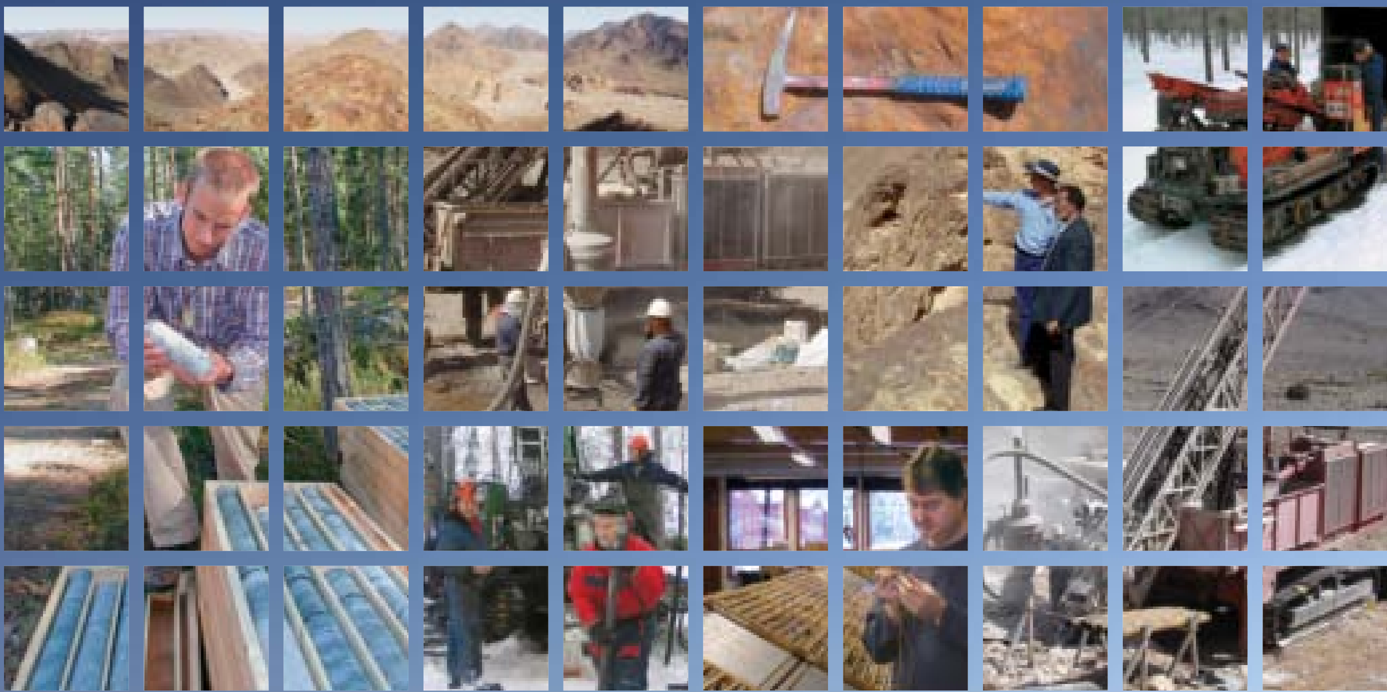
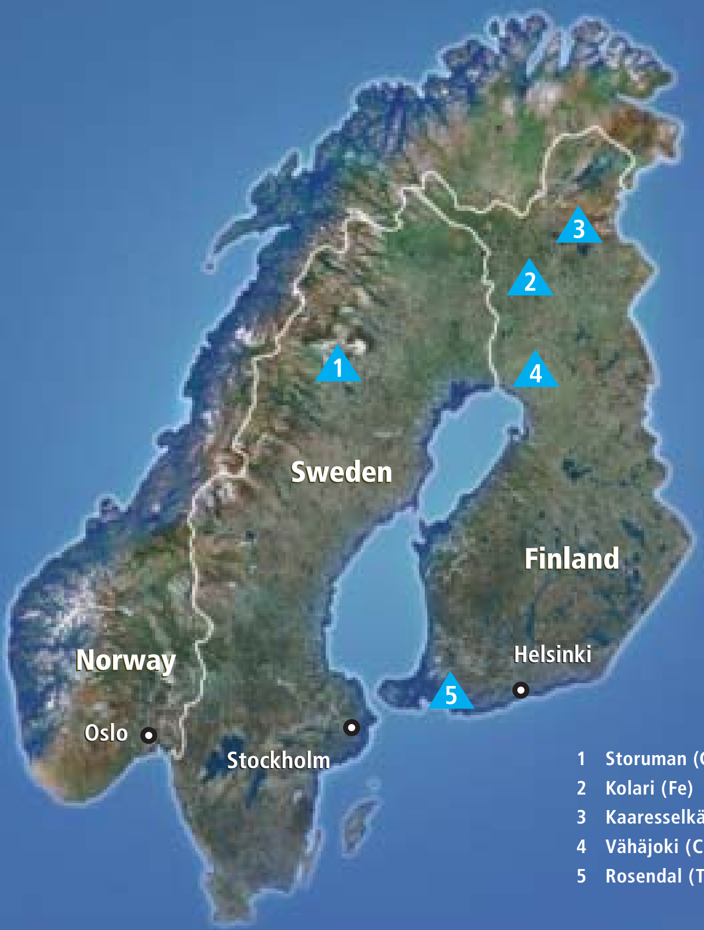
Tertiary Minerals plc



Annual Report 2008

Tertiary Minerals plc

Tertiary is a mineral exploration and development company with a diverse portfolio of mineral projects in the **Nordic Countries** and **Saudi Arabia**. Our small team of dedicated professionals is committed to exploration and management excellence. We are **rich in experience and opportunity** and 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.

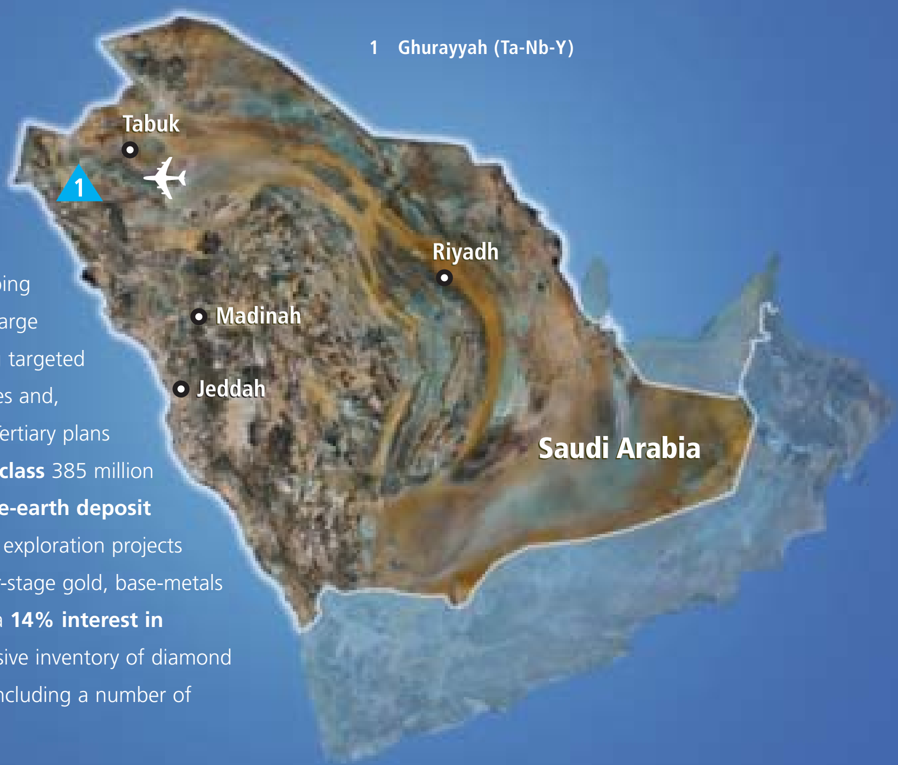


1 Storuman (CaF_2)
2 Kolari (Fe)
3 Kaaresselkä (Au)
4 Vähäjoki (Cu-Au)
5 Rosendal (Ta)

Tertiary Minerals plc

Asset Base

The Company is evaluating a number of major mineral deposits including a recently acquired deposit of the **important industrial mineral fluorspar**, at Storuman in Sweden, where a scoping study is now in progress. At Kolari, in Finland, a large zone of **magnetite iron mineralisation** is being targeted for the production of high grade iron concentrates and, subject to the re-issue of its exploration licence, Tertiary plans further evaluation of the feasibility-stage, **world-class** 385 million tonne Ghurayyah **tantalum-niobium-zircon-rare-earth deposit** in Saudi Arabia with its joint venture partners. Its exploration projects in Finland and Sweden also include several earlier-stage gold, base-metals and tantalum projects. The Company also holds a **14% interest in Sunrise Diamonds plc,** which controls an extensive inventory of diamond exploration targets in Finland's Karelian Craton, including a number of diamondiferous kimberlites.



1 Ghurayyah (Ta-Nb-Y)

2008 – Year in Brief

Storuman Fluorspar Project – Sweden

- New Advanced Project In 2008
- Drilling Confirms Deposit Over At Least 2.5 Sq. Km
- Fluorspar Market Facing Supply Shortages
- Scoping Study & Metallurgical Testwork In Progress

Kolari Iron Project – Finland

- Drilling & Assays Confirm 100m+ Wide Zone Of Magnetite Mineralisation Near Surface
- Concentrate Grades Averaging 70% Iron Produced In Early Testwork
- Targeting Minimum 100 Million Tonnes At 30% Magnetite Iron-Ore

Other Projects

- Further Progress Towards Issue of New Exploration Licence over World Class Ghurayyah Project, Saudi Arabia
- Inmet Progressing Exploration At Vähäjoki JV In Finland – Further Drill Testing Planned

Contents

Chairman's Statement

I have pleasure in presenting your Company's Annual Report & Financial Statements for the year ended 30 September 2008.

Storuman Fluorspar Project

The most significant development this year has been the acquisition in January 2008 of the Storuman fluorspar deposit in Sweden.

Fluorspar is the principal industrial source of fluorine for the manufacture of hydrofluoric acid and derivative fluorine chemicals and it is used as a flux in the manufacture of steel. Following years of oversupply from China, fluorspar is now in critically short supply as traditional Chinese sources become depleted and reserved for Chinese domestic use. The Company's evaluation of a new European source of fluorspar is therefore timely.

Storuman was defined as a multi-million tonne deposit in the 1970s when resource estimation, mine planning and metallurgical testwork outlined a potentially commercial deposit that was not subsequently developed.

In 2008, Tertiary fast-tracked further work on the deposit having completed a confirmatory drilling programme and initiated metallurgical testwork and a technical and economic scoping study. Whilst development of any mineral project faces challenges, particularly in the current financial environment, we have been encouraged by the high level of industry interest in our project.

Kolari Iron Project

The Kolari iron deposit sits at the heart of the Kolari-Pajala iron province in the border areas of northern Finland and Sweden where a number of iron deposits are being considered for development.

Our work during the year has validated the potential for a substantial tonnage of near surface bulk-mineable iron mineralisation on our Sivakkalehto claims in Finland that could be developed to produce high grade iron concentrates.

Tertiary's target is to define a resource of approximately 100 million tonnes grading 30% magnetite. An initial programme of metallurgical testwork has produced premium-grade magnetite concentrates averaging 70% iron.

Iron ore prices doubled in 2007 and early 2008, but more recently price pressures have been strongly downward with a number of iron ore companies announcing production cut-backs. Annual contract prices are expected to fall sharply.

Ghurayyah

At Ghurayyah, in Saudi Arabia, we have seen further progress towards the issue of the new exploration licence over the world class Ghurayyah tantalum-niobium rare-earth deposit, with the issue and agreement of draft licence terms and we hope that our patience will be rewarded before too long.

Sunrise Diamonds plc

The Company has maintained its shareholding in Sunrise Diamonds plc throughout the year and continues to provide management services and to share costs to the advantage of both companies. The Company currently holds 14% of the issued capital of Sunrise Diamonds plc and I know that many of you, like myself, are also shareholders.

Financials

The audited financial statements are prepared under International Reporting Standards (IFRS), as adopted by the European Union, for the first time.

The Group reported a loss of £791,965 for the year (2007: £871,964).

During the year we have secured a trading platform on PLUS markets and whilst our AIM trading facility is unaffected, it gives investors further choice and will lead, we hope, to increased trading liquidity once markets recover.

At the AGM this year shareholders will be asked to consider, amongst the usual business, resolutions adopting new Articles of Association as a result of the introduction of the new Companies Act, and putting in place further share issue authorities. I hope you will support the Board in putting these in place.

Outlook

The Company's progress during the year has been eclipsed by the 2008 financial crisis, the resulting stock market crash and a burgeoning recession. In response, your Board took immediate action to further reduce costs on an already low cost base.

In recent months many metal prices have collapsed as demand slows and financial institutions deleverage their commodity related financial instruments. However, the prices of some of the commodities in which we are involved – fluorspar, tantalum, niobium, and rare-earths – have not yet been as badly affected as they are not speculatively traded and as a result demand and prices tend to track global GDP more closely than do the prices of those metals that trade on terminal markets such as the London Metal Exchange.

Commentators seem divided on the future level of real commodity demand depending on their view of the dependence of China on western world demand for its exports. Undoubtedly the trading picture is currently obscured as the collapse of shipping costs translates to lower delivered prices for many bulk minerals such as fluorspar. However it seems certain that "mine-gate" prices are softening on negative global economic demand and sentiment.

Even allowing for the deepening recession, financial deleveraging has caused the prices of many metals to fall below the limits of sustainable economic production suggesting that medium term outlook should be positive.

In Conclusion

Amongst the current market gloom and uncertain outlook it is worth remembering that it is in such financial environments, when mines are closed and production lost, that the seeds of the next mining boom are being sown.

I remain optimistic that the quality of your Company's projects and the experience of your Board will carry your Company forward.

I would like to thank all my fellow directors and all shareholders for their support in 2008.

Patrick L Cheetham
Executive Chairman
8 December 2008

Operating Review

Storuman Fluorspar Project
In January 2008 the Company was awarded an exploration licence covering a deposit of fluorspar near Storuman in Northern Sweden.

Fluorspar is the commercial name for the valuable industrial mineral fluorite (calcium fluoride – chemical formula CaF_2). Further details on the uses and markets for fluorspar are given on page 6.

The project was first explored by a Swedish company, Gränges Aluminium, in the early 1970s when an "ore-reserve" of 12.5 million tonnes grading 13.3% fluorspar was defined by 39 wide-spaced diamond drill holes over an area of 2km by 1.2km. This "ore-reserve" is not compliant with any current resource or reserve code but it does indicate that the tonnage potential of this deposit is substantial.

Gränges completed a mine design in the 1970s which incorporated some 1.7 million tonnes of fluorspar in a combined open pit and underground mine based on their resource estimate.

At Storuman, fluorspar mineralisation occurs as a replacement within an 8-10m thick gritstone/sandstone unit occurring near the base of a sub-horizontal sequence of sediments that overlie a granite basement. This sequence is remarkably uniform over the large area so far drill tested.

Metallurgical testwork carried out by Gränges was successful in producing an acid-grade fluorspar concentrate with very good recoveries after fine grinding but the project was never developed and the Gränges Group was subsequently taken over, broken up and the Storuman discovery was subsequently neglected.

The deposit is located in an area with well established infrastructure, adjacent to a sealed highway and only 15km from the regional town of Storuman which is connected by road and rail to the City and Port of Umeå on the Gulf of Bothnia and by road to the Norwegian port of Mo-i-Rana.

During the year Tertiary has carried out a confirmation drilling programme, initiated metallurgical testwork and a technical and scoping study and completed a review of relevant environmental legislation.

2008 Drilling Programme
Tertiary completed 10 drill holes in Spring 2008 over the full 2km by 1.2km known extent of the deposit. Most of these holes were sited to twin drill holes reported from the 1970s drilling programme in order to confirm the grade and distribution of fluorspar mineralisation and also to collect representative samples for metallurgical characterisation and testwork.

A full tabulation of significant drill-core assay results is given in the table on page 5. All drill holes are vertical and the reported intersections are believed to represent the true widths of the assayed sections of the horizontally layered fluorite mineralisation.

Initially, assaying of core was mainly restricted to the horizontally bedded lower sandstone horizon where the extensive fluorite mineralisation was confirmed to be present in visually significant amounts as a distinctive lilac coloured fluorite. However a second round of assaying on additional samples later confirmed the Company's suspicion that pale-coloured fluorite also occurs in the immediately overlying quartzite horizon and its flanking transitional zones which were, in many cases, not originally selected for assay as it is difficult to see the pale coloured fluorite against these pale-coloured host rocks.

The second-round assay results are highly significant, with individual mineralised intervals up to 43% thicker and with up to 20% higher grade than shown by first round assays alone. Not only do they point to further tonnage potential in an already large mineralised system, but some of the nearer-surface material previously considered as mine waste in 1970s pit designs could now be considered ore.

Three of the holes drilled were speculative, each stepping-out 250-300m beyond the previously known perimeter of the deposit at its north-west limits. Fluorspar was intersected in all three of these holes but of particular significance was the final step-out hole, drilled on the western side of the highway. The highway follows a valley where the sub-horizontal fluorspar deposit is eroded away. Previously the deposit was only known to sub-crop on the eastern side of the valley where it has been drilled and continues for an unknown but potentially large distance into the hillside. The step-out drill hole on the western side of the valley was abandoned for technical reasons before reaching its final planned depth, but not before intersecting fluorspar mineralised gritstone and demonstrating that the ore horizon continues, and is mineralised with fluorspar, on the western side of the valley. This suggests a further potentially large area of mineralisation is present on the west side of the valley.

Metallurgical Testwork
In July 2008 the Company awarded a contract to SGS Lakefield (Canada) to complete an extensive programme of mineral processing testwork to evaluate the production of acid-grade fluorspar concentrates. This testwork, now in progress, is being supervised by the Company's consulting engineer, a specialist in fluorspar flotation separation.

Scoping Study
The Company is targeting a combined open-pit and underground mine at Storuman producing at least 100,000 tonnes per annum of acid grade fluorspar.

In September 2008 Tertiary commissioned a scoping study to evaluate the technical and economic viability of the Storuman fluorspar deposit. Scott Wilson Ltd, an international design and engineering consultancy with recent experience of fluorspar projects, was appointed to lead and complete the major part of the study. It will be responsible for modelling the mineralisation, conceptual mine and process plant design, infrastructure, capital and operating cost estimation and financial modelling.

A review of the environmental and social permitting process for the Storuman mine development has already been completed as a component of the scoping study by URS Nordic AB, a wholly owned subsidiary of URS Corporation.

Table Of Significant Drill Intersections:

	Fluorspar Assays – Drill Hole Intervals		
Drill Hole Number	**From (Depth Down-Hole) (m=metres)**	**Drill Assay Interval (m=metres)**	**Assay Results Fluorspar (CaF_2) %**
08TS001	14.30m	1.25m	12.1%
08TS002	13.50m	7.00m	10.0%
includes	13.50m	2.80m	13.3%
Includes	18.80m	1.70m	13.3%
08TS003	9.40m	16.50m	12.9%
Includes	9.40m	5.00m	17.8%
Includes	14.40m	11.50m	10.8%
Includes	14.40m	1.15m	14.4%
Includes	20.40m	1.90m	12.9%
Includes	23.70m	2.20m	16.6%
08TS004	52.30m	1.50m	10.2%
and	60.25m	4.35m	13.5%
08TS005	5.60m	13.90m	13.3%
Includes	5.60m	3.60m	13.9%
Includes	9.20m	10.30m	13.1%
Includes	14.80m	4.70m	19.2%
Includes	16.30m	3.20m	22.7%
08TS006	11.50m	18.05m	10.6%
Includes	11.50m	3.35m	21.5%
Includes	25.15m	4.40m	15.5%
08TS007	10.05m	2.20m	6.8%
and	25.10m	2.75m	16.7%
Includes			
08TS008	Planned but not drilled		
08TS009	23.95m	5.85m	10.8%
Includes	28.00m	1.80m	13.9%
and	37.10m	1.30m	16.5%
08TS010	26.95m	5.50m	5.1%
08TS011	27.20m	1.75m	12.8%

Operating Review
continued

Fluorspar – Uses & Markets
Fluorspar is the commercial name for the industrial mineral fluorite (calcium fluoride – chemical formula *CaF_2*).

High purity or "acid-grade" fluorspar concentrate (>97% CaF_2) is the main industrial source of fluorine for the manufacture of hydrofluoric acid and derivative fluorine chemicals including refrigerants, PTFE (Teflon™) and aluminium hydrofluoride, a flux used in the reduction of alumina to aluminium, and in the manufacture of nuclear fuel (uranium hexafluoride).

Lower grades concentrates of fluorspar are used as a flux in steel making, in the ceramics industry and in the manufacture of welding rods.

The world market for fluorspar is just over 5 million tonnes per annum of which 65% is for acid-grade fluorspar.

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

At present, China accounts for over half of world fluorspar production but exports only 25% of its output. Export tonnages have fallen by more than half since the year 2000 and this trend is predicted to continue. Furthermore, the quality of fluorspar exported from China is both declining and becoming unpredictable.

The demand for acid-grade fluorspar tends to track global GDP but, because of the global shifts in availability, the price has more than doubled in the past few years. The outlook for fluorspar prices is uncertain in the current economic environment.

Kolari Iron Project
The Kolari-Pajala iron district is located in northern Sweden and Finland and includes a number of iron deposits being readied for production. The same region also hosts the famous Kiruna mine which produces more than 30 million tonnes of iron ore per year from underground depths of over 1km.

Iron mineralisation in the region usually occurs in the form of the magnetic iron mineral magnetite. The largest magnetic anomaly in the Kolari area sits on the Company's Sivakkalehto claims in Finland.

In late 2007 Tertiary drilled three shallow 60 degree angled scout holes at 200m intervals along the strike of the central part of a north-east trending Sivakkalehto magnetic anomaly. This work indicated the potential for wide zones of low grade magnetite mineralisation.

In order to further validate this potential, detailed logging was carried out in February 2008 on magnetite mineralisation in old drill holes. These holes, and historic assaying, generally appear to have targeted narrow zones of high-grade mineralisation at depths that could only be mined by underground mining methods and, at that time, drilling did not establish continuity of the high grade zones. The potential for wide zones of disseminated mineralisation had not been evaluated.

Detailed magnetic susceptibility logging was systematically carried out on over 3.9km of drill core from 12 key historic drill holes. Magnetic susceptibility is a rock property measurement that is proportional to magnetite iron-ore content (where no other significantly magnetic minerals occur) and when calibrated against known assays can provide an estimate of magnetite iron content. Whilst no substitute for actual assays, when used correctly, this method is sufficiently reliable to quickly and cost effectively indicate the form and extent of magnetite mineralisation.

This work has clearly validated the potential for substantial tonnages of bulk-mineable iron mineralisation which, based on recent drilling, is known to come near to the ground surface. Over the 550m strike length so far considered, the Company's work has defined a coherent envelope of disseminated magnetite mineralisation over 100m wide with a magnetite content of approximately 30% (equal to approximately 20% iron). Most historical drill intersections were made in this body at depths of 100-300m but interpretation of ground magnetic surveys and the results from the Company's three shallow drill holes suggests that the body is sub-vertical and extends to the surface beneath glacial till cover.

Work in 2008 also included a first stage of metallurgical testwork on magnetite mineralised drill core. Davis Tube Tests ("DTTs") were carried out on 10 samples of crushed drill core taken from different parts of the mineralisation and considered to be nominally representative of the mineralisation so-far intersected in drilling. The work was carried out by SGS Lakefield in Cornwall and the results have been interpreted on behalf of the Company by Corus Consulting, a division of the Tata Steel Group.

All of the 10 reported DTT concentrates exceed 68% iron and averaged 70% iron, the desirable level for high grade magnetite concentrates to sell as sinter feed, pellet feed or direct reduction grade pellet feed.

The results of the DTTs also confirm that, in almost every case, the rejection of unwanted waste minerals ("gangue") to the non-magnetic product exceeds 98%. This offers the opportunity of removing some gangue at a coarser particle size through pre-concentration by magnetic cobbing or density separation using heavy media. This could produce significant savings to operating costs in the concentrator.

Phosphorus was also successfully rejected to the non-magnetic waste and whilst the sulphur content of the concentrates is variable, mineralogical work indicates that the sulphides are liberated in the test samples and could be removed by flotation if necessary.

Ghurayyah Tantalum-Niobium-(Rare-earth-Zircon) Project

In Saudi Arabia, the Company is still awaiting the re-issue of its exploration licence over the 400 million tonne, world class Ghurayyah deposit.

This is taking considerable time but progress is being made and the Saudi Government has submitted draft terms for the issue of the licence which have been agreed by the Company and its two Saudi partners in the project, A.H.Algosaibi and Al Nahla Trading & Contracting Co.

The prices of the metals contained in the Ghurayyah deposit have held up well in comparison to base and precious metals generally in recent months although the world's largest tantalum mine, Wodgina in Australia, has recently been closed by its operator, Talison Minerals, citing competition in the market from a resurgence of illegally mined supplies of tantalum from the rebel held areas of eastern Congo.

Vähäjoki Copper Gold Project

Inmet Mining Corporation a mid-tier TSX-listed Canadian mining company which owns and operates a number of base metal and gold mines in Turkey, Canada and Europe is earning a 75% joint venture interest in the Company's Vähäjoki iron oxide-copper-gold project, by sole funding exploration costs totalling €1,000,000 before 31 December 2010.

Once this total expenditure has been met Tertiary may elect to contribute its 25% of further expenditure in joint venture with Inmet or convert its interest to a 2.5% Net Smelter Return royalty.

Inmet has carried out geophysical surveys and an initial drilling programme and further geophysics and drilling are planned.

Other Projects

The Company has not carried out any further work on its Kaareselkä gold project during the year but has maintained its interest whilst awaiting claim renewals which have only recently been granted.

The Company is also seeking to retain its interest in the Rosendal tantalum project in Finland but has allowed its interest in the early stage Storberget gold project (Sweden) to lapse. It will also allow its interest in the Ahmavuoma copper-gold-cobalt project (Sweden) to lapse together with its interests in the early-stage Kalkinnen, Pattasoja and Pyhalammi (Finland) projects as a cost saving measure and, in some cases, following unsuccessful exploration.

Financial & Risk Review

Financial Review

The results for the Group are set out in detail on page 18. The Group has made a loss of £791,965 during the year (2007: £871,964). This includes treasury interest of £32,937 and administration costs of £289,768. It also includes expensed pre-licence and reconnaissance exploration costs of £53,292 and deferred exploration cost impairments of £481,842. Impairments include impairments to deferred exploration costs in respect of the Ghurayyah project pending the re-issue of exploration rights to the project on terms acceptable to the Company, and against the Rosendal project where exploration rights have been re-applied for but not yet granted. Losses also include non-cash losses in connection with the application of IFRS 2 whereby a cost is assigned to the value of certain options and warrants held by employees and consultants.

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

Intangible assets in the financial statements total £504,823 at year end.

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

Equity Issues

The Group's exploration activities continue to be funded from working capital which, in October 2007, was supplemented by a placing of shares which raised £727,280 before expenses.

Non Current Assets

Details of intangible assets, property, plant & equipment and investments are set out in notes 9, 10 and 11 to 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. Mineral 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 also decisions on continuing exploration activity.

Environmental Risk

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

Financing & Liquidity Risk

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

Political Risk

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

Partner Risk

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

Financial Instruments

Details of risks associated with the Group's Financial Instruments are given in note 22 to the Financial Statements on pages 34 to 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 refer shareholders to both the detailed information in the Operating Review and this Financial & Risk Review for further information on the Group's progress during the year.

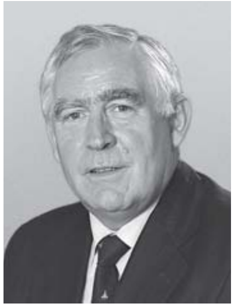
Forward Looking Statements

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

Board of Directors

Patrick Cheetham
Executive Chairman

Donald McAlister
Non-Executive Director*



David Whitehead
Non-Executive Director**

Colin Fitch
MA, LLM, FCIS
Company Secretary

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

The Directors & Officers of the Company are:

Patrick Cheetham, aged 48 *Executive Chairman*
Mr. Cheetham is the founder of the Company. He is a mining geologist with 27 years experience in mineral exploration and 21 years in public company management. Mr Cheetham started his career as an exploration geologist in Australia with Western Mining Corporation and prior to that worked for Imperial Metals Corporation in British Columbia, Canada. From 1986 to 1993 he was joint managing director of Dragon Mining NL, during which time he was responsible for the formation of that company, the identification of and acquisition of its exploration projects, its listing on the Australian Stock Exchange and the subsequent development of its exploration projects. In 1993 Patrick co-founded Archaean Gold N.L. which, in 1996, was the subject of a successful $50 million takeover bid by Lachlan Resources NL. He is currently also Chairman of Sunrise Diamonds plc.

Donald McAlister, aged 49 *Non-Executive Director*
Mr McAlister is an accountant. He is a founding director of the Company and has many years experience in all financial aspects of the resource industry. He was previously finance director of Reunion Mining plc prior to its takeover by Anglo-American 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 is familiar with all financial aspects of resource companies including metal hedging, tax planning and economic modelling. He is currently Finance Director of Ridge Mining plc.

David Whitehead, aged 66 *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 is also currently a director of Latitude Resources plc and Chairman of European Nickel plc.

Colin Fitch MA, LLM, FCIS, aged 76 *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 both Ridge Mining plc and Sunrise Diamonds plc.

Directors' Report

The directors are pleased to submit their annual report and audited accounts for the year ended 30 September 2008.

Principal Activities

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

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

Business Review and Future Developments

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

Going Concern

In common with many exploration companies, the Company raises finance for its exploration and appraisal activities as and when required in discrete tranches. When any of the Group's projects progress 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. On the basis of these projections, which include the proceeds of future fundraising and planned discretionary expenditure, the directors continue to adopt the "going concern" basis for preparing the accounts.

Results

The Group's loss for the year was £791,965 (2007: £871,964).

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 22 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 page 8.

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 2008				At 30 September 2007	
	Shares Number	**Warrants**	**Exercise price**	**Expiry date**	Shares Number	Warrants Number
P L Cheetham*	5,787,250	1,000,000	8.75p	31/10/2013	5,787,250	1,500,000
D A R McAlister	135,000	100,000	8.75p	31/10/2013	135,000	300,000
D Whitehead	–	100,000	8.75p	21/10/2013	–	300,000

*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 2008.

Directors' Report

continued

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
Lynchwood Nominees Limited	6,012,886	9.5
Ahmed Hamed Algosaibi and Brothers Company	4,088,548	6.4
Mrs Carole Rowan	2,954,499	4.6
Pershing Keen Nominees Limited GWCLT Acct	2,852,000	4.5
Mr Patrick Lyn Cheetham	2,843,625	4.5
Mrs Karen Elizabeth Cheetham	2,843,625	4.5
Barclayshare Nominees Limited	2,220,328	3.5
TD Waterhouse Nominees (Europe) Ltd SMKTNOMS	2,022,154	3.2

Suppliers and Contractors

Details of the Group's policy and payment of creditors is disclosed on page 15. 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

In 2008, for the first time the Group has adopted International Financial Reporting Standards (IFRS) as adopted by the European Union and interpretations as adopted by the European Union in force at the reporting date. Further details of the Group accounting policies can be found in note 1 of the financial statements.

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 and also on the Company's website: www.tertiaryminerals.com

Directors' Responsibilities

The directors are responsible for preparing the annual 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, prepared the group financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and have also elected to prepare the Company's financial statements in accordance with those standards. The financial statements are required to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of 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.

The maintenance and integrity of the Tertiary Minerals plc website 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 website.

Disclosure of Audit Information

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

Auditors

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

Annual General Meeting

Notice of the Company's Annual General Meeting convened for 30 January 2009 at 2.00 p.m. is set out on page 36 of this report. An explanatory memorandum giving further information about the proposed resolutions is set out on pages 37 to 39.

Approved by the Board of Directors on 8 December 2008 and signed on its behalf.

Patrick L Cheetham
Chairman

Corporate Governance

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

Role of the Board

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

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

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

Audit Committee

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

Remuneration Committee

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

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

Remuneration of the Executive Chairman comprises a basic salary, target related bonuses and participation in the issue of warrants. Directors emoluments are disclosed in note 5 to the financial statements and details of directors' warrants are disclosed in note 16.

Conflicts of Interest

The Companies Act 2006, being implemented in stages, permits directors of public companies to authorise directors' conflicts and potential conflicts, where appropriate, where the Articles of Association contain a provision to this effect. At the Annual General Meeting being called for 30 January 2009 the directors will propose new Articles of Association with the appropriate provisions. The directors are satisfied that any potential directors' conflicts, prior to the adoption of new Articles of Association, have been effectively reviewed and authorised by the non-conflicted directors in each case.

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.

Shareholders

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

Environment

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

The Group's activities are carried out in accordance with Environmental Policy 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 18 days of average daily purchases (2007: 22 days).

Independent Auditors' Report to the Members of Tertiary Minerals plc

for the year ended 30 September 2008

We have audited the group and parent company financial statements ('the financial statements') of Tertiary Minerals plc for the year ended 30 September 2008 which comprise the consolidated income statement, the group and company statements of total recognised income and expense, the group and company balance sheets, the group and company cash flow statements, and the related notes. The 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 auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and International Financial Reporting Standards ('IFRSs') as adopted by the European Union 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 International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements. The information in the chairman's statement, the operating review and the financial & risk review that is cross referenced from the business review section of the directors' report.

In addition we report to you if, in our opinion, the company has 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 other transactions is not disclosed.

We read other information contained in the annual report and consider whether it is consistent with the audited financial statements. The other information comprises only the directors' report, the chairman's statement, the operating review and the financial & risk review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations 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 group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 30 September 2008 and of its loss for the year then ended;

- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 30 September 2008;

- the financial statements have been properly prepared in accordance with the Companies Act 1985 and

- the information given in the directors' report is consistent with the financial statements.

Emphasis of matter – Going concern

In forming our opinion, which is not qualified, we have considered the adequacy of the disclosure made in note 1 to the financial statements concerning the group's ability to continue as a going concern. As explained in note 1 to the financial statements, the group's planned discretionary project expenditure will necessitate the raising of further funds within the next 12 months. These conditions, along with the other matters in note 1 to the financial statements, indicate the existence of a material uncertainty which may cast significant doubt about the group and company's ability to continue as a going concern. The financial statements do not include the adjustments that would result if the group and company were unable to continue as going concerns.

PKF (UK) LLP
Registered Auditors
Manchester, UK

8 December 2008

Consolidated Income Statement

for the year ended 30 September 2008

	Notes	2008 £	2007 £
Pre-licence exploration costs		**53,292**	22,269
Impairment of deferred exploration costs	9	**481,842**	668,913
Administrative expenses		**289,768**	244,528
Operating loss		**(824,902)**	(935,710)
Share of operating loss of associate		**–**	(18,458)
Profit arising from the increase in value of the Group's share of the net assets of Sunrise Diamonds resulting from share issues		**–**	53,250
Interest receivable		**32,937**	27,713
Share of interest receivable of associate		**–**	1,241
Loss on ordinary activities before taxation	4	**(791,965)**	(871,964)
Tax on loss on ordinary activities	8	**–**	–
Loss for the year attributable to equity holders of the parent	17	**(791,965)**	(871,964)
Loss per share – basic and diluted (pence)	7	**(1.27)**	(1.60)

All amounts relate to continuing activities.

Statement of Total Recognised Income and Expense

for the year ended 30 September 2008

	Notes	Group 2008 £	Company 2008 £	Group 2007 £	Company 2007 £
Loss for the year		**(791,965)**	**(241,783)**	(871,964)	(168,170)
Movement in revaluation of available for sale investment	17	**(317,035)**	**(317,035)**	291,825	334,350
Foreign exchange translation differences on foreign currency, net investments in subsidiaries		**105,348**	**–**	(27,884)	–
Total recognised (expense)/income since last accounts		**(1,003,652)**	**(558,818)**	(608,023)	166,180

Balance Sheets

at 30 September 2008

	Notes	**Group 2008 £**	**Company 2008 £**	Group 2007 £	Company 2007 £
Non-current assets					
Intangible assets	9	**504,823**	**–**	688,170	–
Property, plant & equipment	10	**5,448**	**3,545**	8,682	5,090
Investment in subsidiary	11	**–**	**3,719,351**	–	3,386,656
Available for sale investment	11	**257,519**	**257,519**	549,600	549,600
		767,790	**3,980,415**	1,246,452	3,941,346
Current assets					
Receivables	12	**53,216**	**33,248**	62,467	53,773
Cash and cash equivalents	13	**591,968**	**310,903**	441,617	148,024
		645,184	**344,151**	504,084	201,797
Current liabilities					
Trade and other payables	14	**(94,280)**	**(48,209)**	(78,307)	(40,902)
Net current assets		**550,904**	**295,942**	425,777	160,895
Net assets		**1,318,694**	**4,276,357**	1,672,229	4,102,241
Equity					
Called up share capital	15	**636,037**	**636,037**	545,127	545,127
Share premium account	17	**4,859,689**	**4,859,689**	4,259,683	4,259,683
Merger reserve	17	**131,096**	**131,096**	131,096	131,096
Share option reserve	17	**65,619**	**65,619**	23,601	23,601
Available for sale revaluation reserve	17	**(25,210)**	**17,315**	291,825	334,350
Foreign currency reserve	17	**77,464**	**–**	(27,884)	–
Retained losses	17	**(4,426,001)**	**(1,433,399)**	(3,551,219)	(1,191,616)
Shareholders' funds		**1,318,694**	**4,276,357**	1,672,229	4,102,241

These financial statements were approved and authorised for issue by the Board of Directors on 8 December 2008 and were signed on its behalf.

P L Cheetham
Executive Chairman

D A R McAlister
Director

Cash Flow Statements

for the year ended 30 September 2008

	Group 2008 £	**Company 2008 £**	Group 2007 £	Company 2007 £
Operating activities				
Operating loss	**(824,902)**	**(267,057)**	(935,710)	(181,058)
Depreciation charge	**3,318**	**1,545**	4,393	1,545
Impairment charge	**481,842**	**–**	691,182	–
Share based payment charge	**42,018**	**42,018**	19,431	19,431
Decrease/(increase) in receivables	**9,252**	**20,525**	(5,270)	(7,007)
Increase in payables	**15,973**	**7,307**	7,255	3,628
Net cash outflow from operating activity	**(272,499)**	**(195,662)**	(218,719)	(163,461)
Investing activities				
Interest received	**32,937**	**25,274**	27,713	12,348
Purchase of intangible assets	**(291,320)**	**–**	(220,638)	–
Purchase of property, plant & equipment	**(84)**	**–**	(3,177)	(135)
Purchase of available for sale investments	**(24,954)**	**(24,954)**	–	–
Additional investment in subsidiaries	**–**	**(332,695)**	–	(86,033)
Net cash outflow from investing activity	**(283,421)**	**(332,375)**	(196,102)	(73,820)
Financing activity				
Issue of share capital (net of expenses)	**690,916**	**690,916**	–	–
Net cash inflow from financing activity	**690,916**	**690,916**	–	–
Net increase/(decrease) in cash and cash equivalents	**134,996**	**162,879**	(414,821)	(237,281)
Cash and cash equivalents at start of year	**441,617**	**148,024**	884,110	385,305
Exchange differences	**15,355**	**–**	(27,672)	–
Cash and cash equivalents at 30 September	**591,968**	**310,903**	441,617	148,024

Notes to the Financial Statements

for the year ended 30 September 2008

1. Accounting policies

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

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

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

(a) Statement of compliance

The financial statements have been prepared, for the first time, 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 1985 applicable to companies reporting under IFRS. The Company has reviewed the accounting policies set out in the Company's financial statements for the year ended 30 September 2007, which were prepared in accordance with UK Generally Accepted Accounting Practice (UK GAAP). The review concluded that in preparing its opening IFRS balance sheet, the Group would need to adjust amounts reported previously in financial statements prepared since the transition date to IFRS, 1 October 2006 (see note 2).

The Group has elected to apply the following IFRS 1 exemptions and transitional provisions:

Cumulative translation differences exemption

The Group has elected to set previously accumulated translation differences to zero at the transition date.

Available for sale investments

The Group has applied IAS 39 for the first time. The ordinary shares held in Sunrise Diamonds plc are designated as an available for sale investment under non-current assets and are measured subsequently at fair value, with changes in value recognised in equity. Gains and losses arising from available for sale investments are recognised in the income statement when they are sold or when the investment is impaired.

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

(b) Basis of preparation

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

The directors prepare annual budgets and cash flow projections that extend beyond 12 months from the date of this report. On the basis of these projections, which include the proceeds of future fundraising and planned discretionary project expenditure, the directors continue to adopt the "going concern" basis for preparing the accounts.

(c) Basis of consolidation

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

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

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

Notes to the Financial Statements

continued

1. Accounting policies – continued

In accordance with section 230 of the Companies Act 1985, Tertiary Minerals plc is exempt from the requirement to present its own income statement. The amount of the loss for the financial year recorded within the financial statements of Tertiary Minerals plc is £241,783 (2007: £168,710) as shown in note 17.

(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.

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 according to the above criteria.

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

Development

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

(e) Depreciation

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

Fixtures and fittings	20% to 33% per annum.

(f) Available for sale investments

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

(g) Trade and other receivables and payables

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

(h) Cash and cash equivalents

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

(i) Deferred taxation

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

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

No deferred tax asset is recognised in the financial statements.

1. Accounting policies – continued

(j) Foreign currencies

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

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

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

(k) Leasing and hire purchase commitments

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

(l) Share Based Payments

The Company issues warrants and options to certain employees (including directors) and suppliers. For all options and warrants issued after 1 October 2005 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 16.

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.

Share based payments

The estimates of share based payments costs requires that management selects an appropriate valuation model and makes 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.

Notes to the Financial Statements

continued

2. Explanation of Transition to IFRS

For the purposes of transition to IFRS the Company's transition date is 1 October 2006 and for both Group and Company, the balance sheets as at 1 October 2006 and 30 September 2007, as prepared under UK GAAP, were reviewed. No amendments are required to the Group balance sheet at 1 October 2006, but amendments are required to the Company balance sheet at that date and also to both Group and Company balance sheets at 30 September 2007, in order that they comply with IFRS and these are restated below.

Company Balance Sheet at 1 October 2006	**UK GAAP £**	Note 2a £	**IFRS £**
Non-current assets			
Intangible assets	**–**	–	–
Property, plant & equipment	**6,500**	–	**6,500**
Investment in subsidiary	**224,889**	3,075,734	**3,300,623**
Investment in associate	**215,250**	–	**215,250**
	446,639	3,075,734	**3,522,373**
Current assets			
Receivables	**3,122,500**	(3,075,734)	**46,766**
Cash at cash equivalents	**385,305**	–	**385,305**
	3,507,805	(3,075,734)	**432,071**
Current liabilities			
Trade and other payables	**(37,274)**	–	**(37,274)**
Net current assets	**3,470,531**	(3,075,734)	**394,797**
Net Assets	**3,917,170**	–	**3,917,170**
Equity			
Called up share capital	**545,127**	–	**545,127**
Share premium account	**4,259,683**	–	**4,259,683**
Merger reserve	**131,096**	–	**131,096**
Share option reserve	**4,170**	–	**4,170**
Retained losses	**(1,022,906)**	–	**(1,022,906)**
Total Equity	**3,917,170**	–	**3,917,170**

2. **Explanation of Transition to IFRS** – continued

Company Balance Sheet at 30 September 2007	**UK GAAP £**	Note 2b £	Note 2c £	**IFRS £**
Non-current assets				
Intangible assets	**–**	–	–	**–**
Property, plant & equipment	**5,090**	–	–	**5,090**
Investment in subsidiary	**224,889**	–	3,161,767	**3,386,656**
Available for sale investment	**215,250**	334,350	–	**549,600**
	445,229	334,350	3,161,767	**3,941,346**
Current assets				
Receivables	**3,215,540**	–	(3,161,767)	**53,773**
Cash at cash equivalents	**148,024**	–	–	**148,024**
	3,363,564	–	(3,161,767)	**201,797**
Current liabilities				
Trade and other payables	**(40,902)**	–	–	**(40,902)**
Net current assets	**3,322,662**	–	(3,161,767)	**160,895**
Net Assets	**3,767,891**	334,350	–	**4,102,241**
Equity				
Called up share capital	**545,127**	–	–	**545,127**
Share premium account	**4,259,683**	–	–	**4,259,683**
Merger reserve	**131,096**	–	–	**131,096**
Share option reserve	**23,601**	–	–	**23,601**
Available for sale revaluation reserve	**–**	334,350	–	**334,350**
Retained losses	**(1,191,616)**	–	–	**(1,191,616)**
Total Equity	**3,767,891**	334,350	–	**4,102,241**

Notes to the Financial Statements

continued

2. Explanation of Transition to IFRS – continued

Group Balance Sheet at 30 September 2007	UK GAAP £	Note 2b £	Note 2c £	IFRS £
Non-current assets				
Intangible assets	**688,170**	–	–	**688,170**
Property, plant & equipment	**8,682**	–	–	**8,682**
Share of net assets of associate	**–**	–	–	**–**
Available for sale investment	**257,775**	291,825	–	**549,600**
	954,627	291,825	–	**1,246,452**
Current assets				
Receivables	**62,467**	–	–	**62,467**
Cash and cash equivalents	**441,617**	–	–	**441,617**
	504,084	–	–	**504,084**
Current liabilities				
Trade and other payables	**(78,307)**	–	–	**(78,307)**
Net current assets	**425,777**	–	–	**425,777**
Net Assets	**1,380,404**	291,825	–	**1,672,229**
Equity				
Called up share capital	**545,127**	–	–	**545,127**
Share premium account	**4,259,683**	–	–	**4,259,683**
Merger reserve	**131,096**	–	–	**131,096**
Share option reserve	**23,601**	–	–	**23,601**
Available for sale revaluation reserve	**–**	291,825	–	**291,825**
Foreign currency reserve	**–**	–	(27,884)	**(27,884)**
Retained losses	**(3,579,103)**	–	27,884	**(3,551,219)**
Total Equity	**1,380,404**	291,825	–	**1,672,229**

Notes

2a Investment in Subsidiary Companies

The Company in applying IAS 39 has changed the status of the loans to Tertiary Gold Ltd and Tertiary (Middle East) Ltd from that of a debtor under UK GAAP, to that of an investment. The loan is unsecured with no fixed dates of repayment.

2b Investments in Listed Companies

The Group in applying IAS 39 has valued the listed shares in Sunrise Diamonds plc at fair value. This investment is treated as an available for sale investment and the movement in fair value has been recognised through equity.

2c Foreign Currency Reserve

A translation reserve was created for the exchange differences arising from the retranslation of the opening net investment in subsidiaries.

The income statement at 30 September 2007, for both group and company, as prepared under UK GAAP, was reviewed, but no amendments are required to comply with IFRS.

The cash flow statements have been restructured to comply with IFRS and interest received is included as an investing activity.

3. Segmental analysis

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

	Capital expenditure 2008 £	**Total segment assets 2008 £**	Capital expenditure 2007 £	Total segment assets 2007 £
Finland	**94,526**	**316,933**	49,615	556,022
Sweden	**196,794**	**187,890**	1,646	132,149
	291,320	**504,823**	51,261	688,170

4. Loss on ordinary activities before taxation

	2008 £	2007 £
The operating loss is stated after charging		
Operating lease rentals – land and buildings	**19,270**	19,095
Fees payable to the Company's auditor for:		
The audit of the Company's annual accounts	**8,593**	7,250
Other Services	**2,908**	2,719
Tax Services	**–**	240
Depreciation – owned assets	**3,318**	4,393

5. Directors emoluments

	2008 £	2007 £
Remuneration in respect of directors was as follows:		
P L Cheetham (salary)	**53,644**	44,838
D A R McAlister (salary)	**9,500**	8,000
D Whitehead (fees)	**9,500**	8,000
	72,644	60,838

Share based payments charged in these financial statements in respect of the directors amounted to £24,818 (2007: nil).

6. Staff costs

	2008 £	2007 £
Staff costs for Group and Company, including directors, were as follows:		
Wages and salaries	**170,266**	153,595
Social security costs	**20,179**	16,658
Share based payments	**28,135**	11,333
	218,580	181,586

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

	2008 Number	2007 Number
Technical employees	**3**	3
Administration employees (including non-executive directors)	**4**	4
	7	7

Notes to the Financial Statements

continued

7. Loss per share

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

	2008	2007
Loss (£)	**(791,965)**	(871,964)
Weighted average shares in issue (No.)	**62,560,506**	54,512,736
Basic and diluted loss per share (pence)	**(1.27)**	(1.60)

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

8. Taxation on ordinary activities

No liability to corporation tax arises for the year due to the Group recording a taxable loss (2007: £nil).

The tax credit for the year is lower than the credit resulting from the loss before tax at the standard rate of corporation tax in the UK – 28% (2007: 30%). The differences are explained below.

	2008	2007
	£	£
Tax reconciliation		
Loss on ordinary activities before tax	**(791,965)**	(871,964)
Tax at 28% (2007: 30%)	**(221,750)**	(261,589)
Differences between capital allowances and depreciation	**1,488**	878
Profit on disposal of fixed assets	**–**	–
Pre-trading expenditure no longer deductible for tax purposes	**25,497**	2,612
Net loss/(profit) relating to associate not deductible for tax purposes	**–**	(10,810)
Tax losses carried forward	**194,765**	268,909
Tax on loss from ordinary activities	**–**	–

Factors that may affect future tax charges

The Group has not recognised a deferred tax asset of £1,012,389 (2007: £870,088). This amount would be recoverable if sufficient taxable profits were made in the future.

9. Intangible assets

	Deferred exploration expenditure 2008	Deferred exploration expenditure 2007
Group	**£**	£
Cost		
At start of year	**1,357,083**	1,158,926
Additions	**291,320**	198,369
Exchange adjustments	**7,175**	(212)
At 30 September	**1,655,578**	1,357,083
Impairment losses		
At start of year	**(668,913)**	–
Charge during year	**(481,842)**	(668,913)
At 30 September	**(1,150,755)**	(668,913)
Carrying amounts		
At 30 September	**504,823**	688,170
At start of year	**688,170**	1,158,926

10. Property, plant & equipment

	Group fixtures and fittings 2008 £	**Company fixtures and fittings 2008 £**	Group fixtures and fittings 2007 £	Company fixtures and fittings 2007 £
Cost				
At start of year	**39,778**	**13,413**	36,601	13,278
Additions	**84**	**–**	3,177	135
At 30 September	**39,862**	**13,413**	39,778	13,413
Depreciation				
At start of year	**(31,096)**	**(8,323)**	(26,703)	(6,778)
Charge for the year	**(3,318)**	**(1,545)**	(4,393)	(1,545)
At 30 September	**(34,414)**	**(9,868)**	(31,096)	(8,323)
Net Book Value				
At 30 September	**5,448**	**3,545**	8,682	5,090
At start of year	**8,682**	**5,090**	9,898	6,500

11. Investments

Subsidiary undertakings

Company	**Country of Incorporation/ Registration**	**Type and Percentage of shares held at 30 September 2008**	**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 2008 £**	Company 2007 £
Ordinary shares – Tertiary (Middle East) Limited	**1**	1
Ordinary shares – Tertiary Gold Limited	**93,792**	93,792
Loan – Tertiary (Middle East) Limited	**925,123**	916,690
Loan – Tertiary Gold Limited	**2,700,435**	2,376,173
At 30 September	**3,719,351**	3,386,656

Available for sale investment

Company	**Country of Incorporation/ Registration**	**Type and Percentage of shares held at 30 September 2008**	**Principal Activity**
Sunrise Diamonds plc	England & Wales	13.97% of ordinary shares	Diamond exploration

Available for sale investment	**Group 2008 £**	**Company 2008 £**	Group 2007 £	Company 2007 £
Value at start of year	**549,600**	**549,600**	–	–
Additions	**24,953**	**24,953**	257,775	215,250
Movement in valuation of available for sale investment	**(317,034)**	**(317,034)**	291,825	334,350
At 30 September	**257,519**	**257,519**	549,600	549,600

The fair value of the available for sale investment is equal to the market value of the shares in Sunrise Diamonds plc at 30 September 2008, based on the closing mid market price of shares on the AIM Market.

Notes to the Financial Statements

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12. Receivables

	Group 2008 £	Company 2008 £	Group 2007 £	Company 2007 £
Trade receivables	22,790	20,796	42,517	42,519
Other receivables	15,181	47	5,072	–
Prepayments and accrued income	15,245	12,405	14,878	11,254
	53,216	33,248	62,467	53,773

The Group aged analysis of trade receivables is as follows:

	Not impaired	30 days or less	Over 30 days	Total carrying amount
2008 Trade receivables	22,790	20,796	1,994	22,790
2007 Trade receivables	42,517	42,517	–	42,517

13. Cash and cash equivalents

	Group 2008 £	Company 2008 £	Group 2007 £	Company 2007 £
Cash at bank and in hand	44,146	30,903	188,511	148,024
Short-term bank deposits	547,822	280,000	253,106	–
	591,968	310,903	441,617	148,024

14. Trade and other payables

	Group 2008 £	Company 2008 £	Group 2007 £	Company 2007 £
Trade creditors	24,253	16,421	22,967	11,580
Other taxes and social security costs	6,483	6,483	4,806	5,649
Accruals and deferred income	60,065	21,826	45,591	18,730
Other payables	3,479	3,479	4,943	4,943
	94,280	48,209	78,307	40,902

15. Share capital

	2008 Number	2008 £	2007 Number	2007 £
Authorised				
Ordinary shares of 1p each	150,000,000	1,500,000	150,000,000	1,500,000
	150,000,000	1,500,000	150,000,000	1,500,000
Allotted, called up and fully paid				
Ordinary shares of 1p each	63,603,736	636,037	54,512,736	545,127
	63,603,736	636,037	54,512,736	545,127

During the year to 30 September 2008 the following share issues took place:

An issue of 9,091,000 1.0p ordinary shares at 8.0p per share, by way of placing, for a total consideration of £690,916 net of expenses. (31 October 2007).

16. Warrants and Options granted

Unexercised Warrants

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

Unexercised Options

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

Warrants and options are issued for nil consideration and are exercisable as disclosed above. They are exchangeable on a one for one basis for ordinary shares of 1 penny 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:

	2008		2007	
	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	**3,380,000**	**9.33**	2,980,000	8.84
Granted during the year	**1,600,000**	**8.75**	400,000	13.00
Expired during the year	**(2,100,000)**	**6.50**	–	–
Forfeited during year	**(415,000)**	**13.31**	–	–
Outstanding at 30 September	**2,465,000**	**10.70**	3,380,000	9.33
Exercisable at 30 September	**465,000**	**13.23**	2,530,000	8.16

The warrants and options outstanding at 30 September 2008 had a weighted average exercise price of £0.11 and a weighted average remaining contractual life of 4.6 years.

In the year ended 30 September 2008, warrants were granted on 31 October 2007. The aggregate of the estimated fair values of the warrants granted on this date is £50,581. In the year ended 30 September 2007, warrants were granted on 11 December 2006. The aggregate of the estimated fair values of the warrants granted on this date is £17,024.

No options were granted in the year ended 30 September 2008 or the year ended 30 September 2007.

Notes to the Financial Statements

continued

16. Warrants and Options granted – continued

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

	2008	2007
Weighted average share price	**7.00p**	10.40p
Weighted average exercise price	**8.75p**	13.00p
Expected volatility	**67%**	70%
Expected life	**4 years**	3 years
Risk-free rate	**4.95%**	4.95%
Expected dividend yield	**0%**	0%

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

The Company recognised total expenses of £42,018 and £19,431 related to equity-settled share-based payment transactions in 2008 and 2007 respectively.

17. Movement in reserves

Group	**Share Premium account £**	**Merger reserve £**	**Share option reserve £**	**Available for sale revaluation reserve £**	**Foreign currency reserve £**	**Retained reserve £**
At 1 October 2006	4,259,683	131,096	4,170	291,825	(27,884)	(2,651,371)
Loss for the year	–	–	–	–	–	(871,964)
Exchange differences	–	–	–	–	–	(27,884)
Share based payments	–	–	19,431	–	–	–
At 30 September 2007	4,259,683	131,096	23,601	291,825	(27,884)	(3,551,219)
Share Issue	600,006	–	–	–	–	–
Loss for the Year	–	–	–	–	–	(791,965)
Exchange differences	–	–	–	–	105,348	(82,817)
Share based payments	–	–	42,018	–	–	–
Change in fair value	–	–	–	(317,035)	–	–
At 30 September 2008	**4,859,689**	**131,096**	**65,619**	**(25,210)**	**77,464**	**(4,426,001)**

Company	**£**	**£**	**£**	**£**	**£**	**£**
At 1 October 2006	4,259,683	131,096	4,170	334,350	–	(1,022,906)
Loss for the year	–	–	–	–	–	(168,710)
Share based payments	–	–	19,431	–	–	–
At 30 September 2007	4,259,683	131,096	23,601	334,350	–	(1,191,616)
Share Issue	600,006	–	–	–	–	–
Loss for the year	–	–	–	–	–	(241,783)
Share based payments	–	–	42,018	–	–	–
Change in fair value	–	–	–	(317,035)	–	–
At 30 September 2008	**4,859,689**	**131,096**	**65,619**	**17,315**	**–**	**(1,433,399)**

18. Operating lease commitments

Financial commitments under non-cancellable leases are:

	2008 Land & Buidlings £	2007 Land & Buildings £
Within one year	**1,600**	1,600
Within two to five years	–	–
	1,600	1,600

19. 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 2008				At 30 September 2007	
	Shares	**Warrants**			Shares	Warrants
	Number	**Number**	**Exercise price**	**Expiry date**	Number	Number
P L Cheetham*	5,787,250	1,000,000	8.75p	31/10/2013	5,787,250	1,500,000
D A R McAlister	135,000	100,000	8.75p	31/10/2013	135,000	300,000
D Whitehead*	–	100,000	8.75p	31/10/2013	–	300,000

* 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 2008. 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 11.

Sunrise Diamonds plc

During the year the Company recharged costs of £96,005 to Sunrise Diamonds plc being shared overheads of £21,797, costs paid on behalf of the Sunrise Diamonds plc of £12,981, staff salary costs of £37,597 and directors' salary costs of £23,630. The salary costs on notes 5 and 6 are shown net of these recharges.

At the balance sheet date an amount of £19,607 was due from Sunrise Diamonds plc which was repaid in November 2008.

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

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

	At 30 September 2008				At 30 September 2007	
	Shares	**Warrants**			Shares	Warrants
	Number	**Number**	**Exercise price**	**Expiry date**	Number	Number
P L Cheetham*	8,700,000	500,000	2.00p	06/06/2010	6,200,000	1,000,000
		500,000	2.75p	08/12/2011	–	–
		500,000	2.00p	31/10/2013		
D A R McAlister	550,000				500,000	–
D Whitehead	500,000				500,000	–

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

20. Post Balance Sheet Events

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

Notes to the Financial Statements

continued

21. 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.

22. Financial instruments

At 30 September 2008, the Group 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 2008, as defined in IAS 39, are as follows:-

	Group 2008 £	**Company 2008 £**	Group 2007 £	Company 2007 £
Loans & receivables	**630,790**	**333,597**	489,206	190,543
Available for sale investments	**257,519**	**257,519**	549,600	549,600
Financial liabilities	**87,797**	**41,726**	73,501	35,253

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

Currency risk

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

22. Financial instruments – continued

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

	Group		Company	
	2008	2007	**2008**	2007
	£	£	**£**	£
United Kingdom Sterling	**313,156**	158,902	**310,903**	148,024
United States Dollar	**275,292**	267,645	**–**	–
Canadian Dollar	**1,242**	14,328	**–**	–
Swedish Krona	**2,278**	742	**–**	–
	591,968	441,617	**310,903**	148,024

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

At 30 September 2008, the Group held treasury deposits, including funds held on behalf of other participants in the Ghurayyah joint arrangement, in the following denominations:

	£	**Maturity Date**	**Gross Rate**
United Kingdom Sterling	30,000	7 October 2008	5.10%
United Kingdom Sterling	40,000	8 October 2008	4.79%
United Kingdom Sterling	30,000	28 October 2008	4.77%
United Kingdom Sterling	125,000	1 December 2008	5.19%
United Kingdom Sterling	55,000	29 December 2008	5.44%
United States Dollar	55,022	24 November 2008	2.12%
United States Dollar	407,164	22 December 2008	2.49%

The Company and the Group are exposed to changes in the US Dollar/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 2008 would increase or decrease by £13,765 for each 5% increase or decrease in the value of Sterling against the Dollar.

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

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

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

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

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

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held in the Fourth Floor Council Room at Arundel House, 13-15 Arundel Street, Temple Place, London, WC2R 3DX on Friday 30 January 2009, at 2.00 p.m. for the following purposes:

Ordinary Business

1. To receive the Accounts and Reports of the Directors and of the Auditors for the year ended 30 September 2008.

2. To re-elect Mr D A R 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 to authorise the directors to fix their remuneration.

Special Business

Ordinary Resolution

4. That the directors of the Company be and they are hereby generally authorised for the purposes of section 80 of the Companies Act ("the Act") to exercise all the powers of the Company to allot relevant securities (as defined by section 80 (2) of the Act) up to an aggregate nominal amount equal to the authorised but unissued share capital of the Company, such power to expire (unless previously revoked, varied or renewed) at the conclusion of the Annual General Meeting to be held in 2010 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 in substitution for and to revoke all pre-existing such powers.

Special Resolutions

5. 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 the above Ordinary Resolution No. 4 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 £400,000 consisting of up to 40,000,000 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 2010 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 in substitution for and to revoke all pre-existing such powers.

6. That the regulations contained in the new Articles of Association, made available to members via the Company's website and for which explanatory notes have been provided on pages 37 to 39 be approved and adopted as the Articles of Association of the Company in substitution for and to the exclusion of the current Articles of Association.

By order of the Board

C.D.T. Fitch
Company Secretary
8 December 2008

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 30 January 2009 in the Fourth Floor Council Room at Arundel House, 13-15 Arundel Street, Temple Place, London, WC2R 3DX at 2.00 p.m. The business of the meeting is as follows:

Ordinary Business

Resolution 1
The Board is required to present to the meeting for approval the Accounts and the Report of Directors and the Auditors for the year ended 30 September 2008 which can be found on pages 11 to 35.

Resolution 2
The Company's Articles of Association require that at least one-third of directors retire annually and offer themselves for re-election if they and the Board so wish. Biographical details of the directors can be found on page 10.

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

Resolution 3
The Company's auditor PKF (UK) LLP is offering itself for re-appointment and if elected will hold office until the conclusion of the next annual general meeting at which accounts are laid before shareholders. This resolution will also allow the directors to fix the remuneration of the auditor.

Special Business

Resolution 4
This resolution is to give the directors authority to issue shares. Section 80 of the Companies Act 1985 requires that directors be authorised by shareholders before any of the authorised but unissued share capital can be issued.

The last such authority was put in place by a meeting of shareholders held on 29 January 2004 but it will expire on 29 January 2009.

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 the Group's activities.

If given, this authority will expire at the conclusion of the Annual General Meeting in 2010.

Resolution 5
This resolution will be proposed as a Special Resolution in the event that Resolution 4 is passed by shareholders. Resolution 5 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 forthcoming Annual General Meeting.

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

Apart from rights issues, the authority will be limited to the issue of new shares up to an aggregate nominal value of £400,000 (being 40,000,000 ordinary shares of 1p each and 63% of the issued ordinary share capital of the Company as at the date of this report).

If given, this authority will expire at the conclusion of the Annual General Meeting in 2010.

Explanatory Notes to the Notice of Annual General Meeting continued

Resolution 6

In response to the introduction of the Companies Act 2006 the Company is proposing the adoption of new replacement Articles of Association ("the New Articles") to bring the existing Articles of Association ("the Current Articles") in line with current legislation. The opportunity has also been taken to bring clearer language into the New Articles.

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

The following notes explain the principal changes that are proposed:

6a Articles which duplicate statutory provisions

Provisions in the Current Articles which replicate provisions contained in the Companies Act 2006 are in the main amended to bring them into line with the Companies Act 2006. Certain examples of such provisions include provisions as to the form of resolutions, the variation of class rights, the requirement to keep accounting records and provisions regarding the period of notice required to convene general meetings. The main changes made to reflect this approach are detailed below.

6b Form of resolution

The Current Articles contain a provision that, where for any purpose an ordinary resolution is required, a special or extraordinary resolution is also effective and that, where an extraordinary resolution is required, a special resolution is also effective. This provision is being amended as the concept of extraordinary resolutions has not been retained under the Companies Act 2006.

The Current Articles enable members to act by written resolution. Under the Companies Act 2006 public companies can no longer pass written resolutions. These provisions have therefore been removed in the New Articles.

6c Convening extraordinary and annual general meetings

The provisions in the Current Articles dealing with the convening of general meetings and the length of notice required to convene general meetings are being amended to conform to new provisions in the Companies Act 2006. In particular an extraordinary general meeting (now referred to as a general meeting) to consider a special resolution can be convened on 14 days' notice whereas previously 21 days' notice was required.

6d Votes of members

Under the Companies Act 2006 proxies are entitled to vote on a show of hands whereas under the Current Articles proxies are only entitled to vote on a poll. The time limits for the appointment or termination of a proxy appointment have been altered by the Companies Act 2006 so that the articles cannot provide that they should be received more than 48 hours before the meeting or in the case of a poll taken more than 48 hours after the meeting, more than 24 hours before the time for the taking of a poll, with weekends and bank holidays being permitted to be excluded for this purpose. Multiple proxies may be appointed provided that each proxy is appointed to exercise the rights attached to a different share held by the shareholder. The New Articles reflect all of these new provisions.

6e Conflicts of interest

The Companies Act 2006 sets out directors' general duties which largely codify the existing law but with some changes. Under the Companies Act, from 1 October 2008 a director must avoid a situation where he has, or can have, a direct or indirect interest that conflicts, or possibly may conflict with the Company's interests. The requirement is very broad and could apply, for example, if a director becomes a director of another Company or a trustee of another organisation. The Companies Act 2006 allows directors of public companies to authorise conflicts and potential conflicts, where appropriate, where the articles of association contain a provision to this effect. The Companies Act 2006 also allows the articles of association to contain other provisions for dealing with directors' conflicts of interest to avoid a breach of duty. The New Articles give the directors authority to approve such situations and to include other provisions to allow conflicts of interest to be dealt with in a similar way to the current position.

There are safeguards which will apply when directors decide whether to authorise a conflict or potential conflict. First, only directors who have no interest in the matter being considered will be able to take the relevant decision, and secondly, in taking the decision the directors must act in a way they consider, in good faith, will be most likely to promote the Company's success. The directors will be able to impose limits or conditions when giving authorisation if they think this is appropriate.

It is also proposed that the New Articles should contain provisions relating to confidential information, attendance at Board meetings and availability of Board papers to protect a director being in breach of duty if a conflict of interest or potential conflict of interest arises. These provisions will only apply where the position giving rise to the potential conflict has previously been authorised by the directors. It is the Board's intention to report annually on the Company's procedures for ensuring that the Board's powers of authorisation of conflicts are operated effectively and that the procedures have been followed.

6f Electronic and web communications

Provisions of the Companies Act 2006 which came into force in January 2007 enable companies to communicate with members by electronic and/or website communications. The New Articles incorporate these provisions, allowing communications to members in electronic form and, in addition, they also permit the Company to take advantage of the new provisions relating to website communications. Before the Company can communicate with a member by means of website communication, the relevant member must be asked individually by the Company to agree that the Company may send or supply documents or information to him by means of a website, and the Company must either have received a positive response or have received no response within the period of 28 days beginning with the date on which the request was sent. The Company will notify the member (either in writing, or by other permitted means) when a relevant document or information is placed on the website and a member can always request a hard copy version of the document or information.

Proxy Form Notes & Instructions

(See separate Proxy Form)

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 Limited, Proxy Department, 34 Beckenham Road, Beckenham, Kent BR3 4TU; and received by Capita Registrars Limited, no later than 2pm on Wednesday 28 January 2009.
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, Proxy Department, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

Professional Advisers

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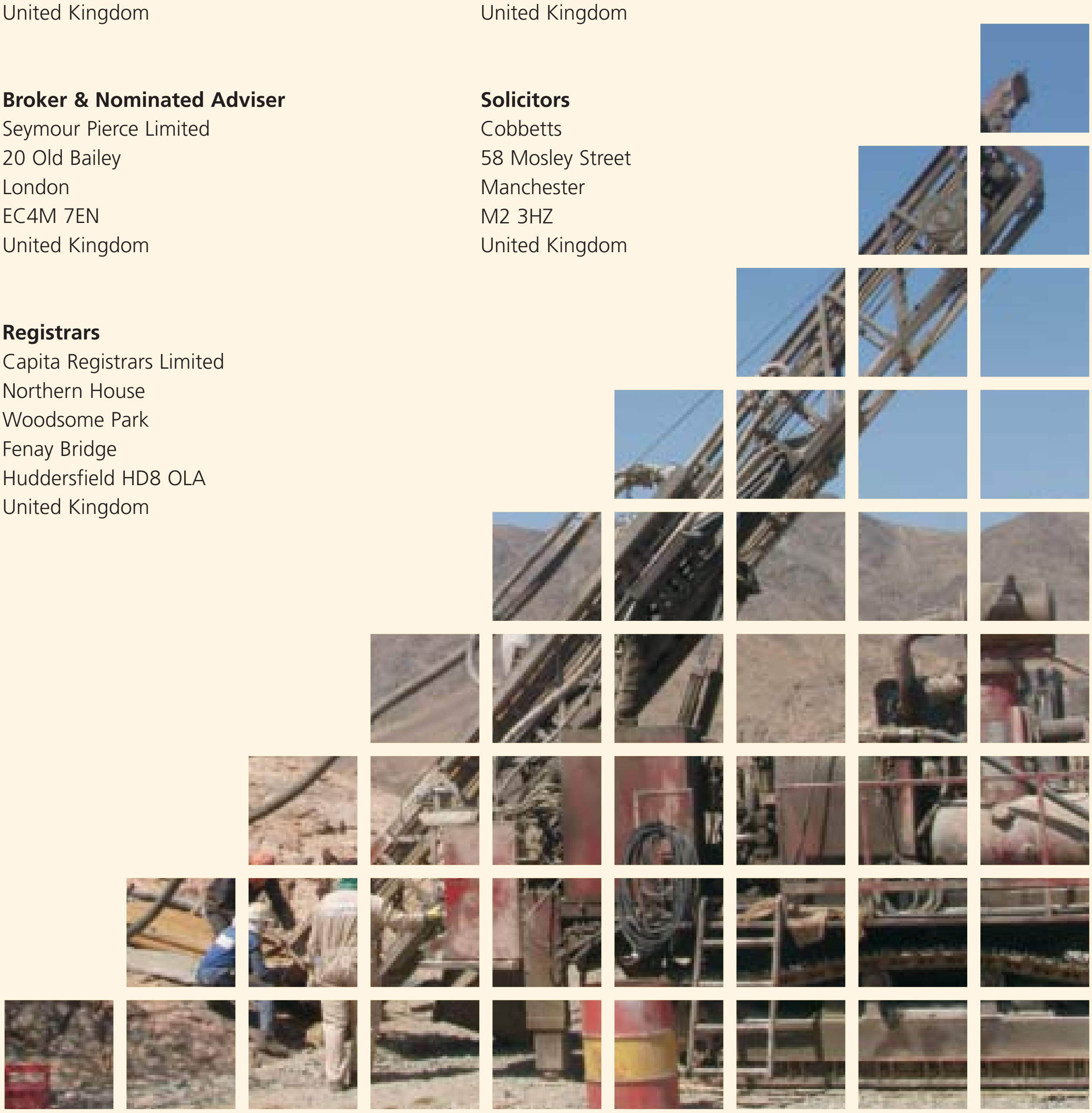

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