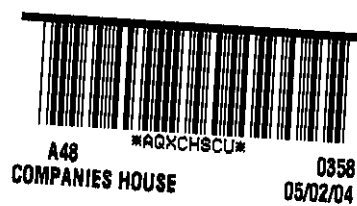
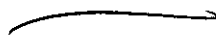


**Tertiary Minerals plc**  
**Annual report 2003**

03821411



## Tertiary Minerals plc

Tertiary is a mineral exploration company with a diversified portfolio of mineral projects, mainly in Scandinavia. Our small team of dedicated professionals is committed to exploration and management excellence. Our goal is to add value to our projects and create wealth for our stakeholders through the cost-effective discovery and *development of mineral resources.*

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## Year in brief

- Gold price rises to over \$400 per ounce. Copper and nickel prices reached 5 year highs in 2003.
- Turnaround in investor sentiment towards the mining sector has allowed capital raising to fund increased exploration tempo in gold and base-metal projects in politically stable Scandinavia.
- Exploration for giant copper-gold deposits has gathered pace with new project acquisitions and the definition of drill targets.
- New nickel discovery at Notträsk in Sweden enhances project potential.
- Advanced gold project acquired at Kaasselkä in Finland.
- Positive economic and technical scoping study has confirmed potential for Ghurayyah tantalum project to become a company maker for Tertiary.
- Tantalum market has turned the corner in 2002/3 led by strong growth in the sales of consumer electronics, which account for 80% of world tantalum use.
- Drilling planned for winter 2003/4 on several exciting gold, nickel and copper-gold projects.

## Chairman's Statement

During 2003 the prices of a number of metals have increased substantially with copper and nickel recently reaching 5-year highs and gold regaining its lustre with a price around \$400 per ounce today. This has improved sentiment towards the mining and exploration sector and enabled the Company to raise further funds and increase the tempo of its exploration for gold and base-metal projects in politically stable Scandinavia.

Progress has been made in acquiring new and exciting exploration projects and advancing these to the stage where the Company is able to focus on a limited number of drill-stage projects to maximise the opportunity for discovery and delineation of mineral resources and the creation of shareholder value. Drilling at Nottråsk in 2003 resulted in the discovery of a new zone of nickel mineralisation and although of low nickel tenor, this discovery underlines the abilities of our exploration team and the high prospectivity of the project and has encouraged us to drill test a number of new targets at Nottråsk this coming winter.

In last year's Annual Report we highlighted a programme to acquire and explore for "Olympic Dam" style iron oxide-copper-gold (IOCG) deposits in Sweden and Finland. This project has gathered pace with new project acquisitions and the definition of drill targets. The first IOCG target to be drill tested this winter is Ahmavuoma in Sweden. Drilling is planned to extend and better define a known zone of copper-gold-cobalt mineralisation and to test other high priority targets within a broader mineralised area.

More recently we announced the acquisition of the Kaaresselkä gold project in Finland by claim application, after two years patient monitoring of previous tenement holdings which have now lapsed. This acquisition illustrates the benefits of the Company's long-term commitment to Scandinavia and its ability to cost-effectively acquire advanced exploration projects. A number of significant zones of gold mineralisation have been outlined at Kaaresselkä in previous work done by the Geological Survey of Finland. We are now in the process of evaluating the data from that work in order to plan drilling programmes to define resources and test for extensions.

This past year the Company's share price has suffered as stock overhangs in the tantalum market have undermined our solid, value-adding progress on the Ghurayyah tantalum project in Saudi Arabia. Notwithstanding regional political uncertainties, however, I am confident that recent improvements in the tantalum market will see this trend reversed. Tantalum is not traded on terminal markets and market trends are not transparent to the investing public, who would not necessarily be aware that the tantalum market is, in fact, recovering strongly and stocks levels have returned to normal at end-user level. Demand growth is being led by the more widely appreciated growth in the sales of consumer electronics which account for 80% of world tantalum consumption in the form of capacitors, an essential component in DVDs, mobile phones, laptop computers, games consoles and digital cameras.

The Company's world-class Ghurayyah tantalum project is well positioned to take advantage of this market recovery. During the year a detailed economic and technical scoping study was completed, confirming the potential of Ghurayyah to profitably supply substantial amounts of tantalum and niobium over many decades. The Company intends to seek external funding for feasibility studies and the future development of Ghurayyah. In this way shareholders can participate in the valuable upside of this project with little further financial exposure whilst the Company focuses future expenditure on its exciting exploration projects in Scandinavia.

I would like to thank my fellow shareholders and our hardworking and enthusiastic staff for their support during the past year. As we move forward with further financial resources in place, I believe that the company is now firmly established as an attractive vehicle for investment in the expanding resource sector and the Directors look forward to delivering a year of progress and growth.



Patrick L. Cheetham  
Executive Chairman

10 December 2003

# Report on Operations

Tertiary Minerals plc ("Tertiary" or "the Company") holds a portfolio of exploration and development projects covering a range of commodities. During the past year work has focused on exploration for gold, copper, nickel and platinum group metals ("PGM's") in Sweden, Finland and Norway and on assessing the viability of the Company's tantalum-niobium projects in Finland and Saudi Arabia.

## **Kaaresselkä Gold Project**

Finland – Tertiary Minerals 100%

The Company has recently acquired several claims over the Kaaresselkä gold prospect in Northern Finland. The prospects were first discovered by the Geological Survey of Finland ("GTK") which put down 10,000m of diamond core drilling in 185 shallow holes. The project area has well developed infrastructure and is accessed by a network of logging roads and is just 15km from the Pahtavaara gold mine.

After the Kaaresselkä gold deposits were discovered by GTK the project was put up for sale by international tender by the Finnish Ministry of Trade and Industry in June 2001. It is understood that the project was to be sold to Terra Mining Oy, then operating the Pahtavaara gold mine 15km away, but the sale was interrupted when the company, together with its parent,

went into bankruptcy. Tertiary acquired the project when previous claims lapsed.

Drilling to date at Kaaresselkä is reported by GTK to have intersected gold mineralisation in three separate zones – Vanha, Tienvarsi and Lampi – within an area of 1.1km by 0.6km. Drilling of the Vanha zone indicates

# Report on Operations

(continued)

that it is at least 650m long and broken into a number of fault blocks so that it does not outcrop continuously. In the centre of the Vanha zone there is a continuous block of mineralisation 200m long and 9-16m wide continuing to the deepest drill-hole at a depth of 55m from surface.

The Tienvarsi zone, drill defined for 200m along strike to date, has a reported width of 4-13m and has been drilled to only 40m vertical depth.

At Lampi drilling has defined a 10m wide breccia zone with assays up to 5.87g/t gold. Several other targets are defined by geochemical and geophysical anomalies and limited drilling.

GTK has reported a best drill intersection of 2m grading 45g/t gold and several drill intersections of 3m grading better than 10g/t gold. The gold occurs as free gold, sometimes visible in drill core. Previous drilling was reportedly hampered by weathering of the mineralised zones which made for poor core recovery and hindered a detailed resource estimate. However, from drilling of the Vanha and

Tienvarsi open-ended 200m long zones, GTK estimated a volume of at least 160,000 cubic metres of mineralised material grading between 1 and 10g/t gold and between 0.2% and 2% copper to the maximum drilled depth of 55m from surface. Mineralisation remains open at depth and along strike within Tertiary's claims and claim applications.

Tertiary has commenced a detailed review and compilation of previous exploration data generated by GTK with a view to commencing a follow up drilling programme to define mineral resources.

The explored area is just one part of the prospective Kaasselkä shear zone in the 4km long project area now controlled by Tertiary. The shear zone itself is associated with the Sirkka Break, a major geological feature linked to gold mineralisation in Central Lapland.

Two projects previously tendered by the Finnish Government in this part of Northern Finland, Pahtavaara (120,000 ounces gold produced to date - held by Scan Mining AB) and Suurikuusikko (2 million+ ounce gold resource - held by Riddarhytten Resources), have become significant mining and development projects.

## Copper-Gold Projects

Tertiary holds several projects in Sweden and Finland targeting iron-oxide-copper-gold ("IOCG") mineralisation. IOCG mineral deposits include some of the largest in the world, including Olympic Dam in Australia and the giant Kiruna iron-ore deposit in the Norbotten district of Sweden, where a new copper-gold deposit has recently been discovered by Anglo-American Corporation 40km west of the Company's Ahmavuoma project.

Tertiary's IOCG projects include a number of projects at the drilling stage

# Report on Operations

(continued)

including Ahmavuoma and Vehkavarra and a near drill-stage project, Palokiimanselkä.

Work during the year has largely comprised data compilation, field-work and preparation of the projects for drilling which will commence at the Ahmavuoma project in Sweden in the winter of 2003/4.

## Ahmavuoma

Sweden - Tertiary Minerals 100%

Tertiary's Ahmavuoma project is an advanced copper-gold-cobalt exploration project covering a 3km long zone of iron-oxide mineralisation and alteration with multiple targets defined by coincident geophysical and geochemical anomalies.

Only one 200m long part of this complex zone, the SE prospect, has seen any significant drilling to date. Here, drilling has indicated an open-ended zone of copper-gold-cobalt mineralisation with intersections including :

*KAHM 4: 18.15m intersection from 60.85m grading 1.24% copper, 0.51% cobalt. 0.48g/t gold*

*KAHM 7: 4.10m intersection from 71m grading 2.06% copper, 0.72 % cobalt and 0.70g/t gold*

Tertiary is planning a follow up drill programme for the winter of 2003/4 to further delineate the SE zone of mineralisation and test additional targets within the larger mineralised system.

## Vehkavaara

Sweden - Tertiary Minerals 100%

At Vehkavaara, an IOCG target is defined by a 4km long electromagnetic conductor with an associated strong copper geochemical anomaly (over 1% copper in ashed peat samples). The geological environment is similar to that at the Viscaria mine, also in Norbotten which produced 12 million tonnes of ore grading 2.3% copper and 0.3g/t gold from 1982-1997 and which is considered to be an IOCG-type deposit.

## Palokiimanselkä

Finland - Tertiary Minerals 100%

This project is located in NE Lapland just east of the village of Vuotso on the sealed highway linking Finland to the Norwegian

and Russian borders north and east of Sodankylä.

Extensive alluvial gold deposits are known in NE Lapland and have been the focus for small scale and recreational mining and panning activity. The sources of the alluvial gold are unknown.

At Palokiimanselkä known mineralisation comprises a N-S striking quartz magnetite breccia zone containing quartz, hematite, albite and magnetite within sericite altered gneiss. Palokiimanselkä was originally discovered by boulder tracing and trenching in the 1950's. At that time five 200kg samples assayed 1.2- 4.1 g/t gold. Smaller samples assayed up to 10g/t gold.

Aerial magnetic data shows that mineralisation occurs within a N-S trending, 2km long magnetic anomaly suggesting that Palokiimanselkä may be a part of a much larger zone of mineralisation.

A brief programme of mapping and trenching was carried out during September to re-expose the mineralisation and further sampling was carried out. Assay results confirm that the breccia zone is anomalous in gold (up to 0.5g/t gold) although the higher values reported from 1950's exploration could not be repeated.

## Other IOCG Projects

During the year the Company carried out an integrated review of geophysical and geochemical data sets purchased from the Geological Survey of Finland for each of its Kolari, Vähäjoki and Raajärvi project areas.

Numerous targets were identified and a programme of field examination and sampling was carried out which has allowed targets to be prioritised for follow up exploration.

# Report on Operations

(continued)

## Nickel-PGM Projects

### Notträsk

Sweden - Tertiary Minerals 100%

During the year the Company announced the discovery of a new zone of nickel-copper mineralisation within the 6km wide Notträsk mafic intrusion, following the receipt of assay results of semi-massive and disseminated sulphide mineralisation from a single scout diamond drill-hole, O3N0001.

This tested an electrical anomaly originally detected by Rio Tinto during a previous exploration campaign. The anomaly was interpreted to be a zone of sulphide mineralisation within the Notträsk gabbro intrusion and was therefore considered prospective for nickel-copper (+/- PGM) mineralisation.

The anomaly was successfully relocated and the discovery drill hole intersected significant sulphide mineralisation (dominantly pyrrhotite with minor pentlandite and chalcopyrite) in the target zone, from 78.1m to 96.6m down hole. Within this zone sulphide content averages approximately 15% over a 4m interval with narrower zones of up to 30% sulphides.

Significant nickel and copper values were returned from the hole with a best intersection of 2m grading 1.2% nickel + copper from a depth of 84m down-hole (intersection width is believed to be approximate true width). This intersection occurs within a broader interval of 10m grading 0.5% nickel + copper. A second zone of mineralisation was encountered towards the base of the hole with 10m grading 0.4% nickel + copper from 137.2m (hole ended 160.9m).

Mineralogical work, further geochemical analysis and an independent field and data-review indicated that, in the discovery zone, the nickel content of the host sulphide minerals intersected in O3N0001 (the "nickel tenor") is low, as is the case for other mineralisation in the marginal phase of the intrusive complex. Thus the likelihood of discovering higher grade mineralisation in the zone tested by this drill-hole, and in the margin phase generally, is low. However the nickel sulphide minerals disseminated in the central troctolite-anorthosite phase of the intrusion have high nickel tenors (11-17 weight % nickel) making this phase of the complex an attractive exploration targets for nickel and platinum group metals.

The Notträsk intrusion has many of the key features associated with economic nickel-copper-magmatic sulphide deposits and further exploration is clearly justified. The Company is planning further drilling to test additional geophysical anomalies in the troctolite-anorthosite phase of the intrusion.

In many nickel deposits, including those at Voisey Bay and Noril'sk, economic concentrations of nickel sulphides occur in magma feeder channels. Such targets present attractive exploration targets and will be given high priority in follow-up exploration at Notträsk.

### Finnmark

Norway - Tertiary Minerals 100%

A drilling programme was carried out in spring 2003 to test for PGM mineralisation in the Gallujavre intrusion in the Finnmark region of Norway.

The programme was designed to investigate the discovery of PGE

# Report on Operations

(continued)

mineralisation made by Tertiary in its recent summer field programmes which identified a small outcrop within a north-south striking ultramafic intrusion where two grab samples averaged 2.5 grammes per tonne platinum (Pt) + palladium (Pd) + gold (Au) with a Pt-Pd ratio of approximately 1:1. Subsequent geophysical exploration identified an Induced Polarisation (IP) anomaly associated with the PGE bearing outcrop and extending for several hundred metres north-south along strike.

Anomalous PGM intersections were made in each of the three holes drilled with broad intersections of anomalous PGM values in composite samples and higher anomalous values in narrow sections.

The majority of anomalous samples contain only low levels (approx. 1%) of sulphide minerals (the likely cause of the IP anomaly) and there is not a direct correlation between higher sulphide content and higher anomalous PGE values. Consequently the controlling factors on the location of PGE mineralisation are not yet established and further assaying and mineralogical work is therefore required before concluding if this small programme has effectively tested the economic potential of this PGE bearing intrusion.

## Tantalum Projects

### Tantalum Market

The market for tantalum is tied to the market for tantalum capacitors which account for 80% of tantalum demand. Capacitors are an essential component controlling current flow in most electronic devices including mobile phones, DVDs, laptops, personal computers, videos and digital cameras. Capacitor manufacturers (such as AVX and Kemet Corporations) use high

purity, high performance tantalum powders and tantalum wire supplied by processors of tantalum concentrates (such as H. C. Starck and Cabot Corporation) who buy raw materials including tantalum concentrates from mining companies.

In the period up to the year 2000 the tantalum market had been growing strongly, at 10% per year, but in 2000 unrealised projections for consumption resulted in stockpiling through the supply chain artificially boosting demand by 34%.

In the period 2000-2002 the market for consumer electronics stagnated with the result that tantalum demand was then largely met from stockpiled inventories held by processors and capacitor manufactures. In 2002 modest growth returned to the tantalum market resulting in the draw-down of tantalum raw material inventory by capacitor manufacturers such that by mid 2003 their inventories had returned to normal.

Currently stocks of raw material still remain with processors but demand for tantalum capacitors is now growing more strongly on the back of the resurgence in demand for consumer electronics and this is expected to normalise stock

levels through the supply chain with a positive impact on raw material demand and pricing.

Developments in tantalum capacitor technologies suggest that the use of tantalum capacitors will at least keep pace with its main rivals, ceramic and aluminium capacitors. For example, in automotive electronics, a growth market, the high temperature and high stress environment requires the high performance delivered by tantalum capacitors. In electronics generally the replacement of lead solders with alternative but higher melting point solders means that capacitors need to survive increasingly high temperatures, again favouring tantalum.

### Ghurayyah

Saudi Arabia – Tertiary Minerals 100%

Following on from favourable metallurgical testwork last year a Scoping Study for development of the Ghurayyah tantalum-niobium deposit in Saudi Arabia was completed with positive results. The Study included financial modelling of a number of alternative processing flow sheets over an initial 20-year mine life

# Report on Operations

(continued)

with costs estimated to an accuracy of +/- 30%. On a 100% equity funded, un-escalated basis the four main flow sheets were all economically attractive. Each produced pre-tax Internal Rates of Return (IRR) in excess of 25% and Net Present Values (NPV) in the range \$55-285 million using discount rates between 10 and 20%.

The Base-Case returned the highest NPV and IRR. It considered:

- mining of 1.52 million tonnes ore per annum over an initial 20 year period;
- production of tantalum-niobium concentrate containing 600,000 lbs per annum of tantalum pentoxide ( $Ta_2O_5$ ), 6.3 million lbs per annum of niobium pentoxide ( $Nb_2O_5$ ) and separate saleable zircon concentrate (10,000 tonnes per annum) by flotation and magnetic separation of ore after crushing/grinding;
- aluminothermic reduction (smelting) of the concentrate to a low-

radioactivity iron-niobium-tantalum alloy ("the ATR alloy"), and

- further processing of the ATR alloy to saleable ferro-niobium (for use in the steel industry) and salts of tantalum and niobium (for use by refiners of tantalum and niobium metals, powders and oxides in the manufacture of capacitors and special alloys).

The Base-Case financial model indicated a payback of three years on capital costs of \$101 million, average annual revenues of \$106 million and average annual operating costs of \$51 million.

The Base-Case financial model used current prices for niobium products and tantalum product prices factored to the tantalum concentrate prices forecast by Metal Bulletin Research. It should be noted that current spot prices for tantalum are at lower levels than both historical averages and MBR future forecast prices. The vast majority of tantalum is not sold on a spot basis but on

long term contract prices which are considerably in excess of current spot prices.

The projected annual production rate of 600,000lbs of contained tantalum pentoxide is less than the forecast increase in demand for tantalum predicted by Metal Bulletin Research for the period 2006 to 2008.

The Base-Case flow sheet envisaged the downstream production of tantalum and niobium salts and ferro-niobium as these products are currently traded on world markets and price information is readily available. However, Tertiary's objective for Ghurayyah, at least in the first years of production, is to process the ore only as far as is necessary to establish marketable "raw materials" for sale to existing processors.

Consequently the Scoping Study has considered a number of alternative flow sheets where the concentrates are smelted into different intermediate tantalum and niobium alloys and synthetic concentrates, including the ATR alloy, an intermediate product in the Base-Case flow sheet. During smelting the uranium and thorium contained in the concentrates are separated into a relatively inert slag for disposal.

Ghurayyah intermediate "raw materials" have a higher ratio of niobium-tantalum than is normal for tantalum raw materials and whilst the Pittinga mine in Brazil has successfully made and sold such intermediate products in the past, future prices for these materials can only be established by negotiation with tantalum and niobium processors. The scoping study has established preliminary specifications and target prices for intermediate products based on acceptable rates of return and estimated costs of production.

# Report on Operations

(continued)

Whilst intermediate products have the disadvantage of higher niobium-tantalum ratios this will be less of a disadvantage if the use of niobium capacitors grows as anticipated. The low levels of uranium and thorium will be a distinct advantage as competitor raw materials (tantalite and columbite concentrates) have variably higher levels of "natural" radioactivity. The acceptable limits of uranium and thorium for import of these materials into "developed-world" processing countries are becoming increasingly restrictive.

The flow sheets involving the production of alloy and synthetic concentrate "raw materials" involve a lower degree of process risk than the Base-Case. Some also have lower capital costs and may prove more attractive to the Company if adequate sales contracts can be negotiated. Discussions with potential purchasers of Ghurayyah products are continuing.

The project-financing environment in Saudi Arabia is very attractive, with Government funding available on low interest terms for, typically, 50% of capital costs through the Saudi Industrial Development Fund. In addition, project finance guarantees and low cost debt funding may be available for a further 37.5% of capital costs through the British Aerospace Project Finance Initiative administered by British Offset that is already supporting the project, having funded a part of the Company's metallurgical development programme. The net result of such funding is that the equity component of the capital costs for the project could be as little as 12.5% of the total capital requirement. This supportive project-financing environment gives the Ghurayyah project a competitive

advantage over other new tantalum projects currently on the drawing-board.

The Study, which has recommended further feasibility studies, suggests a development starting in 2006. It was carried out by St Barbara Consulting under the direction of senior mineral processing consultant Richard Wilkinson, a metallurgist/chemical engineer, who was formerly in charge of mineral processing research at Billiton. Mine planning and costing was carried out by SRK Consulting whilst process plant and infrastructure was costed by GBM Minerals Engineering Consultants.

The Inferred Minerals Resource at Ghurayyah has been estimated by SRK Consulting at 385 million tonnes grading 245 g/t Ta<sub>2</sub>O<sub>5</sub>, 2,840 g/t Nb<sub>2</sub>O<sub>5</sub>, and 8,915 g/t zirconium oxide (ZrO<sub>2</sub>) sufficient for a mine life over 250 years at the Scoping Study Base-Case production rate.

The Company has been working with MerchantBridge & Co Ltd, financial advisors to the British Offset Office, to formally register the Ghurayyah project with the Al Yamamah Economic Offset Programme.

This will allow the Company to apply for project funding under this Programme on favourable terms and to enlist the support of the Programme to further the evaluation of the project, including the identification of local sources of funding for continuing preliminary and full feasibility studies. Tertiary's objective for Ghurayyah is to farm out its further expenditure obligations to a joint venture partner, thereby maintaining a significant interest in the project at little further financial risk to shareholders.

## Rosendal

Finland – Tertiary Minerals 100%

CSMA Consultants Ltd completed further financial evaluation as a part of the preliminary feasibility study. This work evaluated capital and operating costs for a contract mining operation feeding a gravity concentration plant producing 60,000 pounds of Ta<sub>2</sub>O<sub>5</sub> in high-grade tantalite concentrates. The capital cost for a 125,000 tonne per annum plant was estimated at US\$5.5 million.

The basis for the CSMA study was an Inferred Mineral Resource block model compiled by SRK Consulting and estimated to contain 1.05 million tonnes at a mean grade of 255ppm Ta<sub>2</sub>O<sub>5</sub>.

The results of CSMA pit-optimisation studies suggest a limited mine life based on the current block model and low tantalum prices. CSMA concluded that a resource of 1mt at an in-situ grade of approximately 390 ppm Ta<sub>2</sub>O<sub>5</sub> would be required in addition to higher tantalum prices to progress the project further and that additional drilling at depth may be justified to increase the available tonnage of higher-grade material.

The Rosendal pegmatite is currently open at depth and contains a number of higher grade zones with potential to meet the future requirements for a commercial operation. Consideration will be given to advancing the project as tantalum prices recover.

# Directors' Report

The Directors are pleased to submit their report and audited accounts for the year ended 30 September 2003.

## Principal Activities

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

## Business Review

A full review of activity is given in the Chairman's Statement and the Report on Operations.

The results for the Group are set out in detail on page 15. The loss for the year was £397,037 (2002: £273,222).

## Proposed Dividend

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

## Fixed Assets

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

## Directors and Directors' Interests

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

Tertiary Minerals plc	At 30 September 2003		At 30 September 2002	
	Shares	Share warrants	Shares	Share warrants
P L Cheetham	5,687,250	-	5,687,250	3,624,750
D A R McAlister	-	-	-	500,000
D Whitehead	-	300,000	-	300,000

The Directors have no beneficial interests in the shares of the Company's subsidiary undertakings as at 30 September 2003.

All previous share warrants held by P L Cheetham and D A R McAlister have expired.

## Shareholders

As at the date of this report the following interests of 3% or more in the issued share capital of the Company appeared in the register maintained under the provisions of Section 211 of the Companies Act 1985:

	Number of shares	% of share capital
Morstan Nominees Limited SEG Acct	3,650,000	10.0
Mrs Carole Rowan	2,954,499	8.1
Mr Patrick Lyn Cheetham	2,843,625	7.8
Mrs Karen Elizabeth Cheetham	2,843,625	7.8
Pershing Keen Nominees Limited HHCLT Account	2,680,615	7.4
City of London PR Group plc	1,931,252	5.3
Tiger Resource Finance plc	1,330,000	3.7
Langtry Trust Company (Channel Islands) Limited	1,096,667	3.0

## **Corporate Governance**

Companies whose shares trade on the Alternative Investment Market (AIM) are not required to make an annual statement to shareholders regarding compliance with the Principles of Good Governance and Code of Best Practice ('the Combined Code'). However, as the Board wishes to comply with the Combined Code and acknowledges the guidance in the Turnbull Report in so far as they are appropriate to a company of the size of Tertiary Minerals plc, the Board wishes to make the following statements.

## **Directors**

The Board consists of:

### **Patrick Cheetham, aged 43 Executive Chairman**

Mr Cheetham, a mining geologist, has 22 years experience in mineral exploration in Australia, Europe and North America and 16 years experience in public company management.

### **Donald McAlister, aged 44 Non-executive Director**

Mr McAlister is an accountant. He is Finance Director of Cluff Mining plc and was formerly Finance Director of Reunion Mining plc.

### **D. Whitehead, aged 61 Non-executive Director**

Mr Whitehead is a mining geologist. In 2002 he retired as Vice President Integration, Exploration and Innovation at BHP Billiton Group Plc, having been Chief Executive, Exploration and Development of Billiton Plc from 1997.

The majority of the Board is therefore non-executive.

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

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

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

## **Relations with Shareholders**

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.

## **Accountability and Audit**

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

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

# Directors' Report

(continued)

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

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

## 2. Going Concern

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

## 3. Audit Committee and Auditors

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

## 4. Remuneration Committee

The Remuneration Committee comprises the Non-Executive Directors. The main purpose of the Committee is to determine the appropriate remuneration for the Company's Executive Chairman, ensuring that this reflects his performance and that of the Group, and to demonstrate to shareholders that executive remuneration is set by Board members who have no personal interest in the outcome of their decisions.

## 5. Internal Controls

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

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

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

## Employees

The Group gives full and fair consideration to applications for employment received from disabled persons, having regard to their particular aptitudes and abilities. The Board takes account of employees' interests when making decisions and suggestions from employees aimed at improving the Group's performance are welcomed.

## Charitable and Political Donations

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

## Creditors Payment Policy

The Company's policy is to settle all agreed liabilities within the terms agreed with suppliers. The amount shown in the balance sheet in respect of trade creditors at the end of the financial year represents 54 days of average daily purchases.

### **Post Balance Sheet Event**

Since 30 September 2003 the Company has issued 4,875,000 Ordinary Shares of one pence each at a price of 9p per share, through a private placement to raise £438,750 before expenses.

### **Annual Report**

Copies of the Tertiary Minerals plc Group financial statements are available from Companies House, Crown Way, Cardiff, CF4 3UZ and also on the Company's website: [www.tertiaryminerals.com](http://www.tertiaryminerals.com)

### **Annual General Meeting**

Notice of the Company's fourth Annual General Meeting convened for 29 January 2004 at 12:00 noon is set out on page 26 of this report.

The following special business will be conducted at the meeting.

#### **1. Authority to Allot Shares**

An Ordinary Resolution (Resolution No. 4 in the Notice of Annual General Meeting) will be proposed to empower the Directors to exercise all the powers of the Company to allot relevant securities (as defined by section 80 (2) of the Companies Act 1985) up to an aggregate nominal amount of £1,500,000 at any time or times during the period from the date on which this resolution was passed up to and including 29 January 2009 on which date the authority given by this resolution shall expire.

#### **2. Authority to Disapply Pre-emption Rights**

A Special Resolution (Resolution No. 5 in the Notice of Annual General Meeting) will be proposed to empower the Directors to allot securities of the Company (i) up to a specified amount in connection with a rights issue, and (ii) for cash in connection with a placement of shares and/or in connection with the operation of the Employee Share Scheme without first being required to offer such shares to existing shareholders.

The number of shares which may be issued for cash under (ii) above would not exceed 10,000,000 shares representing approximately 27.5% of the issued share capital of the Company as at the date of this report.

Such power to expire (unless previously revoked, varied or renewed) at the conclusion of the Annual General Meeting to be held in 2005.

The authority sought by Resolution No. 5 cannot be exercised unless Resolution No. 4 is also passed. Resolution No. 4 is a general Resolution to authorise the issue of shares and is required for any future share issue, whereas Resolution No. 5 specifically authorises Directors to issue shares without first offering those shares to existing shareholders or to round up and down share allocations in connection with any future rights issue.

On behalf of the Board



Patrick Cheetham  
Chairman

Approved by the Board of Directors on 10 December 2003

# Auditors' Report to the Shareholders

for the year ended 30 September 2003

We have audited the financial statements of Tertiary Minerals plc for the year ended 30 September 2003, which comprise the Consolidated Profit and Loss Account, the Balance Sheets, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated Cash Flow Statement and related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report, and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members, as a body, for our audit work, for this report, or for the opinions we have formed.

## **Respective responsibilities of the directors and auditors**

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

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

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

We read other information contained in the Annual Report and consider where it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the Chairman's Statement and the Report on Operations. 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 opinion**

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

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

## **Opinion**

*In our opinion the financial statements give a true and fair view of the state of the affairs of the Group and the Company as at 30 September 2003 and of the Group loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.*

PKF  
PKF  
Registered Auditors  
Manchester, UK

10 December 2003

## Consolidated Profit and Loss Account

for the year ended 30 September 2003

	Notes	2003 £	2002 £
Exploration costs written off		179,452	15,923
Administrative expenses		225,577	266,903
<b>Operating loss</b>		<b>(405,029)</b>	<b>(282,826)</b>
Interest receivable		7,992	9,604
Loss on ordinary activities before taxation	3	(397,037)	(273,222)
Tax on profit on ordinary activities		-	-
Loss for the financial year	15	<b>(397,037)</b>	<b>(273,222)</b>
Loss per share – basic (pence)	6	<b>(1.3)</b>	<b>(1.1)</b>

All amounts relate to continuing activities.

## Consolidated Statement of Total Recognised Gains and Losses

for the year ended 30 September 2003

	Notes	2003 £	2002 £
Loss for the financial year		(397,037)	(273,222)
Foreign exchange translation differences on foreign currency net investments in subsidiaries		48,483	21,490
Total recognised losses since last accounts		<b>(348,554)</b>	<b>(251,732)</b>

# Balance Sheets

as at 30 September 2003

	Notes	Group		Company	
		2003 £	2002 £	2003 £	2002 £
<b>Fixed assets</b>					
Intangible assets	8	1,180,396	1,065,724	-	-
Tangible assets	9	3,879	9,542	101	865
Investments	10	-	-	224,889	224,889
		<b>1,184,275</b>	<b>1,075,266</b>	<b>224,990</b>	<b>225,754</b>
<b>Current assets</b>					
Debtors	11	28,392	67,772	1,552,762	1,220,258
Cash at bank and in hand		227,505	393,760	220,863	382,401
		<b>255,897</b>	<b>461,532</b>	<b>1,773,625</b>	<b>1,602,659</b>
<b>Creditors: amounts falling due within one year</b>	12	<b>37,851</b>	<b>111,623</b>	<b>21,137</b>	<b>26,064</b>
Net current assets		<b>218,046</b>	<b>349,909</b>	<b>1,752,488</b>	<b>1,576,595</b>
<b>Total assets less current liabilities</b>		<b>1,402,321</b>	<b>1,425,175</b>	<b>1,977,478</b>	<b>1,802,349</b>
<b>Capital and reserves</b>					
Called up share capital	13	315,460	276,652	315,460	276,652
Share premium account	15	2,053,728	1,766,836	2,053,728	1,766,836
Merger reserve	15	131,096	131,096	131,096	131,096
Profit and loss account	15	(1,097,963)	(749,409)	(522,806)	(372,235)
<b>Shareholders funds</b>	16	<b>1,402,321</b>	<b>1,425,175</b>	<b>1,977,478</b>	<b>1,802,349</b>

These financial statements were approved by the Board of Directors on 10 December 2003



**P L Cheetham**  
Executive Chairman

**D A R McAlister**  
Director

# Consolidated Cash Flow Statement

for the year ended 30 September 2003

	Notes	2003 £	2002 £
<b>Net cash outflow from operating activities</b>	18	<b>(272,464)</b>	<b>(248,495)</b>
<b>Returns on investment and servicing of finance</b>			
Interest received		7,994	9,604
<b>Net cash outflow from operating activities after returns on investments and servicing of finance</b>		<b>(264,470)</b>	<b>(238,891)</b>
<b>Capital expenditure and financial investment</b>			
Purchase of intangible fixed assets		(230,933)	(486,399)
Purchase of tangible fixed assets		(139)	(4,802)
Sale of tangible fixed assets		-	2,702
<b>Net cash outflow from capital expenditure and financial investment</b>		<b>(231,072)</b>	<b>(488,499)</b>
<b>Financing</b>			
Issue of share capital (net of expenses)		325,700	825,162
Exchange differences		3,587	2,253
<b>Net cash inflow from financing</b>		<b>329,287</b>	<b>827,415</b>
<b>Increase/(Decrease) in cash</b>	19	<b>(166,255)</b>	<b>100,025</b>

# Notes to the Financial Statements

for the year ended 30 September 2003

## 1. Accounting policies

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

### Basis of Preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost accounting rules modified to include the revaluation of certain assets.

### Basis of consolidation

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

The results of subsidiaries acquired or sold during the year are consolidated from or to the date on which effective control passes.

In accordance with section 230 (4) of the Companies Act 1985, Tertiary Minerals plc is exempt from the requirement to present its own profit and loss account. The amount of the loss for the financial year recorded within the financial statements of Tertiary Minerals plc is £150,571 (2002: £194,081) as shown in note 15.

### Depreciation

Depreciation is provided by the Group on all tangible fixed assets, at rates calculated to write off the cost or valuation, less estimated residual value, of each asset evenly over its expected useful life, as follows:

Fixtures and fittings                      25% to 33% per annum.

### Intangible assets – exploration and development

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

- (a) such costs are expected to be recouped through successful development and exploration of the area, or alternatively by its sale; or
- (b) exploration and/or evaluation activities in the area have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves, and active and significant operations in, or in relation to the areas are continuing.

An annual review is carried out by the Directors to consider whether any exploration and development costs have suffered impairment in value and if necessary provisions are made accordingly.

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

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

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

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

## 1. Accounting policies (continued)

### Deferred Taxation

Deferred taxation, if applicable, is provided in full in respect of taxation deferred by timing differences between the treatment of certain items for taxation and accounting purposes. No provision for deferred taxation has been made in these accounts.

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

### Foreign currencies

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

### Leasing and hire purchase commitments

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

## 2. Segmental analysis

	Operating loss 2003 £	Net assets 2003 £	Operating loss 2002 £	Net assets 2002 £
United Kingdom	150,571	1,752,589	194,081	1,577,460
Overseas	246,466	(350,268)	79,141	(152,285)
	<u>397,037</u>	<u>1,402,321</u>	<u>273,222</u>	<u>1,425,175</u>

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

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

## 3. Loss on ordinary activities before taxation

	2003 £	2002 £
<b>The operating loss is stated after charging</b>		
Operating lease rentals – land and buildings	18,400	20,550
Auditors remuneration – audit	8,874	3,850
Auditors remuneration – other services	–	1,400
Depreciation – owned assets	5,802	7,126

# Notes to the Financial Statements

(continued)

## 4. Directors emoluments

	2003	2002
	£	£
<i>Remuneration in respect of directors was as follows:</i>		
P L Cheetham (salary)	68,250	65,000
D A R McAlister (salary)	7,500	7,500
M A Price (salary - resigned 30/04/02)	-	4,375
D Whitehead (directors' fees - appointed 01/05/02)	7,500	3,125
	<u>83,250</u>	<u>80,000</u>

## 5. Staff costs

	2003	2002
	£	£
<i>Staff costs (including directors) were as follows:</i>		
Wages and salaries	127,801	143,650
Social security costs	12,442	13,184
	<u>140,243</u>	<u>156,834</u>

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

	2003	2002
	Number	Number
Technical employees	2	3
Administration employees	3	3
	<u>5</u>	<u>6</u>

## 6. Loss per share

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

	2003	2002
	£	£
Loss (£)	(397,037)	(273,222)
Weighted average shares in issue (No.)	29,639,565	24,554,739
Basic loss per share (pence)	<u>(1.3)</u>	<u>(1.1)</u>

The loss attributable to ordinary shareholders and weighted average number of ordinary shares for the purpose of calculating the diluted earnings per ordinary share are identical to those used for the basic earnings per ordinary share. This is because the exercise of share warrants would have the effect of reducing the loss per ordinary share and is therefore not dilutive under the terms of FRS 14.

**7. Taxation on ordinary activities**

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

The group has not recognised a deferred tax asset of £423,420 (Company £156,263).

These amounts would be recoverable if sufficient taxable profits were made in the future.

**8. Intangible fixed assets**

	Deferred Exploration Expenditure £
<b>Group</b>	
<b>Cost</b>	
At 1 October 2002	1,065,724
Additions during the year	230,933
Project costs written off	(161,157)
Exchange differences	44,896
At 30 September 2003	<u>1,180,396</u>

**9. Tangible fixed assets**

	Group fixtures and fittings £	Company fixtures and fittings £
<b>Cost</b>		
At 1 October 2002	22,412	5,778
Additions	139	-
Disposal	-	-
At 30 September 2003	<u>22,551</u>	<u>5,778</u>
<b>Depreciation</b>		
At 1 October 2002	(12,870)	(4,913)
Charge for the year	(5,802)	(764)
Released on disposal	-	-
At 30 September 2003	<u>(18,672)</u>	<u>(5,677)</u>
<b>Net Book Value</b>		
At 30 September 2003	<u>3,879</u>	<u>101</u>
At 1 October 2002	<u>9,542</u>	<u>865</u>

# Notes to the Financial Statements

(continued)

## 10. Fixed assets investments

<i>Company</i>	Shares in Group undertakings £
Cost at 1 October 2002	224,889
Additions	-
<b>30 September 2003</b>	<b>224,889</b>

The companies in which the Group's interest at 30 September 2003 is more than 10% are as follows:

<i>Company</i>	Country of Incorporation/ Registration	Type and Percentage of shares held	Principal Activity
Tertiary Gold Limited	England & Wales	100% of ordinary shares	Mineral exploration
Tertiary (Middle East) Limited	England & Wales	100% of ordinary shares	Mineral exploration

## 11. Debtors

	Group		Company	
	2003 £	2002 £	2003 £	2002 £
Amounts owed by Group undertakings due after more than one year	-	-	1,543,081	1,210,552
Other debtors	10,700	57,473	-	-
Prepayments and accrued income	17,692	10,299	9,681	9,706
	<b>28,392</b>	<b>67,772</b>	<b>1,552,762</b>	<b>1,220,258</b>

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

	Group		Company	
	2003 £	2002 £	2003 £	2002 £
Trade creditors	6,643	53,656	1,322	5,340
Other taxes and social security costs	6,675	6,299	6,675	6,299
Accruals and deferred income	24,533	51,668	13,140	14,425
	<b>37,851</b>	<b>111,623</b>	<b>21,137</b>	<b>26,064</b>

### 13. Share capital

	2003 No.	2003 £	2002 No.	2002 £
<b>Authorised</b>				
Ordinary shares of 1p each	150,000,000	1,500,000	150,000,000	1,500,000
	<u>150,000,000</u>	<u>1,500,000</u>	<u>150,000,000</u>	<u>1,500,000</u>
<b>Allotted, called up and fully paid</b>				
Ordinary shares of 1p each	31,546,093	315,460	27,665,260	276,652
	<u>31,546,093</u>	<u>315,460</u>	<u>27,665,260</u>	<u>276,652</u>

During the year the following share issues took place.

755,833 12 pence warrants converted to 1 penny ordinary shares for total consideration of £90,700.

A placement of 3,125,000 1 penny ordinary shares for a total consideration of £250,000.

All shares rank *pari passu* and are all 1 penny ordinary shares.

Warrants are issued for nil consideration and are exercisable as disclosed in note 14. Warrants are exchangeable on a one for one basis for each ordinary share of 1 penny at the exercise price on the date of conversion.

### 14. Warrants

Unexercised warrants	Issue date	Exercise price	Number	Expiry date
	21/05/02	20p	300,000	20/05/05

### 15. Movement in reserves

Group	Share premium account £	Merger reserve £	Profit and loss account £
At 1 October 2002	1,766,836	131,096	(749,409)
Loss for the financial year	-	-	(397,037)
Exchange differences	-	-	48,483
Premium on allotment, less expenses	286,892	-	-
<b>At 30 September 2003</b>	<b>2,053,728</b>	<b>131,096</b>	<b>(1,097,963)</b>
<b>Company</b>			
At 1 October 2002	1,766,836	131,096	(372,235)
Loss for the financial year	-	-	(150,571)
Premium on allotment, less expenses	286,892	-	-
<b>At 30 September 2003</b>	<b>2,053,728</b>	<b>131,096</b>	<b>(522,806)</b>

# Notes to the Financial Statements

(continued)

## 16. Reconciliation of movements in shareholders' funds

	Group		Company	
	2003 £	2002 £	2003 £	2002 £
Loss for the financial year	(397,037)	(273,222)	(150,571)	(194,081)
Exchange differences	48,483	21,490	-	-
Shares issued during the year net of issue costs	325,700	825,162	325,700	825,162
	<u>(22,854)</u>	<u>573,430</u>	<u>175,129</u>	<u>631,081</u>
Opening shareholders' funds	1,425,175	851,745	1,802,349	1,171,268
Closing shareholders' funds	<u>1,402,321</u>	<u>1,425,175</u>	<u>1,977,478</u>	<u>1,802,349</u>

## 17. Operating lease commitments

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

	2003 Land and buildings £	2002 Land and buildings £
Expiring:		
Within one year	1,300	1,750
Within two to five years	-	-
After five years	-	-
	<u>1,300</u>	<u>1,750</u>

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

	2003 £	2002 £
Operating loss	(405,029)	(282,826)
Depreciation and loss on disposal of fixed assets	5,802	5,615
Intangible fixed assets written off	161,157	10,003
Decrease/(Increase) in debtors	39,378	(29,457)
(Decrease)/Increase in creditors	(73,772)	48,170
Net cash outflow from operating activities	<u>(272,464)</u>	<u>(248,495)</u>

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

	Cash at bank and in hand £	Total £
At 30 September 2003	227,505	227,505
At 1 October 2002	393,760	393,760
Increase in cash in the year	(166,255)	(166,255)
Cash outflow from decrease in funds and lease financing		-
Cash inflow from decrease in liquid resources		-
Change in net funds resulting from cash flows		(166,255)
New finance leases		-
<b>Movement in net funds in the year</b>		<b>(166,255)</b>
Net funds at 1 October 2002		393,760
<b>Net funds at 30 September 2003</b>		<b>227,505</b>

## 21. Derivatives and other financial instruments

### Interest rates and currency profile of financial liabilities

At 30 September 2003, the Group had no short term creditors denominated in any foreign currency (2002: £2,937).

### Interest rates and currency profile of financial assets

At 30 September 2003, the Group had no financial assets other than short-term debtors and cash at bank. Bank balances were held in Sterling with the exception of bank balances of £196 denominated in Swedish Krona. (2002: £2,937 denominated in Swedish Krona and £38,798 denominated in Euros).

### Currency risk

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

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

### Maturity of financial liabilities and Group borrowing facilities

The Group has no outstanding financial liabilities as at 30 September 2003 and does not have any agreed borrowing facilities as at this date.

### Fair values

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

# Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held in the Atlantic Suite, Terminal 2, Manchester International Airport, Manchester M90 4SP, on Thursday 29 January 2004 at 12:00 noon for the following purposes:

## Ordinary Business

1. To receive the annual report and financial accounts for the year ended 30 September 2003.
2. To re-elect Mr. P.L. Cheetham who is retiring by rotation under the Articles of Association as a Director of the Company.
3. To re-appoint PKF as Auditors of the Company and 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 1985 ("the Act") to exercise all the powers of the Company to allot relevant securities (as defined by section 80 (2) of the Act 1985) up to an aggregate nominal amount of £1,500,000 at any time or times during the period from the date on which this resolution is passed up to and including 29 January 2009 on which date the authority given by this resolution shall expire and such authority shall allow the Company to make an offer or agreement before the expiry of the authority which would or might require shares to be allotted or rights to subscribe for or to convert any security into shares to be granted after the expiry of the authority.

### Special Resolution

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 £100,000 consisting of up to 10,000,000 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 2005 but so that the Company may, before such expiry, make an offer or agreement which would or might require equity securities to be allotted after such expiry, such power to be substitution for and to revoke all pre-existing such powers.

By order of the Board

**C.W. Hulley**

Secretary

10 December 2003

Registered office:

Sunrise House

Hulley Road

Macclesfield

Cheshire

SK10 2LP

### Notes:

1. Any member of the Company entitled to attend and vote at this meeting is entitled to appoint a proxy to attend and, on a poll, to vote instead of him. A proxy need not be a member of the Company. A proxy need not preclude a member of the Company from attending and voting at the above meeting if he so desires. To be valid, any appointments of proxies must be deposited at Capita IRG Plc, Proxy Department, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU no later than 48 hours before the time at which the meeting is scheduled to commence.
2. The following information, which is available for inspection during normal business hours at the registered office of the Company, from the date of this notice until the date of the Annual General Meeting, will also be available for inspection at the place of the Annual General Meeting for a period of 15 minutes prior to the meeting and until the conclusion of the meeting:
  - a. Register of interests of Directors in the share capital of the Company;
  - b. Copies of services contracts of Directors of the Company.
3. Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 the Company specifies that only those shareholders registered at 12:00 noon on 27 January 2004 shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to the Register of Members after 12:00 noon on the 27 January 2004 will be disregarded in determining the rights of any person to attend or vote at the meeting.

# Form of Proxy

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

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

or .....  
as my/our proxy to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held on 29 January 2004 in the Atlantic Suite, Terminal 2, Manchester International Airport, Manchester M90 4SP at 12.00 noon and at any adjournment thereof.

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

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

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

	For	Against
1. Ordinary Resolution to receive the annual report and financial accounts for the year ended 30 September 2003.		
2. Ordinary Resolution to re-elect Mr. P.L. Cheetham who is retiring by rotation under the Articles of Association as a Director of the Company.		
3. Ordinary Resolution to re-appoint PKF as Auditors of the Company and authorise the Directors to fix their remuneration.		
4. Ordinary Resolution to authorise the Directors to allot shares.		
5. Special Resolution to empower the Directors to disapply the statutory pre-emption rights for certain allotment of shares.		

## Notes:

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



SECOND FOLD

PLEASE  
AFFIX  
POSTAGE  
STAMP

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

FIRST FOLD

THIRD FOLD

# Company Information

## Directors and Professional Advisers

**Patrick Cheetham**  
Executive Chairman

**Donald McAlister**  
Non-Executive Director

**David Whitehead**  
Non-Executive Director

**Christine Hulley**  
FCMA, MCMI  
Company Secretary

### Head and Registered Office

Sunrise House  
Hulley Road  
Macclesfield  
Cheshire

SK10 2LP

United Kingdom

Tel: +44 (0) 1625 626 203

Fax: +44 (0) 1625 626 204

### Company website

[www.tertiaryminerals.com](http://www.tertiaryminerals.com)

### Nominated Advisor

Seymour Pierce Limited

Bucklersbury House

3 Queen Victoria Street

London

EC4N 8EL

United Kingdom

### Registrars

Capita IRG Plc

The Registry

34 Beckenham Road

Beckenham

Kent

BR3 4TU

United Kingdom

### Bankers

National Westminster Bank plc

2 Spring Gardens

Buxton, Derbyshire

SK17 6DG

United Kingdom

### Auditors

PKF

Sovereign House

Queen Street

Manchester

M2 5HR

United Kingdom

### Broker

W H Ireland

11 St James' Square

Manchester

M2 6WH

United Kingdom

### Solicitors

Cobbetts

Ship Canal House

King Street

Manchester

M2 4WB

United Kingdom

**Tertiary Minerals plc.**

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