

Tertiary Minerals

BEAUFORT

Speculative Buy

Price: 7.0p - 7.5p

EPIC: TYM.L (AIM)

Sector: Mining

Share Chart – One Year



Key Data

12m high-low: 15.03p - 4.5p
 Mkt. cap: £12.45m
 Website: tertiaryminerals.com

Analyst

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Tertiary Minerals Audited Results for the Year to 30 September 2013

There is little new news in the results that was not known following our initiation note dated [10th October 2013](#) (Click [here](#) to read).

Highlights include:

- Work continuing on Storuman Fluorspar Project Preliminary Feasibility Study;
- Storuman Exploitation Concession (Mining Lease) application in preparation;
- Large Exploration target delineated by independent review of historical data; 85-105 million tonnes grading 9-11% fluorspar (CaF₂) at 8% CaF₂ cut-off; and
- First drill programme completed at MB Project – results awaited.

Commenting, Patrick Cheetham, Executive Chairman, said: “I am pleased to be reporting our further progress this year in our ambition to be a significant supplier of fluorspar to world markets with the decision to apply for a mining lease for our most advanced fluorspar project at Storuman in Sweden as well as the definition of a world-class Exploration Target at the MB Project in Nevada.”

The Group is not yet producing minerals and so has no income other than a small amount of bank interest. Consequently the Group is not expected to report profits until it disposes of, or is able to profitably develop or otherwise turn to account its exploration and development projects.

Full details of the results can be accessed via the link towards the end of this report.

The results for the Group are set out in detail in the Financial Statements. The Group reports a loss of £451,160 for the year (2012: £494,945) after administration costs of £437,857 (2012: £466,211) and after crediting interest of £5,668 (2012: £4,050). The loss includes expensed pre-licence and reconnaissance exploration costs of £32,131 (2012: £32,784), the impairment of deferred exploration costs of £7,140 (2012: nil) and a non cash amount of £20,300 (2012: nil) representing a reduction in the Company’s independently valued liability, under the Equity Swap Agreement, from inception to the end of the financial year. Administration costs include £88,506 as non-cash costs for the value of certain options and warrants held by employees and others as required by IFRS 2.

The Financial Statements show that, at 30 September 2013, the Group had net current assets of £1,298,847 (2012: £782,913). This represents the cash position after allowing for receivables and trade and other payables and the value of the equity swap. These amounts are shown in the Consolidated and Company Statement of Financial Position on and are also components of the Net Assets of the Group. Net assets also include various “intangible” assets of the Company. As the name suggests, these intangible assets are not cash assets but include some of this year’s and previous year’s expenditure on minerals projects where that expenditure meets the criteria in Note 1(d) accounting policies. The individual intangible assets total £2,420,947 (2012: £1,843,349) and breakdown by project is shown in Note 2 to the Financial Statements.

Chairman’s Statement

I have great pleasure in presenting the Company’s Annual Report & Financial Statements for the year ended 30 September 2013.

I am pleased that we are reporting further significant progress during the year in our ambition to be a significant supplier of fluorspar to world markets, despite very difficult equity market conditions. Highlights undoubtedly include the delineation of a world class Exploration Target at the recently acquired MB Fluorspar Project in Nevada where, following a review of historical exploration data, an initial tonnage grade estimate was made of 85-105 million tonnes grading 9-11% fluorspar. The first drilling programme has just been completed with the objective of defining a Mineral Resource large enough for an initial 10 year mine life. The results are eagerly awaited.

At the Storuman Fluorspar Project, our most advanced project, we have experienced some delay with metallurgical test work and a consequential delay to the preliminary feasibility study. Nevertheless, a major development for the Storuman project was the decision to apply for an Exploitation Permit which is now in preparation and which we expect to submit in the first quarter of 2014.

The equity markets have been all but closed to junior mining companies during the year and in order to maintain the momentum in our work programmes through the year we have drawn on various innovative funding arrangements including a £1.3 million equity placing and equity swap in May 2013.

I would like to thank my fellow Board members for their contributions during the year and was delighted with the Board’s decision to appoint Richard Clemmey as Managing Director of the Company. Formerly our Operations Director, Richard will continue to manage the Group’s projects and will assume responsibility for the day to day running of the Company. This will allow me more time to focus on the Group’s corporate development and strategy, whilst the separation of the roles of Chairman and Managing Director brings this aspect of the Company’s governance in line with best practice.

This Annual Report follows a revised format following the introduction of the new Companies Act requirements to include a Strategic Report. This is widely seen as an opportunity to more clearly and concisely set out the Company’s aims, strategies and business plan whilst also highlighting those aspects of the Financial Statements that best reflect the Company’s and your Board’s progress and performance during the year. The Strategic Report contains some information formerly included in the Directors’ Report and incorporates the Managing Director’s Operating Review.

Our 30 September year-end means that we are amongst the first companies required to comply with the Strategic Report requirement and no doubt our new reporting format will evolve with time. As its purpose

is to enable a more effective communication with you, our shareholders, I encourage you to contact me with any suggestions for improvement in the presentation of your Annual Report & Financial Statements.

In the meantime I look forward to meeting shareholders at the Annual General Meeting which is to be held on Wednesday 19 February 2014.

Patrick Cheetham
Executive Chairman

Valuation

Tertiary has been valued using both resource-based and DCF methodology. Prudently, a base case fluorspar price of US\$375/tonne has been adopted, while comparison with peer valuations was weighted strictly by compliant status. A mean risked NPV, based on a 10% discount rate, implies a £19.2m value for the Storuman Project and £4.2m for Lassedalen. Whilst it is normal practise to exclude non-compliant resource data from such assessments, an exception has been made for the MB project, given the extent of historical records employing high cut-off. With other assets, the Sum of the Parts translates to an equity value of £25.1m, or 15.8p/share. (From our note of 10th October 2013)

Beaufort Securities Limited is Joint Corporate Broker to Tertiary Minerals Plc.

Strengths and Weaknesses

Strengths

- *Supply-demand dynamics for Fluorspar now indicate a stronger medium-term price trend which, together with the obvious desire of international governments to lower their dependence on Chinese supply, suggest healthy forward economics for western producers;*
- *Three separate projects in different stable, democratic and mining-friendly jurisdictions that include both relatively near-term production and world-class mines;*
- *Fluorspar's western status as a 'critical' or 'strategic' mineral, suggests governments will encourage production in their domestic territories;*
- *Equity financing facility available provides access to capital. Farm out opportunity could provide the group with new cash funding and/or significant free carried interest. Undervalued both on theoretical and resource-based assessments.*

Weaknesses

- *Fluorspar is an abundant global resource. Successful international exploration and/or new forms of product synthesis from base materials could result in over-supply and thereby weaken the long-term mineral pricing outlook;*
- *Macroeconomic play that comes with commodity price sensitivity, metallurgical and permitting risk;*
- *A weak balance sheet and strict project timelines determine the need for regular access to new risk funding, with limited opportunity to commence first production before 2017;*
- *The currently short life-of-mine of the Lassedalen Project means it requires additional development before it is able to be considered economically viable. The scale and relatively low grading of the MB Project will necessitate farm out to a larger JV partner.*

Sources: Company website, Company RNS, ProQuote

Recommendations

During the three months to end-November 2013, the number of stocks on which Beaufort Securities has published recommendations was 258, and the recommendations were as follows: Buy - 48; Speculative Buy - 161; Hold - 48; Sell - 1.

Full definitions of the recommendations used by Beaufort Securities in its publications and their respective meanings can be found on our website [here](#).

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Tertiary Minerals Plc	7

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