b>				
Ordinary shares of 1p each	150,000,000	1,500,000	150,000,000	1,500,000
	<b>150,000,000</b>	<b>1,500,000</b>	150,000,000	1,500,000
<b>Allotted, called up and fully paid</b>				
Ordinary shares of 1p each	46,421,093	464,210	40,421,093	404,210
	<b>46,421,093</b>	<b>464,210</b>	40,421,093	404,210

During the year the following share issues took place:

A placement of 6,000,000 1 penny ordinary shares for a total consideration of £480,000.

**14. Warrants granted**

Unexercised warrants	Issue dates	Exercise price	Number	Expiry Dates
	10/08/05	6.5p	2,100,000	10/08/08

Warrants are issued for nil consideration and are exercisable as disclosed above. Warrants are exchangeable on a one for one basis for each ordinary share of 1 penny at the exercise price on the date of conversion.

**15. Movement in reserves**

Group	Share Premium account £	Merger Reserve £	Profit and loss account £
At 1 October 2004	2,961,665	131,096	(1,966,874)
Loss for the financial year	-	-	(415,803)
Exchange differences	-	-	(19,488)
Premium on allotment, less expenses	415,197	-	-
<b>At 30 September 2005</b>	<b>3,376,862</b>	<b>131,096</b>	<b>(2,402,165)</b>
<b>Company</b>			
At 1 October 2004	2,961,665	131,096	(693,228)
Loss for the financial year	-	-	(169,979)
Exchange differences	-	-	-
Premium on allotment, less expenses	415,197	-	-
<b>At 30 September 2005</b>	<b>3,376,862</b>	<b>131,096</b>	<b>(863,207)</b>

# notes to the financial statements

continued

## 16. Reconciliation of movements in shareholders' funds

	Group 2005 £	Group 2004 £	Company 2005 £	Company 2004 £
Loss for the financial year	(415,803)	(861,081)	(169,979)	(170,357)
Exchange differences	(19,488)	(7,830)	–	(65)
Shares issued during the year net of issue costs	475,197	996,687	475,197	996,687
Increase in shareholders' funds	39,906	127,776	305,218	826,265
Opening shareholders' funds	1,530,097	1,402,321	2,803,743	1,977,478
Closing shareholders' funds	1,570,003	1,530,097	3,108,961	2,803,743

## 17. Operating lease commitments

Financial commitments under non-cancellable operating leases will result in the following payments falling due in the next financial year:

	2005 Land & buildings £	2004 Land & buildings £
Expiring:		
Within one year	1,450	1,450
Within two to five years	–	–
After five years	–	–
	1,450	1,450

## 18. Reconciliation of operating loss to net cash outflow from operating activities

	2005 £	2004 £
Operating loss	(604,357)	(881,744)
Depreciation and loss on disposal of fixed assets	3,035	3,864
Intangible fixed assets written off	305,921	606,024
Disposal of intangible fixed assets	(74,900)	–
(Increase)/decrease in debtors	4,878	(42,191)
Increase/(decrease) in creditors	(24,532)	24,597
Share of operating loss of subsidiary prior to it becoming an associate	86,206	–
<b>Net cash outflow from operating activities</b>	<b>(303,749)</b>	<b>(289,450)</b>

## 19. Reconciliation of cash flow to movement in net funds

	Cash at bank and hand £	Total £
<b>At 30 September 2005</b>	<b>435,969</b>	<b>435,969</b>
At 1 October 2004	557,666	557,666
Decrease in cash in the year	(121,697)	(121,697)
Cash outflow from decrease in funds and lease financing		–
Cash inflow from decrease in liquid resources		–
Change in net funds resulting from cash flows		(121,697)
New finance leases		–
<b>Movement in net funds in the year</b>		<b>(121,697)</b>
Net funds at 1 October 2004		557,666
<b>Net funds at 30 September 2005</b>		<b>435,969</b>

## 20. Deemed disposal of subsidiary

In February 2005 the Group acquired a 100% interest in Sunrise Diamonds plc for a total consideration of £150,000.

Subsequently, this shareholding was diluted by the issue of additional share capital to third parties, the details of which together with the deemed profit/(loss) is shown below.

Date	Details	Deemed profit/(loss) £
05/05/05	Shareholding reduced from 100% to 33.33%	90,657
06/06/05	Shareholding reduced from 33.33% to 26.5%	53,713
06/06/05	Redemption of 30,000 preference shares	(9,999)
		134,371

## 21. Financial information regarding associated undertaking

At the year end Tertiary Minerals plc owned 26.5% of Sunrise Diamonds plc's net assets.

Its share of Sunrise Diamonds plc net assets as at 30 September 2005 is £157,350.

The required disclosures from the financial statements of Sunrise Diamonds plc for the period ended 30 September 2005 are given below.

	Total	Group share of subsidiary	Group share of associate
Operating loss	(246,767)	(86,206)	(44,892)
Interest receivable	7,675	2,681	1,396
<b>Loss before taxation</b>	<b>(239,092)</b>	<b>(83,525)</b>	<b>(43,496)</b>
Taxation	–	–	–
<b>Loss after taxation</b>	<b>(239,092)</b>	<b>(83,525)</b>	<b>(43,496)</b>
Fixed assets	241,276		
Current assets	439,833		
Creditors falling due within one year	87,311		
Creditors falling due after one year	–		

# notes to the financial statements

## continued

### 22. Related party transactions

On 28 February 2005 the Company sold intangible fixed assets to Sunrise Diamonds plc for a total consideration of £150,000.

During the period the Company recharged costs of £38,081 to Sunrise Diamonds plc being shared overheads of £5,824, costs paid on behalf of Sunrise Diamonds of £12,235, staff salary costs of £10,008 and directors salary costs of £10,014. The salary costs in notes 4 and 5 are shown net of these recharges.

At the balance sheet date an amount of £28,993 was due to Tertiary Minerals plc which was repaid by Sunrise Diamonds plc in November 2005.

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

D A R McAlister, a Non Executive Director of Tertiary Minerals plc served on the Sunrise Diamonds plc board of directors during the period but resigned prior to the period end.

Shares held in Sunrise Diamonds plc at 30 September 2005 by the Tertiary Minerals plc Directors are as follows:

P L Cheetham *	6,000,000
D A R McAlister	500,000
D Whitehead	500,000

\* includes 3,000,000 shares held by K E Cheetham, wife of P L Cheetham.

### 23. Post balance sheet event

On 13 December 2005, as a result of agreement reached with two Saudi companies on the Ghurayyah project, Tertiary Minerals issued 5,000,000 ordinary shares of one pence each, at a price of 10p per share, to raise £500,000 before expenses.

### 24. Derivatives

#### Interest rates and currency profile of financial liabilities

At 30 September 2005, the Group had no short-term creditors denominated in any foreign currency (2004: £nil).

#### Interest rates and currency profile of financial assets

At 30 September 2005, the Group had no financial assets other than short-term debtors and cash at bank. Bank balances were held in sterling with the exception of bank balances of £22 denominated in Swedish Krona. (2004: £40 denominated in Swedish Krona).

#### Currency risk

The Group does not use foreign exchange contracts to manage its currency exposure as in the opinion of the Directors, the risk from adverse currency fluctuations is minimal, and the cost of adopting such practice of hedging against fluctuations would be greater than the related benefit from doing so.

The Group does not have any monetary assets or liabilities denominated in currencies other than the operating (or 'functional') currency of the operating subsidiaries.

#### Maturity of financial liabilities and Group borrowing facilities

The Group has no outstanding financial liabilities as at 30 September 2005 and does not have any agreed borrowing facilities as at this date.

#### Fair values

There is no material difference between the carrying and fair values of the Group's financial assets and liabilities.

# notice of annual general meeting

Notice is hereby given that the Annual General Meeting of the Company will be held in the City Room, City of London Club, 19 Old Broad Street, London EC2N 1DS on Tuesday 31 January 2006 at 2.00 p.m. for the following purposes:

## Ordinary Business

1. To receive the annual report and financial accounts for the year ended 30 September 2005.
2. To re-elect Mr D McAlister who is retiring by rotation under the Articles of Association as a Director of the Company.
3. To re-appoint PKF (UK) LLP as Auditors of the Company and authorise the Directors to fix their remuneration.

## Special Business

### **Special Resolution**

4. That the Directors be empowered, pursuant to Section 95 of the Companies Act 1985 ("the Act"), to allot equity securities (as defined in Section 94 (2) of the Act) for cash pursuant to the authority and for the purposes of Section 80 of the Act in accordance with an ordinary resolution passed on the twenty-ninth day of January 2004 as if sub-Section 89 (1) of the Act did not apply to any such allotment, such power being limited to:
  - (i) the allotment of equity securities where such securities have been offered (whether by way of rights issue, open offer or otherwise) to holders of ordinary shares made in proportion (as nearly as may be) to their existing shareholdings of ordinary shares, but subject to such exclusions and arrangements as the Directors may consider necessary or expedient to deal with fractional entitlements or any legal or practical problems under the laws of any overseas territory, the requirements of any regulatory authority or any stock exchange, or otherwise; and
  - (ii) the allotment (otherwise than pursuant to sub-paragraph (i) above) of equity securities up to an aggregate nominal amount of £200,000 consisting of up to 20,000,000 Ordinary shares of 1p each in the Company;

such power to expire (unless previously revoked, varied or renewed) at the conclusion of the Annual General Meeting to be held in 2007 but so that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry, such power to be substitution for and to revoke all pre-existing such powers.

By order of the Board

**C.W. Hulley**

Secretary

15 December 2005

Registered office:

Sunrise House

Hulley Road

Macclesfield

Cheshire

SK10 2LP

# notice of annual general meeting

continued

**Notes:**

1. Any member of the Company entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company. A proxy need not preclude a member of the Company from attending and voting at the above meeting if he so desires. To be valid, any appointments of proxies must be deposited at Capita IRG Plc, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU no later than 48 hours before the time at which the meeting is scheduled to commence.
2. The following information, which is available for inspection during normal business hours at the registered office of the Company, from the date of this notice until the date of the Annual General Meeting, will also be available for inspection at the place of the Annual General Meeting for a period of 15 minutes prior to the meeting and until the conclusion of the meeting:
  - a. Register of interests of Directors in the share capital of the Company;
  - b. Copies of service contracts of Directors of the Company.
3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 the Company specifies that only those shareholders registered at 2.00 p.m. on 29 January 2006 shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to the Register of Members after 2.00 p.m. on the 29 January 2006 will be disregarded in determining the rights of any person to attend or vote at the meeting.

# form of proxy

I/We (Block capitals please).....

of.....  
being a member/members of Tertiary Minerals plc hereby appoint the Chairman of the Meeting (see note 2)

or.....  
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 31 January 2006 in the City Room at City of London Club, 19 Old Broad Street, London EC2N 1DS at 2.00 p.m. and at any adjournment thereof.

I 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.

Dated ..... Signed or sealed (see notes 6 & 7) .....

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.

	For	Against
1. Ordinary Resolution to receive the annual report and financial accounts for the year ended 30th September 2005.		
2. Ordinary Resolution to re-elect Mr D McAlister who is retiring by rotation under the Articles of Association as a Director of the Company.		
3. Ordinary Resolution to re-appoint PKF (UK) LLP as Auditors of the Company and authorise the Directors to fix their remuneration.		
4. Special Resolution to empower the Directors to disapply the pre-emption rights for certain allotments of shares.		

#### Notes:

1. This Form of Proxy is for the use of shareholders only and will be used only for the purpose of demanding or voting on a poll.
2. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote on the member's behalf. If it is wished to appoint as proxy someone other than the Chairman of the meeting, delete the words 'the Chairman of the Meeting' and insert in block capitals the full name of the person(s) to be appointed as proxy, initialling the alteration. A proxy need not be a member of the Company.
3. Completion and return of this Form of Proxy will not preclude a member of the Company from attending and voting in person at the meeting or at any adjournment thereof, if they so choose.
4. Any alteration to this Form of Proxy must be initialled.
5. To be effective this Form of Proxy must be lodged at the address overleaf 48 hours before the meeting.
6. In the case of a corporation, this Form of Proxy must be executed either under its common seal or under the hand of an officer or attorney duly authorised in writing.
7. In the case of joint holders, the signature of any one of them will suffice but the names of all joint holders should be shown.



SECOND FOLD

PLEASE  
AFFIX  
POSTAGE  
STAMP

**Capita IRG Plc  
Proxy Department  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU**

FIRST FOLD

THIRD FOLD

## directors & professional advisors



**Patrick Cheetham**  
Executive Chairman



**Donald McAlister**  
Non-Executive Director



**David Whitehead**  
Non-Executive Director



**Christine Hulley**  
FCMA, MCFI  
Company Secretary

### Head and Registered Office

Tertiary Minerals plc  
Sunrise House  
Hulley Road  
Macclesfield  
Cheshire SK10 2LP  
United Kingdom

Tel: +44 (0) 1625 626203  
Fax: +44 (0) 1625 626204

### Company No. 3821411

**Company website**  
[www.tertiaryminerals.com](http://www.tertiaryminerals.com)

### Nominated Advisor

Seymour Pierce Limited  
Bucklersbury House  
3 Queen Victoria Street  
London EC4N 8EL  
United Kingdom

### Auditors

PKF (UK) LLP  
Sovereign House  
Queen Street  
Manchester M2 5HR  
United Kingdom

### Registrars

Capita IRG Plc  
The Registry  
34 Beckenham Road  
Beckenham  
Kent BR3 4TU  
United Kingdom

### Broker

W H Ireland Limited  
11 St James's Square  
Manchester M2 6WH  
United Kingdom

### Bankers

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

### Solicitors

Cobbetts  
Ship Canal House  
King Street  
Manchester M2 4WB  
United Kingdom

## **Tertiary Minerals plc**

Sunrise House,  
Hulley Road,  
Macclesfield,  
Cheshire. SK10 2LP  
United Kingdom



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