Territory Resources Limited

23 Ventnor Avenue,
West Perth WA 6005
Telephone: +61 8 9483 5100
Facsimile : +61 8 9483 5111

29 September 2010

Manager Announcements
Company Announcements Office
ASX Limited
Level 4
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

2010 ANNUAL REPORT AND FINANCIAL ACCOUNTS

Attached are copies of:

- a Media Release in regard to the 2010 Financial Results; and
- the Company's 2010 Annual Report and Financial Accounts.

The Company advises that the Annual General Meeting of the Company will be held on Thursday, 25 November 2010.

Yours sincerely,

Patrick McCole
Company Secretary

Territory Resources Limited
23 Ventnor Avenue,
West Perth WA 6005
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Media/ASX Release **29 September 2010**

Territory Enters New Era with $41.3M Annual Profit

$112.7M earnings turnaround sets the stage for growth and acquisitions

HIGHLIGHTS:

- **Sales revenue jumps 54% to $175.9 million as iron ore sales surge 30% to 2.027Mt**
- **Major operational improvements at Frances Creek mine drive lower operating costs**
- **Core debt slashed to $38.2 million and on track to be extinguished during FY 2011**
- **Increases in Frances Creek Ore Reserves with new exploration initiatives targeting further additions**
- **Financial turnaround puts the Company "in new territory" for growth and project diversification**

Australian iron ore producer Territory Resources Limited (ASX: **TTY** – "Territory" or "the Company") today announced a **$41.3 million*** net profit after tax for the 12 months to 30 June 2010, representing a $112.7 million turnaround in its financial performance over the previous year.

The outstanding result which equates to earnings per share of **15.6c** (FY09: -25.5c), represents the culmination of a major operational turnaround at the Frances Creek iron ore mine in the Northern Territory combined with a rebound in iron ore prices, and prudent financial and corporate management.

It also signals the beginning of a new era of growth for Territory, with the Company developing a two-pronged strategy to deliver growth based on achieving further mine life extensions at Frances Creek and an acquisition program.

The full year profit was struck on a 54% increase in operating sales revenue to **$175.9 million** (FY09: $114.4 million), which reflected both a **30% increase** in iron ore shipments for the year to **2.027 million tonnes** (FY09: 1.563 million tonnes) and a strong rebound in iron ore prices.

Territory generated operating revenue for the year ended 30 June 2010 of $175.9 million (2009: $114.3 million), with production costs of $139.3 million (2009: $117.8 million), which include depreciation and amortisation charges of $15.9 million (2009: $17.3 million) resulting in a gross profit of $36.6 million from operations. **Underlying profit for the year totalled $34.4 million** as outlined in the table below:

*Note: * All Dollars in this release are Australian Dollars unless otherwise specified*

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Underlying Results after Impairment and One-off Costs

	Note	30 June 2010 Gross $M	Tax $M	Net $M	30 June 2009 Gross $M	Tax $M	Net $M
Reported Profit/(Loss) (NPAT)				41.26			**(71.40)**
Sale of investment & loans in India Resources Ltd	1	0.25	-	0.25	-	-	-
Partial recovery of Swan Gold (Monarch) Loans	2	(7.12)	-	(7.12)	-	-	-
Impairments:							
- Investment in Matilda Minerals Ltd		-	-	-	7.00	-	7.00
- Investment in India Resources Ltd		-	-	-	2.20	-	2.20
- Investment in Northern Mining Ltd		-	-	-	1.60	-	1.60
- Investment in Olympia Resources Ltd		-	-	-	16.40	-	16.40
- Plant & equipment assets		-	-	-	2.90	-	2.90
- Land & Building West Perth	3	1.91	-	1.91	-	-	-
- Receivable		-	-	-	0.80	-	0.80
				(4.96)			**30.90**
Significant one-off (gains)/ losses:							
- Foreign exchange (gains)/ losses		(4.42)	-	(4.42)	14.00	-	14.00
- Losses on derivatives offset against sales		2.01	-	2.01	5.40	-	5.40
- Debt standstill and restructuring expenses		0.53	-	0.53	1.90	-	1.90
Subtotal		(6.84)	-	(6.84)	52.20	-	52.20
Underlying Profit/(Loss) ($M)				**34.42**			**(19.20)**

This table has been prepared in accordance with the Finsia and AICD paper: Underlying Profit - Principles for Reporting Non-Statutory Profit Information.

Explanatory notes:

The result for the year includes the following one-off items that are not related to trading.

1. The sale of 100% of the investment in, and loan to, India Resources Limited (ASX: IRL) in keeping with the Board's strategy of disposing of non-core activity related assets.

2. The reversal of the impairment of loans made to Swan Gold Mining Company Limited (formerly known as Monarch Gold Mining Company Limited) of $7.1 million (actual cash recovered $12.0 million).

3. An impairment charge of $1.9 million related to the carrying value of 23 Ventnor Avenue West Perth, the Group's corporate office, based on an independent valuation.

The strong cash generation of the Frances Creek operations enabled Territory to repay a significant proportion of its core debt, which was restructured during the year into a single US dollar denominated debt facility to Noble Resources Ltd ("Noble Facility"). As at 30 June 2010, this core debt was reduced to $38.2 million. Subject to there being no material change in current spot iron ore prices and exchange rates, the Company is targeting for the Noble Facility to be fully repaid during the 2011 financial year.

Territory completed 28 shipments of iron ore to China during the year for 2.027 million tonnes and production for the 2011 financial year is forecast to be maintained at the current annualised level of 2 million tonnes.

Territory's Managing Director, Mr Andy Haslam "*thanked all staff and contractors Company wide for their efforts that had made this result possible thereby enabling the Company to finish the year with a much stronger balance sheet*".

"*The stronger balance sheet and cash flows being generated by Frances Creek should enable retirement of core debt in the current financial year and position the Company to pursue business growth through a commercial transaction. The Company will remain alert to any related business transaction that makes commercial sense and enhances shareholder value".* Mr Haslam added.

*Note: * All Dollars in this release are Australian Dollars unless otherwise specified*

- ENDS -

Released by:
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Read Corporate
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Ltd
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5100

On behalf of:
Andy Haslam
Managing Director
Territory Resources

Telephone: +61-8 9483

Forward-Looking Statements
This release may include forward-looking statements. These forward-looking statements are based on management's expectations and beliefs concerning future events. Forward-looking statements are necessarily subject to risks, uncertainties and other factors, many of which are outside the control of Territory Resources Limited, that could cause actual results to differ materially from such statements. Territory Resources Limited makes no undertaking to subsequently update or revise the forward-looking statements made in this release to reflect events or circumstances after the date of this release.

Territory Resources Limited

ABN 53 100 552 118

2010 Annual Report

CORPORATE DIRECTORY

TABLE OF CONTENTS

DIRECTORS

Andrew Simpson	Non-Executive Chairman
Andrew Haslam	Managing Director
Giuseppe Ariti	Non-Executive Director
Michael Donaldson	Non-Executive Director
Fiona Harris	Non-Executive Director
Ian McCubbing	Non-Executive Director

COMPANY SECRETARY

Patrick McCole

AUDITOR

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Perth, Western Australia 6000

SOLICITORS

Norton Rose Lawyers
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108 St Georges Terrace
Perth, Western Australia 6000

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GPO Box 1302
Darwin, Northern Territory 0801

STOCK EXCHANGE

ASX Limited
2 The Esplanade
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ASX CODE

TTY

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Telephone: 08 9323 2000
Facsimile: 08 9323 2033
Website: www.computershare.com.au

TERRITORY RESOURCES LIMITED
ABN: 53 100 552 118
A public listed company incorporated and domiciled in Australia

HIGHLIGHTS AND ACHIEVEMENTS

Corporate

- **$41.5 million net profit after tax** achieved for the year to 30 June 2010, representing a massive $112.9 million turnaround on last year's result. The net profit equates to **earnings per share of 15.7 cents**.
- **54% increase** in operating sales revenue to **$175.9 million**, with a combination of increased production and lower operating costs at the Frances Creek iron ore mine.
- Core debts restructured and consolidated into a **single US dollar denominated debt facility totalling US$43.4 million** to Noble Resources. This followed a series of Standstill Agreements with the Company's hedge book provider and Noble.
- **Noble Prepayment Facility fully repaid** during the year while the Company's **core debt was reduced to A$36.5 million** as at 30 June 2010 – and on track to be fully extinguished in the 2011 financial year.
- A **total of $8.73 million was received** during the year under the recapitalisation of Swan Gold.

Operations & Markets

- **30% increase in iron ore shipments to 2.027 million tonnes**, comprising 1.15 million tonnes of lump ore and 876,638 tonnes of fines ore, made up of 28 shipments.
- **Strong rebound in iron prices** during the year following the lows of the Global Financial Crisis.
- **Comprehensive "pit-to-port" operational review** completed, resulting in a major operational turnaround at the Frances Creek iron ore mine.
- Territory's operational success recognised with the Company announced as a **category winner (Regional Exporter) in the 2010 Chief Minister's Northern Territory Export and Industry Awards** in September 2010. The Awards acknowledge excellence in international exports.

Business Development

- **Increase in Probable Ore Reserves at Frances Creek to 6.00 million tonnes grading 57.9% Fe, 0.10% P, 8.6% SiO_2 and 3.6% Al_2O_3** following a re-optimisation of the existing resource inventory.
- Ore reserve increased to underpin **continued iron ore production at Frances Creek until at least 2013**.
- **Further mine life extensions targeted** by a three-pronged program to aggressively explore for and develop new iron ore resources in the near-mine environment and within a 35km radius of the mine.
- **Acquisition program implemented** aimed at establishing a pipeline of exploration and development assets for carbon steel-related raw materials – particularly iron ore, manganese and chromite.

CHAIRMAN'S REPORT TO SHAREHOLDERS

Dear Shareholder,

After two years at the helm of Territory Resources, I am delighted to report to you on what is shaping up as a major turnaround in your Company's fortunes.

The "Territory Team" – under the strong leadership of Andy Haslam – has pulled together with great commitment and focus over the past 18 months to overcome numerous challenges and dramatically improve all aspects of our business.

The Company's recent success in winning a Regional Exporter Award in the 2010 Chief Minister's Northern Territory Industry and Export Awards is a fitting tribute to our people and the commitment made over the past two years.

The improvement in our operational performance at the Frances Creek iron ore mine during the year has provided the impetus for this turnaround, enabling us to take full advantage of a strong rebound in the iron ore market during the year with a 30% increase in iron ore shipments for the year to over 2 million tonnes at a significantly improved operating margin.

This resulted in a massive turnaround in our financial performance to the tune of $112.7 million from last year's $71.4 million net loss, with a net profit after tax of $41.3 million achieved for the year (equating to earnings per share of 15.6 cents).

I am pleased to say that these outstanding operational and financial achievements have been complemented by a sustained improvement in our safety performance at Frances Creek. We have worked hard to instil a positive safety culture through our operations with this cultural change process focusing particularly on communication with our staff and contractors.

The substantial cash generation of the Frances Creek operation supported our debt repayment program, with most of our surplus cash being allocated towards reducing our consolidated debt facility with Noble Resources Limited, which by year-end had been reduced to USD$32.5 million, and further to USD$21.0 million at the time of writing this report.

If current conditions continue, we are on track to eliminate the balance of this debt facility in the course of the current financial year, putting the Company on a very sound footing for the future.

The recovery of the global iron ore market from the impact of the global financial crisis was remarkable, with lump and fines prices surging to Company highs during the year. While prices have since corrected from these highs, I remain positive about the outlook for iron ore – thanks to the strength of underlying demand from China.

Notwithstanding the Chinese Government's recent efforts to moderate the pace of economic growth, a number of factors give me cause for optimism, both on the demand and supply side. These include initiatives to drive a new wave of modernisation of the less developed Western Provinces in China, which is likely to further stimulate demand for raw materials, continued supply side constraints due to infrastructure hurdles and diminishing high-grade resources, and – perhaps most importantly – the rising cost of production of China's domestic iron ore industry.

Territory maintained a fully sold position throughout the year with the high quality of our Frances Creek product and our reputation as a consistent and reliable supplier providing a very strong platform for us to build our growth strategy.

In this regard, Territory's Board has established three key objectives for the year ahead:

- *First – to maintain the profitability of our operations by delivering consistent production of 2Mtpa and maintaining rigorous cost control;*
- *Second – to accelerate exploration at Frances Creek to build further on the 50% increase in reserves achieved during the year and identify new resources which can push our mine life beyond 2014. This includes exploration both in the near-mine environment and within a 25-35km radius of the mine site;*

CHAIRMAN'S REPORT TO SHAREHOLDERS

- *Third – to implement an acquisition and growth program, aimed at securing a midstream project with a confirmed JORC resource including the acquisition of further exploration projects.*

The achievement of these objectives will, without question, transform Territory and enable us to realise our broader ambition of positioning the Company as a major supplier of raw materials to the rapidly-expanding Asian steel industry over the next decade.

However, I would like to conclude by noting that our experience over the past two years has demonstrated beyond any doubt the importance of prudent and conservative financial management, rigorous cost control and a highly disciplined approach to asset development.

I would therefore like to assure shareholders that, while we remain committed to growth in steel-related products, and we are actively seeking new projects, these must be clearly bankable in relation to both infrastructure access and forward-market expectations. We will not compromise the hard-fought gains of the past few years by acquiring assets that do not have a clearly established business case to enhance shareholder value.

I would once again like to acknowledge the efforts of our committed team of employees and staff and contractors who have worked so diligently to reposition the Company. I would also like to thank my fellow directors for their courage and commitment during some very difficult times during the past year.

It is directly a result of their efforts that we now find ourselves well "in new territory" – financially, operationally and corporately – and looking to the future with confidence, energy and enthusiasm.

Andrew Simpson

Chairman

REVIEW OF OPERATIONS

MANAGING DIRECTOR'S REVIEW OF OPERATIONS– 2010

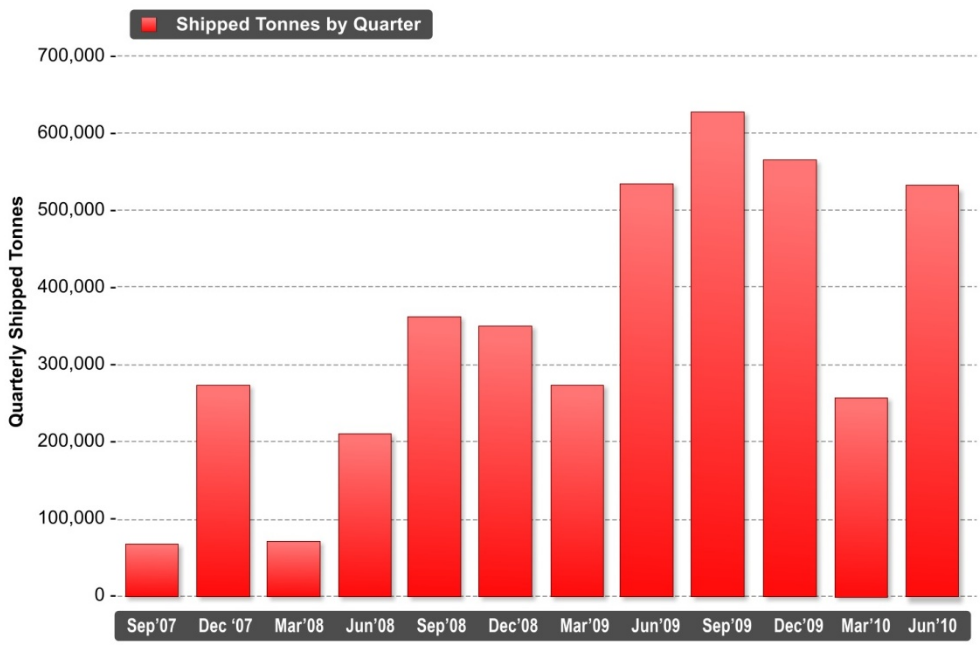
Frances Creek Mine

The Frances Creek hematite iron ore mine is located 200km south of Darwin near the township of Pine Creek and 15km from the Adelaide-Darwin rail line in the Northern Territory. Ore is mined from a series of open pits using conventional drill and blast, hydraulic excavator and trucking methods, and is then crushed to produce high-grade lump and fines products. These products are transported to a rail siding and then loaded onto trains for transportation to the Company's stockyard at Darwin Port.

The Frances Creek Iron Ore Mine performed consistently during the year after the Company's operational staff implemented a range of operational improvements early in the year which resulted in the mine achieving its budgeted annualised steady-state production rate of 2.0Mtpa.

Summary of Operations

A total of 2,027,374 tonnes of high-quality Direct Shipping Ore (DSO) from the Frances Creek mine was shipped during the 2010 financial year, comprising 1,150,736 tonnes of lump ore and 876,638 tonnes of fines ore, representing a 30% increase in iron ore shipments over the previous year, which directly reflects the Company's substantial operational and financial turnaround over the past two years.



REVIEW OF OPERATIONS

SHIPMENTS	2010			2009		
	Lump	Fines	Total	Lump	Fines	Total
	wet tonnes			*wet tonnes*		
1 st Quarter	357,387	270,360	627,747	264,000	72,721	336,721
2 nd Quarter	278,347	289,449	567,796	138,893	278,949	417,842
3 rd Quarter	159,082	108,500	267,582	212,947	66,911	279,858
4 th Quarter	355,920	208,329	564,249	287,981	240,115	528,096
TOTAL TONNES SHIPPED	**1,150,736**	**876,638**	**2,027,374**	**903,821**	**658,696**	**1,562,517**
NO. OF SHIPMENTS	**16**	**12**	**28**	**13**	**9**	**22**

Iron ore prices rose sharply at the end of 2009 and continued to strengthen during the first half of 2010 While prices have since corrected from those highs, the Company continues to take advantage of the favourable market conditions.

Price fluctuations in the iron ore spot market are expected to continue for the foreseeable future, with the decline of benchmark pricing, however current spot prices are significantly higher than the benchmark prices of 2009. The stronger Australian dollar has, to some extent, offset the benefit of the increased prices, however, the Company remains profitable at current prices and continues to monitor costs closely to minimise the impact of the stronger Australian dollar.

Production and cost enhancements

Total mining material movement for the year was in line with budget. A comprehensive "pit-to-port" operational review was undertaken early in the period, which was focused on ensuring that the mine and logistics operations were able to operate at maximum efficiency.

The review included the drilling and blasting functions and equipment mining productivity, with the overall aim of ensuring that mining, crushing and haulage operations consistently and reliably achieved the targeted rates. The logistics group were also able to make incremental improvements in ore cartage to the rail siding and improve the consistency of rail carriage tonnes per unit.

Early in 2009, monthly face-to-face communications meetings were introduced, with all work groups throughout the Company to provide regular feedback on production performance against the mining, processing and logistics schedules. These meetings also included a review of the Company's performance with regard to cost reduction, as part of the Company's core objective to reduce overall operating costs.

It is a great credit to all Territory employees, contractors and suppliers who have met the challenges of increasing production whilst also contributing to cost efficiency processes.

Mining, processing and logistics

The ore production for the 2010 financial year came from the Jasmine East, Thelma Rosemary, Ochre Hill, Helene 6/7 and newly opened Helene 3 and 5 pits.

The mine ramped up production with the introduction of an additional mining fleet during the year, to achieve targeted production levels. The mine currently operates with three mining fleets, comprising Hitachi 1100 excavators, 100-tonne dump trucks and ancillary equipment, including a fleet of bulldozers and a grader.

In March 2010, the Company appointed the experienced contracting group Barminco Limited as the Crushing Contractor at Frances Creek, which has provided the Company with sufficient crushing capability and capacity to meet both existing and future production needs.

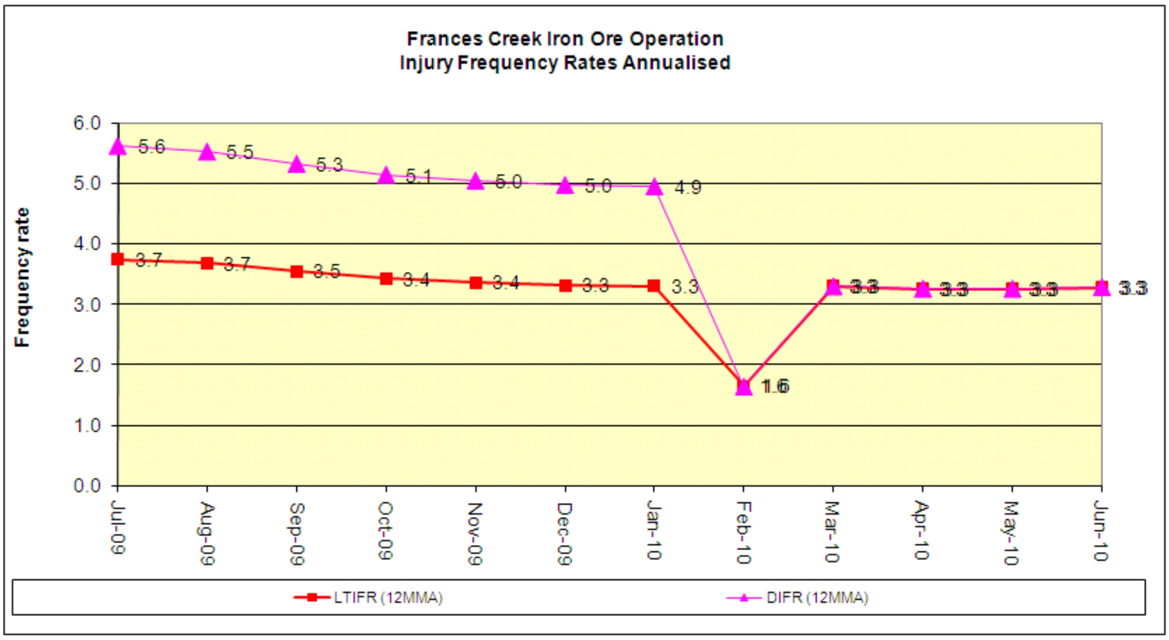
The crushing performance is set out in the table below.

	Financial Year	
	2010	2009
PRODUCTION		
Ore tonnes crushed	2,549,393	2,279,592
Shippable product - tonnes		
High-grade lump	1,115,810	917,716
High-grade fines	846,495	779,616
Total shippable product	**1,962,305**	**1,697,332**

During the year the Company processed the residual fines from Fimco's operations in the 1970s. By combining ore from the wet plant with the lump and fines ore produced from the larger fixed processing plant, the Company has been able to increase overall crushing volumes on a monthly basis and gain more consistency and flexibility from this important part of the mine's operations.

Health and Safety

The Company has worked hard to introduce a positive safety culture throughout the Company's operations. This cultural change process has focused on communication with our employees and contractors. All staff and contractors are encouraged to raise health and safety issues and it was evident that throughout the year, that there was a noticeable improvement in housekeeping in mine pits, the crushing area and workshops.



REVIEW OF OPERATIONS

The Company uses a range of contractors at the mine and at the Darwin Port facility to undertake a range of activities including drilling and blasting, surveying, explosives supply, crushing operations, earthmoving equipment and maintenance, bulk road haulage, rail haulage, ship-loading as well as the provision of on-site catering and accommodation. We value the input of our contractors and consider them to be vital members of the "Territory Team" with the knowledge that what is good for our staff is also good for our contractors.

The Company would like to take this opportunity to acknowledge the input and assistance provided by our contractors during the year and their significant contribution to improvements across our operations.

Infrastructure capital expenditure

Due to on-going stringent cost management, only essential capital expenditure was undertaken during the year and all capital expenditure was funded from operating cash flows.

As outlined above, construction of the new beneficiation plant commenced during the year with commissioning scheduled for October 2010. The Company has also purchased a wet screen to be integrated into the Barminco Plant in late 2010 so that wet Run-Of-Mine ("ROM") ore can be processed during the wet season.

A new tails storage facility (TSF) was constructed on site to accommodate tails from the beneficiation plant. The dam was constructed using ROM waste material, under the management and supervision of consulting engineers.

During the 2011 financial year, modifications will be made to the Port stacking equipment to reduce dust generation and to increase stacking capacity, which will lower the amount of ore re-handling required in the port and reduce Port operating costs.

REVIEW OF OPERATIONS

RESOURCE EVALUATION

OVERVIEW

During the 2010 financial year, Territory focused on increasing the Mineral Resource and Ore Reserve inventory at the Frances Creek Mine to support mine life extensions and increase blending capacity by assessing additional ore bodies. Deeper geological structures were targeted on the main Helene and Jasmine ore systems to identify additional high-grade, low phosphorus microplaty hematite mineralisation. This work has resulted in a greater understanding of the structural geological complexity of the region and Territory will specifically target ore shoot positions adjacent to existing deposits in the coming financial year.

A review of the Company's tenement portfolio based on the activities during the year has resulted in the acquisition of new prospective areas and the rationalisation of less prospective parts of the Company's portfolio.

Territory is actively seeking other iron ore and steel-making commodity project opportunities in the Northern Territory and beyond to supplement its current portfolio.

EXPLORATION STRATEGY

Exploratory drilling at Frances Creek during the latter half of the financial year has resulted in incremental Mineral Resource and Ore Reserve increases for some deposits, while others have been depleted by production, including the resource at Ochre Hill which was largely mined out during the year.

During 2010, Territory outlined a three-pronged strategy for increasing the life of the Frances Creek Mine and reviewing other opportunities:

- Mine Site Resource Development activities within a 5km radius of the ROM pad targeted at updating all Mineral Resource models for re-optimisation, completing all outstanding metallurgical and geotechnical programs, detailed structural mapping of open pits and areas between them, as well as RC drilling campaigns to in-fill, extend and deepen ore positions adjacent to existing surface deposits and target “blind” mineralisation;
- Regional Frances Creek Mine Exploration activities including an integrated geophysical interpretation of newly captured ground gravity data with historical gravity, radiometric, aeromagnetic and hyperspectral remote sensing data. This work will lead to the delineation of prospective target drilling positions north of Frances Creek where “blind” hematite mineralisation is likely to occur within the same rock sequences as the Mine;
- Regional Exploration of external areas and targeting of new opportunities in the near-mine environment at Frances Creek, elsewhere in the Northern Territory or other parts of Australia.

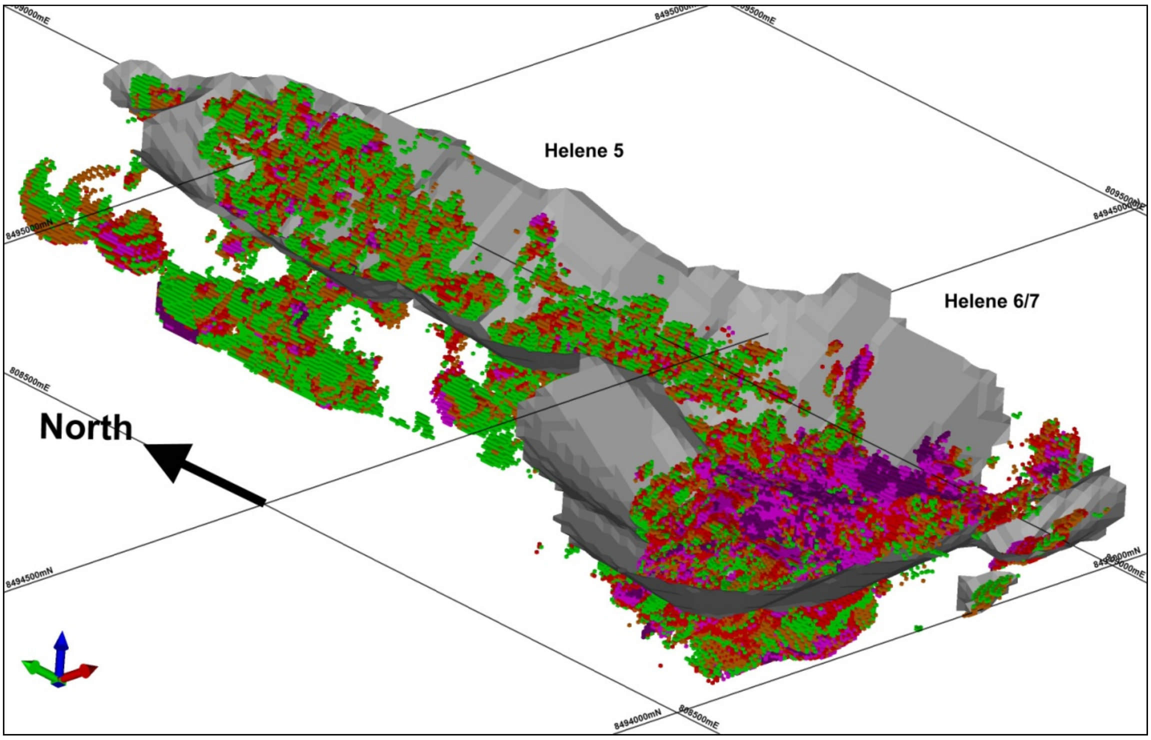
BUSINESS DEVELOPMENT OPPORTUNITIES

Territory remains dedicated to reviewing and evaluating, with full due diligence programs, any external business development opportunities or specific projects that are presented to the Company.

REVIEW OF OPERATIONS

PIT OPTIMISATIONS

Mineral Resource ore block models were fully optimised during the year to generate optimisation shells and ultimately pit designs. The Ore Reserves have been used to generate a life-of-mine mining schedule to ensure a steady production blend of lump and fines iron ore products. Mineral Resources will be updated regularly during the new financial year in order to take full advantage of changed open pit optimisation parameters now being used by Territory.



Helene 5 and Helene 6/7 combined optimised pit shell with resource models displayed for material over 50% Fe

Subsequent to the year-end, the Company has been able to delineate additional Ore Reserves to replace mining depletions during the year.

A re-optimisation of the existing resource inventory was completed after taking into account recent increases in the iron ore price as well as earlier product specification changes, and the inclusion of scalps and low-grade stockpiles. In addition, the Fe cut off grade has been reduced to 50% at all deposits to be consistent with the head grade cut-off at the flagship Helene 6/7 deposit.

The Company has taken the opportunity created by the new market metrics to change the mining parameters at Frances Creek to access more of the Company's resource inventory. The new metrics have allowed for a re-assessment of the pit shells and optimisations as higher iron ore prices have allowed access to deeper ore that was previously uneconomic to extract. The new, larger pit shells have higher strip ratios and costs but allow for the Company to increase the value and return on its resources.

REVIEW OF OPERATIONS

MINERAL RESOURCE AND ORE RESERVE STATEMENTS

The following Mineral Resource and Ore Reserve tables are a compilation of JORC-compliant Resource and Reserve reports generated during the year, depleted for production up to the end of August 2010 and 20 September 2010 respectively.

All Resources and Reserves are reported in accordance with the 2004 JORC Code.

Table 1 – INDICATED & INFERRED MINERAL RESOURCES for FRANCES CREEK as at 31 August 2010

Hematite Resources	Indicated			Inferred			Total		
	Tonnes	Fe%	P%	Tonnes	Fe%	P%	Tonnes	Fe%	P%
Helene 3	186 209	60.0	0.10	69 391	55.7	0.11	255 600	58.8	0.10
Helene 5/6/7	4 493 280	58.9	0.10	552 891	58.0	0.12	5 046 175	58.8	0.10
Helene 9	174 846	59.7	0.13	15 088	58.3	0.13	189 935	59.6	0.13
Helene 11	246 836	57.3	0.16	8 709	51.2	0.27	255 545	57.1	0.16
Jasmine Central	942 248	59.4	0.09	118 980	58.5	0.08	1 061 228	59.3	0.09
Jasmine East	136 287	57.8	0.09	-	-	-	136 287	57.8	0.09
Jasmine West	269 412	59.2	0.05	98 457	62.1	0.07	367 869	60.0	0.06
Jasmine Bridge				57 133	57.5	0.15	57 133	57.5	0.15
Ochre Hill	103 838	58.2	0.43	10 531	56.7	0.55	114 369	58.1	0.45
Saddle East	-	-	-	101 131	58.7	0.08	101 131	58.7	0.08
Thelma 01	532 944	60.8	0.12	52 529	57.7	0.09	585 473	60.5	0.12
Thelma-Rosemary (1)	474 646	57.5	0.17	334 310	58.2	0.16	808 956	57.8	0.17
Scalps Stockpiles	716 151	50.9	0.12	-	-	-	716 151	50.19	0.12
Low Grade Stockpiles	367 756	52.3	0.09	-	-	-	367 756	52.3	0.09
Total	**8 644 453**	**58.0**	**0.11**	**1 419 151**	**58.2**	**0.12**	**10 063 604**	**58.1**	**0.11**

(1) – amalgamates the Thelma Rosemary and Rosemary Deposits
* Mineral Resources are JORC compliant, cut-off grade used is 50% Fe

Manganiferous Goethite Resources	Indicated			Inferred			Total		
	Tonnes	Fe%	P%	Tonnes	Fe%	P%	Tonnes	Fe%	P%
Millers (1)	1 269 944	53.2	0.11	10 301	52.0	0.18	1 280 245	53.2	0.11
Total	**1 269 944**	**53.2**	**0.11**	**10 301**	**52.0**	**0.18**	**1 280 245**	**53.2**	**0.11**

(1) – cut off grade used is 50% (Fe + Mn)
* Mineral Resources are JORC compliant, cut-off grade used is 50% (Fe + Mn)

REVIEW OF OPERATIONS

Table 2 – Probable Ore Reserves at Frances Creek as at 20 September 2010

Hematite Reserves	Probable Ore Reserve				
	Tonnes	**Fe%**	**P%**	**SiO_2%**	**Al_2O_3%**
Helene 3	7 488	60.3	0.08	8.4	3.3
Helene 5/6/7*	2 913 174	59.3	0.09	8.9	3.7
Helene 9*	158 749	59.8	0.13	5.9	2.4
Helene 11*	200 076	57.7	0.15	7.8	3.8
Jasmine Central*	818 940	59.5	0.09	9.1	3.1
Jasmine East	60 627	58.9	0.07	8.4	3.8
Jasmin West*	165 519	60.1	0.05	8.3	3.3
Ochre Hill	-	-	-	-	-
Thelma-Rosemary	244 340	58.2	0.16	8.7	4.4
Thelma 1*	349 509	60.9	0.12	5.9	3.6
Scalps Stockpiles	716 151	50.9	0.12	-	-
Low Grade Stockpiles	367 756	52.3	0.09	-	-
Total	**6 002 329**	**57.9**	**0.10**	**8.6**	**3.6**

* Ore Reserves derived from single optimised pit shell

Note 1. Ore Reserves are JORC compliant, cut-off grade used is 50% Fe
Note 2. Head Grades shown
Note 3. There are no Proven Ore Reserves
Note 4. Ore Reserves are a subset of the reported Mineral Resources

The information in this report that relates to Exploration Results is based on information compiled by Mr David Broomfield, who is a Member of the Australasian Institute of Mining and Metallurgy, and is a full-time employee of Territory Resources Limited. Mr Broomfield has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Exploration Results, Mineral Resources, and Ore Reserves'. Mr Broomfield consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Ore Reserves is based on information compiled by Mr Marek Wydmanski, who is a Member of the Australasian Institute of Mining and Metallurgy and a full-time employee of Territory Resources Ltd. Mr Wydmanski has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Ore Reserves'. Mr Wydmanski consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

The information in this report that relates to Mineral Resources is based on information compiled by Mr Luke Cox, who is a Member of the Australasian Institute of Mining and Metallurgy and a full-time employee of Territory Resources Ltd. Mr Cox has sufficient experience which is relevant to the style of mineralisation and type of deposit under consideration and to the activity he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the 'Australasian Code for Reporting of Ore Reserves'. Mr Cox consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

DIRECTORS' REPORT

The Directors present their report on the consolidated entity (hereinafter referred to as the Group) consisting of Territory Resources Limited and the entities it controlled at the end of, or during, the year ended 30 June 2010.

DIRECTORS

The following persons were Directors of Territory Resources Limited during the financial year and up to the date of this report, unless noted otherwise:

Name	Date Appointed
Andrew Simpson[1] (Chairman)	25 September 2007
Andrew Haslam (Managing Director)	23 April 2009
Giuseppe Ariti	13 August 2008
Michael Donaldson	1 August 2008
Fiona Harris	1 August 2008
Ian McCubbing[2]	5 May 2008

1. Andrew Simpson was appointed Chairman on 24 June 2008.

2. Ian McCubbing was appointed Executive Finance Director on 5 May 2008 and subsequently became a non-executive Director on 12 August 2008.

Unless noted otherwise, all Directors were non-executive Directors during the period of their appointment.

PRINCIPAL ACTIVITIES

The consolidated entity's principal activities during the financial year were iron ore mining and exploration. There has been no significant change to the principal activities other than as set out in this report.

RESULTS

The consolidated net profit after tax for the financial year was $ 41.3 million (2009: loss of $71.4 million).

DIVIDENDS

No dividends were paid during the year and the Directors do not recommend the payment of a dividend (2009: Nil).

REVIEW OF OPERATIONS

Territory generated operating revenue for the year ended 30 June 2010 of $175.9 million (net of realised losses of $2.0 million on the effective portion of hedge contracts which closed out during the year), (2009: $114.3 million revenue, hedge losses $5.4 million), with production costs of $139.3 million (2009: $117.8 million) which include depreciation and amortisation charges of $15.9 million (2009: $17.3 million) resulting in a gross profit of $36.6 million (2009: gross loss of $3.5 million) from operations (before corporate and other costs).

DIRECTORS' REPORT

Underlying Results after Impairment and One-off Costs

	Note	30 June 2010 Gross $M	Tax $M	Net $M	30 June 2009 Gross $M	Tax $M	Net $M
Reported Profit/(Loss) (NPAT)				41.26			**(71.40)**
Sale of investment & loans in India Resources Ltd	1	0.25	-	0.25	-	-	-
Partial recovery of Swan Gold (Monarch) Loans	2	(7.12)	-	(7.12)	-	-	-
Impairments:							
- Investment in Matilda Minerals Ltd		-	-	-	7.00	-	7.00
- Investment in India Resources Ltd		-	-	-	2.20	-	2.20
- Investment in Northern Mining Ltd		-	-	-	1.60	-	1.60
- Investment in Olympia Resources Ltd		-	-	-	16.40	-	16.40
- Plant & equipment assets		-	-	-	2.90	-	2.90
- Land & Building West Perth	3	1.91	-	1.91	-	-	-
- Receivable		-	-	-	0.80	-	0.80
				(4.96)			**30.90**
Significant one-off (gains)/losses:							
- Foreign exchange (gains)/ losses		(4.42)	-	(4.42)	14.00	-	14.00
- Losses on derivatives offset against sales		2.01	-	2.01	5.40	-	5.40
- Debt standstill and restructuring expenses		0.53	-	0.53	1.90	-	1.90
Subtotal		(6.84)	-	(6.84)	52.20	-	52.20
Underlying Profit/(Loss) ($M)				**34.42**			**(19.20)**

This table has been prepared in accordance with the Finsia and AICD paper: Underlying Profit - Principles for Reporting Non-Statutory Profit Information.

Explanatory notes:

The result for the year includes the following one-off items that are not related to trading.

1. The sale of 100% of the investment in, and loan to, India Resources Limited (ASX: IRL) in keeping with the Board's strategy of disposing of non-core activity related assets.
2. The reversal of the impairment of loans made to Swan Gold Mining Company Limited ("Swan Gold") (formerly known as Monarch Gold Mining Company Limited) of $7.1 million (actual cash recovered $12.0 million).
3. An impairment of $1.9 million relating to the carrying value of 23 Ventnor Avenue West Perth, the Group's corporate office, based on an independent valuation.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

Corporate Strategy

Territory has implemented a two-pronged plan to deliver consistent growth in the years ahead. Firstly, as part of a program to extend the mine life at Frances Creek, a wide-spaced ground gravity survey is underway to identify ore bodies hidden under cover, in conjunction with an exploration program designed to explore for and develop iron ore resources both in the near-mine environment and within a 35 km radius of the Frances Creek operation.

Secondly, an acquisition program has been implemented and aimed at establishing a pipeline of exploration and development assets for carbon-steel related raw materials – particularly iron ore, manganese and chromite. During the next two years, Territory is aiming to secure a midstream project with a confirmed JORC resource and will also seek the acquisition of further exploration projects.

Leveraging off the Company's mining and development experience at Frances Creek and its reputation as a reliable, high quality iron ore exporter, this acquisition program is designed to position Territory as a major supplier of raw materials to the rapidly-expanding Asian steel industry over the next decade.

Operations

The higher iron ore prices have provided the Company with a timely opportunity to commission a new crushing and screening plant at Frances Creek at the expiry of the previous contract. In March 2010, Barminco Limited commenced operations with a new plant providing for improved consistency, reliability and crushing capacity in line with Territory's existing and future production and operating goals. The Company has also commissioned the construction of a wet screen to be added to the Barminco Plant, which with the mobile wet crushing plant commissioned last year, will provide the Company with the necessary infrastructure and capacity to meet its production targets through the wet season.

The higher prices also provided an opportunity to prioritise waste stripping over ore production in the first quarter of 2010, during which time mining was focused on pre-stripping in the Jasmine Central pit and commissioning of two new pits in Helene 3 and Helene 5. This changed mining schedule resulted in lower-than plan ore production during January and February, but created a strong production program for the remainder of 2010. In the quarter ended 30 June 2010, Territory generated net operating cash flow of $20.5 million and was able to reduce its debt to Noble by $17.1 million (including repayment of advance payments on sales).

Debt Arrangements

During the year, the Company completed a restructuring of its core debts following a series of Standstill Agreements with its hedge book provider ("the Bank") and Noble. On 6 October 2009, Noble purchased the Company's Bank debt and associated security, totalling $17.6 million. On 6 January 2010 the Company's debt to Noble and the Bank debt purchased by Noble were consolidated, on normal commercial terms, into a single US dollar denominated debt ("Noble Loan"), totalling US$43.4 million ($48.8 million). The terms of the agreement require the Company to make monthly interest payments and quarterly principal repayments. The agreement also provides for payment to Noble of any cash balances in excess of US$1.5 million, at each month end, after providing for approved capital and exploration expenditure.

The loan agreement also provides for any funds received, pursuant to the Swan Gold proposed recapitalisation and the sale of Territory's shares in, and loan to, IRL, to be applied in repayment of the Noble loan.

The Noble Loan is secured by:

- fixed and floating charge over the Group's assets;
- a mortgage over Territory's shares in key subsidiaries; and
- a mining tenement mortgage over the Group's Frances Creek mining leases.

Noble has agreed to an extension of the loan repayment date to 31 October 2011, or such later date as agreed.

The Prepayment Facility was fully repaid during the year. However, the Company may draw-down further funds for short term working capital needs, if required, before the facility expires on 30 March 2011.

For full details of transactions during the year regarding debt arrangements and debt balance as at 30 June 2010, refer Note 29 of the 2010 consolidated financial statements.

DIRECTORS' REPORT

Swan Gold Mining Limited

During the year, the proposed recapitalisation of Swan Gold was approved. The recapitalisation proposal provides for Swan Gold and/or its parent, Stirling Resources Limited ("Stirling"), to fully repay Territory, by 26 February 2012, the original $25.5 million owed to Territory. The repayments are to come from:

- Beneficial entitlement to the proceeds from the Minjar Project sale (maximum of $11.5 million including potential future royalties of $6.5 million);
- The proceeds from the sale of the Davyhurst and Siberia Projects (if any); and
- A payment for the remainder of the $25.5 million owed to Territory (to the extent not fully satisfied by the above payments) by 26 February 2012, (originally 19 November 2010, however, the date was extended by agreement between the Administrator and Swan Gold's creditors).

As at 30 June 2010, the Company has received a total of $8.7 million. On 17 June 2010 Territory accepted an offer to receive an advance royalty payment of $3.2 million in full and final satisfaction of the potential future $6.5 million royalty obligation payable under the Minjar Project sale. The balance of the $6.5 million remains payable by Swan Gold / Stirling by 26 February 2012.

$13.6 million of the original $25.5 million is still owed to Territory at the date of this report.

Pursuant to the loan agreement with Noble, all funds received as part of the Swan Gold recapitalisation must be applied in repayment of the Noble debt.

India Resources Limited

On 9 November 2009, the Company reached a conditional agreement to sell its 8.5% stake (19,019,000 shares) in IRL for $456,000, and transfer a $1.5 million inter-company loan owed by IRL to Territory, for a total of $1.956 million. All funds have been received and have been applied in repayment of the Noble Loan.

SIGNIFICANT EVENTS OCCURRING AFTER YEAR END

There have been no events subsequent to year end that are likely to have an effect on the results or the state of affairs of the consolidated entity in subsequent financial years.

Further information on the significant events occurring after the year end are set out in Note 31 to the financial statements.

LIKELY DEVELOPMENTS AND FUTURE RESULTS

The Company approved the construction of a Beneficiation Plant, with commissioning scheduled for the December 2010 quarter. This plant will enable the Company to process its scalps and low grade ore stockpiles and upgrade them to saleable grade specifications. The Company also plans to conduct tests to determine if the beneficiation process will be able to upgrade other lower grade deposits in the northern regions, to extend the mine life of Frances Creek.

Metallurgical beneficiation test-work program is being developed for the manganese-rich goethite mineralisation located at the Millers deposit to determine if a saleable product and marketing program can be developed for this deposit.

The Company will also commission a wet processing screen towards the end of 2010, to be added to the Barminco Plant, which will improve the processing of ore from below the water table in the Helene 6/7 pit and for the processing of ore during the wet season.

DIRECTORS' REPORT

INFORMATION ON DIRECTORS

Andrew Simpson, Grad Dip (Bus), MAICD (Non-Executive Chairman)

Mr Simpson was appointed to the board on 25 September 2007. He is a senior marketing executive with extensive global marketing experience in the mining and minerals industry including more than 30 years of international marketing and distribution of minerals and metals. He has served in a range of senior executive marketing roles throughout Asia and Europe. He is also the Non-Executive Chairman of Swick Mining Services Limited and India Resources Limited and is a Non-Executive of Vital Metals Limited, Matilda Minerals Limited and Executive Director of RTM Services Pty Ltd.

In the last three years, Mr Simpson was a previously a Non-Executive of Windimurra Vanadium Limited (20 June 2007 to 29 February 2008), Consolidated Minerals Limited (16 September 2005 to 30 June 2007) and ABM Resources NL (14 May 2007 to 23 December 2009).

Mr Simpson is Chairman of Territory's Marketing and Business Development Committee.

Andrew Haslam, Grad Dip (Min) MAICD (Managing Director)

Mr Haslam was appointed as Managing Director and Chief Executive Officer on 23 April 2009. He began his mining career at the Bluebird mine with Endeavour Resources Ltd (now St Barbara Mines) and later became Mine Superintendent at Dominion Mining Limited's Labouchere gold operation. He was Operations Manager at AWP Contractors (7 years) and Henry Walker Eltin (8 years), during which he was Project Manager and Registered Mine Manager for BHPB's Yandi iron ore mine from 2000 to 2002.

Mr Haslam was Mining Manager for Thiess Pty Ltd's operations in Western Australia and South Australia responsible for the BHP Billiton - Thiess Mining Alliance at the Mt Keith nickel operation in WA and Oxiana Pty Ltd's Prominent Hill copper/gold mine in SA and was most recently the Managing Director at Vital Metals Limited.

He holds a Graduate Diploma in Mining from Ballarat University and a Diploma of Extractive Industries Management from SEM College in WA. He has over 26 years of wide-ranging experience in mining operations, the past 19 of which he has spent in open cut contracting.

In the last three years, he was previously a Director of Vital Metals Limited (2 January 2008 to 24 April 2009).

Mr Haslam is a member of Territory's Marketing and Business Development Committee, Operations Committee and Exploration Committee.

Giuseppe (Joe) Ariti, B.Sc, Dip Min. Sci, MBA, MAusIMM, MAICD (Non-Executive Director)

Mr Ariti is a mining industry executive with more than 25 years experience in technical, management and executive roles in assessing, developing and managing mining projects and companies in Australia and overseas. He has been involved in the development and management of both open cut and underground mining projects in Australia, Africa, Indonesia and Papua New Guinea. Since 2006, he has worked with emerging iron ore company, Cape Lambert Iron Ore Limited, on the acquisition and development of mineral assets.

Mr Ariti is a Metallurgist and holds a Bachelor of Science and Diploma in Mineral Science from Murdoch University, a Masters Degree in Business Administration from the Edinburgh Business School (UK) and is a member of the Australasian Institute of Mining and Metallurgy and Australian Institute of Company Directors. He is also a Non-executive Director of Swick Mining Services Limited, DMC Mining Limited and Q Copper Australia Limited.

In the last three years, he was previously a Director of ABM Resources NL (31 July 2008 to 31 December 2008) and Azumah Resources Limited (13 September 2008 to 20 October 2009).

Mr Ariti is the Chairman of the Operations Committee and is a member of the Marketing and Business Development Committee, Corporate Governance & Audit Committee and the Remuneration & Nomination Committee.

Dr Michael Donaldson, BA (Hons), PhD, MAIG, MAICD (Non-Executive Director)

Dr Donaldson is an accomplished Australian exploration executive with more than 25 years of worldwide industry experience in exploration for nickel, gold, base metals and diamonds, including senior management positions with Western Mining Corporation, Ashton Mining Ltd and Sons of Gwalia Ltd. He was also General Manager of the Regional Mapping Branch of the Geological Survey of Western Australia for seven years and Group Chief Geologist with AIM-listed and Africa-focussed Lithic Metals and Energy Ltd. Dr Donaldson is also currently the Non-Executive Director of ASX-listed gold explorer, Beadell Resources Ltd. He has had no other listed company directorships in the last three years.

Dr Donaldson is the Chairman of the Exploration Committee.

Fiona Harris, B.Com FCA FAICD (Non-Executive Director)

Ms Harris has been a professional Non-Executive Director for the past 15 years. Ms Harris was previously a partner with Chartered Accountants KPMG and spent 14 years with that organisation in audit and advisory roles in Perth, San Francisco and Sydney. Ms Harris is a member of the national Board of the Australian Institute of Company Directors and is past President of the Western Australian Division. She is Non-Executive Chairman of Barrington Consulting Group Pty Ltd, a company providing consulting services in the areas of strategic and business planning.

Ms Harris is also currently a Non-Executive Director of Sundance Resources Limited, Altona Mining Ltd, and the Perron Group Ltd (& PG Holdings Ltd). During the last 3 years she has been a Non-Executive Director of Vulcan Resources Ltd (July 2007 to 13 Sep 2010) and Alinta Limited, (October 2000 to 31 August 2007).

Ms Harris is Chairman of the Corporate Governance & Audit Committee and is a member of the Remuneration & Nomination Committee.

Ian McCubbing, B.Com (Hons), MBA (Ex), CA (Non-Executive Director)

Mr McCubbing was appointed as the Finance Director on 5 May 2008 and became a Non-Executive Director on 12 August 2008. He is a Chartered Accountant with more than 25 years corporate experience including investment banking principally in the areas of corporate finance and M&A. He previously worked in Finance Director and CFO roles and has spent more than 13 years working with ASX-listed companies in senior finance roles in industrial and mining companies.

Mr McCubbing is also the Non-Executive Chairman of Eureka Energy Limited and is a Non-executive Director of Swick Mining Services Limited. In the last three years, he was previously a Non-Executive Director of Northern Mining Limited (18 April 2008 to 12 September 2008).

Mr McCubbing is Chairman of the Remuneration & Nomination Committee and is a member of the Corporate Governance & Audit Committee.

COMPANY SECRETARY

Patrick McCole, LLB, B.Com

Patrick McCole has a broad range of company secretariat experience and was previously a Company Secretary at Alinta Limited and Monarch Gold Mining Company Limited and prior to that was the Assistant Company Secretary at Foodland Associated Limited. Patrick holds a Bachelor of Laws and a Bachelor of Commerce both from Murdoch University.

DIRECTORS' REPORT

MEETINGS OF DIRECTORS

There were 13 meetings of the Company's Board of Directors during the year ended 30 June 2010. In addition, there were a number of circular resolutions pursuant to the Company's Constitution. The number of Board meetings attended by each Director were:

Full Meetings of Directors*

Director	Number of Meetings**	Number of Meetings Attended
A V Simpson (appointed 25 September 2007)	13	13
A M Haslam (appointed 23 April 2009)	13	12
G V Ariti (appointed 13 August 2008)	13	11
M J Donaldson (appointed 1 August 2008)	13	11
F E Harris (appointed 1 August 2008)	13	13
I J McCubbing (appointed 5 May 2008)	13	12

*The Table contains the meetings held during the year ended 30 June 2010 and does not include meetings held after this date.

** Number of meetings comprises the number of meetings held when the Director held that position and was not excluded on grounds of material personal interest.

The number of statutory Committee meetings attended by each Director were:

Corporate Governance & Audit Committee*

Director	Number of Meetings**	Number of Meetings Attended
F E Harris (Chairman)	5	5
G V Ariti	5	4
I J McCubbing	5	5

*The Table contains the meetings held during the year ended 30 June 2010. Unless indicated otherwise, all members held their position throughout the financial year.

** Number of meetings comprises the number of meetings when the Director held that position and was not excluded on grounds of material personal interest.

Remuneration & Nomination Committee*

Director	Number of Meetings**	Number of Meetings Attended
I J McCubbing (Chairman) (appointed 20 May 2010)	-	-
F E Harris	4	4
A V Simpson	4	4
G V Ariti	4	3

*The Table contains the meetings held during the year ended 30 June 2010. Unless indicated otherwise, all members held their position throughout the remainder of the financial year.

** Number of meetings comprises the number of meetings when the Director held that position and was not excluded on grounds of material personal interest.

DIRECTORS' REPORT

During the year the non-statutory Committees, comprising the Operations Committee, the Exploration Committee and Marketing and Business Development Committee held regular informal meetings throughout the year to consider the matters relevant to each committee.

DIRECTORS' INTERESTS IN SHARES, OPTIONS AND RIGHTS IN THE COMPANY

As at the date of this report, the interests of directors in the shares and options of the Company are:

Director	Ordinary Shares Fully Paid	Unlisted Options	Unlisted Rights*
Andrew Simpson	30,000	-	-
Andy Haslam	20,000	-	-
Joe Ariti	-	-	-
Michael Donaldson	-	-	-
Fiona Harris	-	-	-
Ian McCubbing	-	833,000	-

* A General Meeting of shareholders has been convened for 13 October 2010 for shareholders to approve a grant of rights to the Directors under the Performance Rights Plan in lieu of an increase in cash remuneration. This grant will provide the Chairman with an entitlement to received up to a maximum of 600,000 shares over the next 3 years and to provide the Non-Executive Directors with an entitlement to receive up to a maximum of 300,000 shares over the next 3 years should the service conditions be met. Further details on the Directors' Rights are contained in the Remuneration Report.

The 13 October 2010 General Meeting will also seek shareholders approval for the grant of rights to the Managing Director under the Performance Rights Plan under which the Managing Director will be entitled to receive rights to shares equivalent to the value of 25% of Total Fixed Remuneration subject to the Performance Hurdles being achieved. The shareholder approval will provide the Managing Director with an entitlement to receive up to a maximum of 1,850,000 shares over the next 3 years.

No Directors were a party to, or are entitled to, a benefit under a contract that creates a right to acquire any shares or an interest in the Company

2010 Remuneration Review

During the year, the Company introduced a Performance Rights Plan to provide long term incentives to certain senior executives to align the interests of Management with Shareholders and to reward the creation of shareholder value.

The Board also introduced a Short Term Incentive Plan for the Managing Director and issued a Discretionary Bonus to those employees that had committed to ensuring that the Company reached its goals following the challenges created by the Global Financial Crisis.

During the year, the Company engaged an independent remuneration consultant to conduct a review of the Non-Executive Directors' fees. Based on this review, the Board has recommended an increase in the director fees:

- to provide fair and reasonable remuneration; and
- to retain Directors with the knowledge, skills and experience required to effectively manage and grow the business.

It is proposed that the increase in fees be satisfied by the issue of rights under the Performance Rights Plan rather than paid in cash, thereby aligning the interests of Directors and Shareholders. A General Meeting will be convened on 13 October 2010 for Shareholders to consider the issue of Performance Rights to directors in lieu of cash payments.

DIRECTORS' REPORT

REMUNERATION REPORT

The remuneration report is set out under the following main headings:

(a) Principles used to determine the nature and amount of remuneration
(b) Details of remuneration
(c) Service agreements
(d) Share-based compensation
(e) Additional information

The information provided in this remuneration report has been audited as required by section 308(3C) of the *Corporations Act 2001*.

(a) Principles used to determine the nature and amount of remuneration

The Board is committed to ensuring that its remuneration practices enable the Company to:

- Provide reasonable and not excessive compensation to employees for the services they provide to the Company;
- Attract and retain employees with the skills required to effectively manage the operations and growth of the business;
- Motivate employees to perform in the best interests of the Company and its stakeholders;
- Provide an appropriate level of transparency and take into account all ASX and ASIC requirements; and
- Ensure a level of equity and consistency across the Company.

Non-Executive Directors

The remuneration of non-executive directors is determined by the Board as a whole having regard to the level of fees required to be paid to attract non-executive directors of suitable calibre, as well as the responsibilities and workloads of the Directors.

In accordance with the *Corporations Act 2001* and the Constitution, the aggregate amount payable to the Company's non-executive directors must not exceed the maximum annual amount approved by the Company's shareholders, which is presently $750,000 per annum approved at a General Meeting held on 2 May 2008. In August 2008, non-executive director fees were set at $75,000, plus statutory superannuation, and the Chairman's fee set at $150,000, inclusive of statutory superannuation. Subsequently, non-executive director fees were adjusted to $55,000 plus $10,000 for chairing a statutory committee and $5,000 for committee membership (plus statutory superannuation). The Chairman does not receive any fees for committee work.

As part of a review of remuneration, the Company engaged an independent consultant to review the fees paid to non-executive directors having regard to the workloads and responsibilities of the Board and remuneration paid by comparable companies. Based on this report, the Board recommended an increase in fees for the non-executive directors and the Chairman. Accordingly, the Board proposes to adjust the fees as follows:

- The Chairman's fee is to be set at $200,000, inclusive of statutory superannuation. The Chairman is not to receive any fees for committee work; and
- The non-executive director fees are to be set at $80,000 plus $10,000 for chairing a statutory committee and $5,000 per committee membership (all plus statutory superannuation).

The Board has proposed that the increase of $25,000 per annum for each of the participating non-executive directors and increase of $50,000 per annum for the Chairman be satisfied by the issue of Performance Rights rather than payment in cash. This action serves to confirm the Directors' commitment to align their interests with those of the Shareholders. A General Meeting will be convened on 13 October 2010 to approve the issue of Performance Rights to the directors in lieu of cash payments.

A non-executive director may also be paid remuneration as the other directors determine where that non-executive director is called upon to perform extra or special services. Directors may also be reimbursed all travelling and other expenses properly incurred by them in attending, participating in or returning from meetings of directors or general meetings of the Company or otherwise in connection with the business of the Company.

The Board's policy is that termination payments are not made to non-executive directors.

Managing Director and Senior Executives

The Company's Directors are responsible for determining the remuneration policies for the Group, including those affecting the senior executives. The advice of independent remuneration consultants is taken where considered appropriate to establish that the remuneration packages of senior executives are in line with market standards.

The remuneration for executive directors and senior executives comprises both fixed remuneration and performance-based (at risk) remuneration. The proportion of an employee's total remuneration that is at risk increases with seniority and with the individual's ability to impact the performance of the Company. At risk elements of total remuneration will comprise both short term incentives as a reward for performance and long term incentives that align medium and long term Shareholder interests.

(i) Fixed Remuneration

Executive Directors and senior executives received fixed remuneration including a base salary (inclusive of superannuation), car allowances and a car parking bay.

Fixed remuneration is set having regard to the levels paid in comparable organisations at the time of recruitment to the position, recognising the need to maintain flexibility to take into account an individual's experience or specialist skills and market demand for particular roles.

A review of fixed remuneration is performed on an annual basis by conducting an analysis of market surveys, supported by market data information gathered from a number of sources. Any increases in fixed remuneration are based on market movements, Company performance (including ability to pay) and individual performance.

(ii) Performance-Based (at risk) Remuneration

Senior employees may be entitled to performance-based remuneration which will be paid to reward superior (as opposed to satisfactory) performance.

Performance-based remuneration will initially be calculated against predetermined and challenging targets, but the outcomes of the formula calculation will be capped as a percentage of the relevant executive's package, and reviewed by the Board to guard against anomalous or unequitable outcomes.

Performance-based remuneration can comprise both short term (usually annual) and long term (3 year) incentives.

DIRECTORS' REPORT

(a) Short Term Incentives

In April 2009, the Board decided not to introduce a formal short term incentive plan for the 2009/2010 financial year due to the global economic situation at that time, the Company's circumstances and the belief that Company performance for that period would be largely determined by external factors. The Board determined KPIs to measure the Company's performance and set the Managing Director's goals for Safety, Financial, Operational, Growth and Stakeholder, for the 2009/2010 year.

The Company intends to implement a short term incentive plan during the 2010/2011 financial year for senior management which will be based on meeting both Company and individual objectives against pre-determined Key Performance Indicators (KPI's), comprising both financial and non-financial indicators, but the outcomes of the formula calculation will be capped and reviewed by the Board to guard against anomalous or unequitable outcomes, and the ultimate decision on any payment will be at the Board's discretion.

Performance indicators for short term incentives offered to the CEO support and are consistent with the Company's long term goals.

This decision to offer short term incentives will be considered on an annual basis.

(b) Long Term Incentives

Long term incentives may be provided to certain senior executives to reward creation of Shareholder value, and provide incentives to create further value, and the Board introduced an incentive plan during the year ended 30 June 2010. The ability of the Company to introduce such a plan in the previous year was hampered by uncertainty surrounding Federal Government legislative changes.

The Board is of the opinion that the most significant value that can be created for Shareholders will occur by way of extending the life of the Company beyond that of the current single mine. As a result, the long term incentives focus on the following two components that are relevant to the future of the Company and to increasing Shareholder value over the long term:

- The first component is the extension of the Company's life beyond the current mine life, either by replacement of reserve depletion and the addition of one extra year of mine life for each year of operation, or through the achievement of a successful acquisition or merger.

- The second component is the achievement of Total Shareholder Return (TSR) greater than 15% per annum over the period from 1 July 2009 to 30 June 2012. TSR will take into account both share price appreciation and dividends (if any). The Board is of the view that relative TSR is not appropriate in the small company resource sector due to anomalies that can arise out of the exploration success or otherwise of a particular company.

Long term incentive performance will be measured over a 3 year period.

The Board does not permit key management personnel to enter into hedging arrangements to mitigate the risk of changes in value of unvested performance rights and options by use of financial instruments. Any such arrangements entered into in relation to vested options are required to be reported to the Board and must only occur within the trading periods allowed under the Share Trading Policy

(b) Details of remuneration

Amounts of remuneration

Details of the remuneration of the directors, the key management personnel of the Group (as defined in AASB 124 Related Party Disclosures) and specified executives of Territory Resources Limited and the Group are set out in the following tables.

The key management personnel of the Group are the directors of Territory Resources Limited and the following specified executives:

Name	*Position*	*Date of appointment or resignation if not in the position from the start of the financial period to the date of this report*
* A Haslam	Managing Director & Chief Executive Officer	
* D Broomfield	General Manager Business Development	Appointed 3 May 2010
R Colson	Mining Manager	
* B Cousins	General Manager Logistics and Procurement	
* A Cumming	General Manager Finance and Administration	
* C Dunbar	Mine Operations Manager	
P McCole	Company Secretary	
B McVee	Manager Logistics - Darwin Port	
P Rundel	Engineering Manager	Appointed 1 October 2009

* 5 highest remunerated Group and/or Company executives.

DIRECTORS' REPORT

Key management personnel (KMP) of the Group

		Short Term Benefits			Post Employment Benefits			Share Based Payments Note 4			
		Cash salary and fees	Cash Bonus Note 7	Non-monetary & other benefits	Super-annuation	Termination benefits Note 3	Actual Cash Cost to Company	Options	Rights	Total	Value of Options / Rights as % of remuneration
		$	$	$	$	$	$	$	$	$	
Non-executive directors											
A Simpson[1]	**2010**	137,615	-	-	12,385	-	**150,000**	-	-	150,000	-
(appointed 25/9/07)	2009	138,832	-	-	12,494	-	**151,326**	-	-	151,326	-
G Ariti	**2010**	75,000	-	-	6,750	-	**81,750**	-	-	81,750	-
(appointed 13/08/08)	2009	66,250	-	-	5,962	-	**72,212**	-	-	72,212	-
M Donaldson	**2010**	55,000	-	-	4,950	-	**59,950**	-	-	59,950	-
(appointed 1/8/08)	2009	68,750	-	-	6,187	-	**74,937**	-	-	74,937	-
F Harris	**2010**	75,000	-	-	6,750	-	**81,750**	-	-	81,750	-
(appointed 1/08/08)	2009	68,750	-	-	6,187	-	**74,937**	-	-	74,937	-
I McCubbing[2]	**2010**	50,000	-	-	4,500	-	**54,500**	-	-	54,500	-
(appointed 5/5/08)	2009	70,000	-	-	6,300	-	**76,300**	-	-	76,300	-
Sub-total non-executive directors	**2010**	392,615	-	-	35,335	-	**427,950**	-	-	427,950	-
	2009	412,582	-	-	37,130	-	**449,712**	-	-	449,712	-
Executive directors											
A Haslam [5]	**2010**	416,000	18,720	27,805	23,744	-	**486,269**	-	45,256	531,525	9%
(appointed 2/02/09)	2009	151,916	-	4,418	13,672	-	**170,006**	-	-	170,006	-
A J Quadrio	**2010**	-	-	-	-	-	**-**	-	-	-	-
(from 1/7/08 to 27/02/09)	2009	305,870	-	41,404	34,403	123,049	**504,726**	418,288	-	923,014	45%
I McCubbing[2]	**2010**	-	-	-	-	-	**-**	-	-	-	-
(from 1/7/08 to 11/8/08)	2009	55,095	-	3,728	3,472	16,499	**78,794**	-	-	78,794	-
Current KMP											
B Cousins	**2010**	332,568	8,314	42,123	34,088	-	**417,093**	5,529	-	422,622	1%
	2009	332,568	-	45,589	33,256	-	**411,413**	99,257	-	510,670	19%
P McCole	**2010**	235,939	7,087	-	24,333	-	**267,359**	147,799	18,903	434,061	38%
	2009	241,887	-	-	24,188	-	**266,075**	336,336	-	602,411	56%
A Cumming	**2010**	251,552	11,353	56,774	23,728	-	**343,407**	-	-	343,407	-
(appointed 1/12/08)	2009	151,659	-	3,882	13,649	-	**169,190**	-	-	169,190	-
R Colson	**2010**	207,340	9,330	-	16,561		**233,231**	-	13,819	247,050	6%
(appointed 6/05/09)	2009	31,769	-	-	2,859	-	**34,628**	-	-	34,628	-
C Dunbar	**2010**	238,532	7,297	53,333	17,965	-	**317,127**	-	25,189	342,316	7%
(appointed 1/06/09)	2009	19,878	-	4,444	1,789	-	**26,111**	-	-	26,111	-
P Rundel (appointed 1/10/09)	**2010**	146,256	5,057	-	11,782		**163,095**	-	16,417	179,512	9%
	2009	-	-	-	-	-	**-**	-	-	-	-
D Broomfield (appointed 3/5/10)	**2010**	41,667	-	-	3,615	-	**45,282**	-	-	45,282	-
	2009	-	-	-	-	-	**-**	-	-	-	-
B McVee[6]	**2010**	165,137	9,083	-	15,680		**189,900**	14,371	12,563	216,834	12%
	2009	-	-	-	-	-	**-**	-	-	-	-
P Bleakley (appointed 21/06/10)	**2010**	5,363	-	-	1,179		**6,542**	-	-	6,542	-
	2009	-	-	-	-	-	**-**	-	-	-	-
Former KMP											
F Kiss (from 13/01/10 to 16/04/10)	**2010**	71,954	-	5,114	4,663	-	**81,731**	-	-	81,731	0%
	2009	-	-	-	-	-	**-**	-	-	-	0%
P Davies (resigned 31/07/09)	**2010**	34,749	-	-	3,586		**38,335**	5,010	-	43,345	10%
	2009	240,825	-	8,267	21,674	-	**270,766**	152,586	-	423,352	36%
E Platts (resigned 14/08/09)	**2010**	38,929	-	9,827	3,504	-	**52,260**	13,724	-	65,984	21%
	2009	194,495	-	11,158	19,449	-	**225,102**	147,471	-	372,573	40%
I Hassall (resigned 7/06/10)	**2010**	215,128	-	-	20,778	-	**235,906**	40,403	-	276,309	15%
	2009	215,596	-	-	21,559	-	**237,155**	134,849	-	372,004	36%
H Gilbery	**2010**	-	-	-	-	-	**-**	-	-	-	-
(from 1/07/08 to 15/05/09)	2009	238,500	-	29,529	20,897	24,035	**312,961**	130,426	-	443,387	29%
A McCartney	**2010**	-	-	-	-	-	**-**	-	-	-	-
(from 1/07/08 to 18/12/08)	2009	116,455	-	7,709	5,460	113,449	**243,073**	208,928	-	452,001	50%
E Palmbachs	**2010**	-	-	-	-	-	**-**	-	-	-	-
(from 1/7/08 to 12/10/08)	2009	62,089	-	5,842	7,550	21,424	**96,905**	97,698	-	194,603	46%
Sub-total executive directors & other KMP	**2010**	2,329,160	76,241	189,862	200,543	-	**2,795,806**	226,836	132,147	3,154,789	
	2009	2,358,602	-	165,970	223,877	298,456	**3,046,905**	1,725,839	-	4,772,744	
Total directors and KMP compensation (Group)	**2010**	**2,721,775**	**76,241**	**189,862**	**235,878**	**-**	**3,223,756**	**226,836**	**132,147**	**3,582,739**	
	2009	**2,771,184**	**-**	**165,970**	**261,007**	**298,456**	**3,496,617**	**1,725,839**	**-**	**5,222,456**	

DIRECTORS' REPORT

1. Mr A Simpson is a director and the sole member of Resources & Technology Marketing Services Pty Ltd which during the year provided marketing services to the group to the value of $144,869. Refer to the transactions with related parties Note 29 to the financial statements.
2. Ian McCubbing, the then General Manager Finance and Administration, was appointed as an executive director on 5 May 2008. On12 August 2008, he became a non-executive director.
3. Amounts paid as termination payments reflected contractual arrangements and statutory entitlements.
4. This amount is an accounting expense that represents an allocation of an accounting value determined at the time the options or rights were issued.

   No options or other long term incentives were issued during the year ended 30 June 2009. At 30 June 2010, all of the options of the Company issued in prior years were significantly 'out of the money'.
5. Mr Haslam commenced employment on 2 February 2009 as Chief Operating Officer and was appointed to the role of Managing Director and Chief Executive Officer on 23 April 2009.
6. Mr McVee has been considered a member of Key Management Personnel since 1 July 2009.
7. No performance-based payments were paid during the 2009 financial year.

   During the 2010 financial year the Board determined KPIs for the Managing Director to reach certain goals in relation to Safety, Financial, Operational, Growth and Stakeholder Relationships for the 2009/2010 year and paid a discretionary bonus based on these achievements. Of this bonus, $18,720 was paid during the financial year and the balance was paid subsequent to year end The relative proportions of remuneration that are linked to performance and those that are fixed are as follows:

		Fixed remuneration	At risk – short term incentive	Cash Incentive paid	Percentage Paid	Percentage Forfeited
A Haslam	**2010**	75%	25%	98,639	20%	5%

During the 2010 financial year the Board also approved the payment of a discretionary cash bonus in recognition of the efforts of employees in achieving the Company's objectives of increasing production while at the same time decreasing the costs of units of production. The discretionary cash bonus was paid to selected employees who had served a minimum qualifying period of employment and had demonstrated their commitment to achieving the Company's goals during and after the global financial crisis. The amounts paid ranged between 2 and 5% of their fixed remuneration.

(c) Service agreements

Remuneration and other terms of employment for key management personnel are formalised in service agreements or employment contracts. The major provisions of the agreements relating to the key management personnel for the year ended 30 June 2010 are set out below.

Andrew Haslam Managing Director & CEO

Remuneration	Fixed and Variable Remuneration:	As set out in the 2010 Remuneration Table
	Non-monetary & other benefits:	Novated motor vehicle lease
Term of Employment	Ongoing employment agreement	
Termination Notice	3 months notice and 3 months for redundancy, except in the event of a termination following a change of company ownership or control, in which case 12 months payment in lieu of notice. Total in any case not to exceed 12 months.	

David Broomfield GM Business Development

Remuneration	Fixed and Variable Remuneration:	As set out in the 2010 Remuneration Table
	Non-monetary & other benefits:	Nil
Term of Employment	Ongoing employment agreement	
Termination Notice	1 month or payment in lieu of notice	

DIRECTORS' REPORT

Bob Colson Mining Manager

Remuneration	Fixed and Variable Remuneration:	As set out in the 2010 Remuneration Table
	Non-monetary & other benefits:	Novated motor vehicle lease
Term of Employment	Ongoing employment agreement	
Termination Notice	1 month or payment in lieu of notice	

Blake Cousins GM Logistics & Procurement

Remuneration	Fixed and Variable Remuneration:	As set out in the 2010 Remuneration Table
	Non-monetary & other benefits:	Novated motor vehicle lease
Term of Employment	Ongoing employment agreement	
Termination Notice	3 months notice for poor performance or illness. Otherwise, 12 months or payment in lieu of notice	

Alan Cumming GM Finance & Administration

Remuneration	Fixed and Variable Remuneration:	As set out in the 2010 Remuneration Table
	Non-monetary & other benefits:	Fully maintained vehicle
Term of Employment	Ongoing employment agreement	
Termination Notice	3 months notice for termination, a further 3 months notice if made redundant.	

Chris Dunbar Mine Operations Manager

Remuneration	Fixed and Variable Remuneration:	As set out in the 2010 Remuneration Table
	Non-monetary & other benefits:	Rental assistance and novated motor vehicle lease
Term of Employment	Ongoing employment agreement	
Termination Notice	1 month or payment in lieu of notice	

Patrick McCole Company Secretary

Remuneration	Fixed and Variable Remuneration:	As set out in the 2010 Remuneration Table
	Non-monetary & other benefits:	Nil
Term of Employment	Ongoing employment agreement	
Termination Notice	3 months notice for poor performance or illness, 12 months notice if made redundant or payment in lieu of notice	

Bradley McVee Manager Logistics - Darwin Port

Remuneration	Fixed and Variable Remuneration:	As set out in the 2010 Remuneration Table
	Non-monetary & other benefits:	Rental assistance
Term of Employment	Ongoing employment agreement	
Termination Notice	1 month or payment in lieu of notice	

DIRECTORS' REPORT

Paul Rundel Engineering Manager

Remuneration	Fixed and Variable Remuneration:	As set out in the 2010 Remuneration Table
	Non-monetary & other benefits:	Novated motor vehicle lease
Term of Employment	Ongoing employment agreement	
Termination Notice	1 month or payment in lieu of notice	

(d) Share-based compensation

Performance Rights Plan

During the financial year the Board introduced a Performance Rights Plan as the mechanism to provide employees with long term incentives in accordance with the Remuneration framework. The plan was introduced as a result of the legislative changes to long term incentive plans announced by the Federal Government in the May 2009 Budget.

The new legislation and market conditions have reduced the effectiveness of the Company's previous Employee Share Option Plan which no longer provides adequate incentives to employees to achieve the Company's goals and objectives and to align their interests with those of the Company and Shareholders.

A General Meeting will be convened on 13 October 2010 for Shareholders to approve the Performance Rights Plan.

The Board intends to consider Performance Rights grants annually. All grants of rights must be approved by the Board.

All rights expire on the earlier of their expiry date (being seven years from date of grant), the termination of the employee's contract, or a period of up to 6 months following their retirement or redundancy.

During the financial year the Board granted Performance Rights to senior management under the Plan. The conditions of the 2009/2010 Rights contain performance criteria that consist of two separate Tranches as follows:

	Tranche 1	Tranche 2
% of total awards	50%	50%
Service Condition	Longer of 3 years and when either of 'Other performance conditions' are met.	3 years
Market based Performance Condition	None	Achievement of Total Shareholder Return (TSR) greater than 15% per annum over the period from 1 July 2009 to 30 June 2012.
Other Performance Condition	(a) Replacement of reserve depletion i.e. the addition of one extra year of mine life for each year of operation, or (b) extension of company operations beyond current mine life through the achievement of a successful acquisition or merger	None

DIRECTORS' REPORT

The Board has granted the 2009/2010 Rights with an effective date of 1 July 2009 as the period from which the performance criteria will be assessed for the following reasons:

(a) The Board had agreed in principle prior to that date that the Company should introduce such a plan, and the major hurdles had been identified and communicated at that date.

(b) The ability of the Company to implement such a plan during 2009 was hampered by the Federal Government's changes announced in May 2009.

(c) The Company and Management have been working towards extending the mine life since the goal was set by the Board.

(d) The Australian Taxation Office ("ATO") interpretative decision concerning "real risk of forfeiture" (a cornerstone of the Plan's eligibility) was only issued on 5 March 2010.

(e) Management and the Board were entirely focused throughout 2009 on the Company's survival. Accordingly, it has only recently been possible to present a scheme that has been prepared with sufficient clarity in respect to legal and taxation implications.

The 2009/2010 Rights are exercisable three years from the grant date if the performance measures are achieved for each tranche. At the end of the three years the rights can only be exercised by the participant if the Board determines that the performance measures have been achieved at the annual test date, being 1 July 2012.

The performance rights were granted for no consideration.

Options - Employee Share Option Plan

On 19 June 2009 the Board resolved to suspend the Employee Share Option Plan and no options were issued during the year under the Employee Share Option Plan.

Options over shares in Territory Resources Limited issued in previous years were granted under the Employee Share Option Plan which was approved by shareholders at the 23 May 2006 General Meeting. The options were not issued based on performance criteria, other than continued service, but were issued to the executives and the majority of employees of the Company to increase goal congruence between executives and Shareholders. No performance criteria were attached to the options issued due to the Company's particular circumstances at that time as there were no adequate indicators to link long term Company performance with executive remuneration.

DIRECTORS' REPORT

Details of Performance Rights and Options

The terms and conditions of each grant of performance rights and options affecting key management personnel remuneration in the previous, this or future reporting periods are as follows:

Grant date	Number of Rights	Number of Options	Date vested and exercisable	Expiry date	Exercise price Cents	Value per option/right at grant date Cents
21/8/2007	-	2,500,000	50.0% on 23/07/2008 50.0% on 23/07/2009	21/8/2010	90	13.50
3/9/2007	-	833,000	33.3% on 03/03/2008 33.3% on 03/03/2009 33.3% on 03/03/2010	21/12/2011	100	20.41
16/10/2007	-	500,000	50.0% on 16/10/2008 50.0% on 16/10/2009	21/12/2010	90	24.07
11/12/2007	-	1,250,000	33.3% on 21/12/2008 33.3% on 21/12/2009 33.3% on 21/12/2010	21/12/2012	150	62.80
2/4/2008	-	5,575,000	50.0% on 31/03/2009 50.0% on 31/03/2010	31/3/2011	111	33.03
14/9/2010*	1,759,224**	-	50.0% from 30/06/2012 50.0% from 30/06/2012	1/7/2016***	Nil	24.22

** The Board approved the grant of the Performance rights on 24 June 2010 with an effective grant date of 1 July 2009.*

*** The grant of 560,447 of these rights are subject to shareholder approval at a general meeting of shareholders to be held on 13 October 2010.*

**** These rights will either vest or lapse after an assessment of performance criteria as at 30 June 2012.*

These options and rights carry no dividend or voting rights. When exercisable, each option or each right is convertible into one ordinary share.

Details of performance rights and options over ordinary shares in the Company provided as remuneration to each director and each of the key management personnel are set out below.

	Number granted during the year					Number vested during the year			
	Rights		Options			Rights		Options	
	2010	2009	2010	2009		2010	2009	2010	2009
Directors									
*I McCubbing***	-	-	-	-		-	-	-	-
A Haslam	* 560,447	-	-	-		-	-	-	-
Other KMP									
R Colson	171,136	-	-	-		-	-	-	-
B Cousins	-	-	-	-		-	-	1,250,000	1,250,000
C Dunbar	311,939	-	-	-		-	-	-	-
P McCole	234,091	-	-	-		-	-	416,666	416,666
B McVee	155,584	-	-	-		-	-	-	-
P Rundel	203,300	-	-	-		-	-	-	-

** Subject to shareholder approval at a general meeting of shareholders to be held on 13 October 2010*

*** Mr McCubbing was issued options in 2007 in respect to his remuneration as the General Manager Finance & Administration of the Company at that time.*

The model inputs for valuation of the Performance Rights granted to key management personnel during the year ended 30 June 2010 and the model inputs for valuation of the options granted to key management personnel during the previous years are:

Grant date	21 Aug 07	3 Sep 07	11 Dec 07	21 Dec 07	2 Apr 08	1 Jul 09*
Expiry date	21 Oct 10	21 Dec 11	21 Dec 12	21 Dec 11	31 Mar 11	30 Jun 16
Exercise price ($)	0.90	1.00	1.50	0.90	1.11	Nil
Share price at grant date ($)	0.64	0.745	1.52	1.245	0.89	0.255
Expected volatility	52.7%	50%	61.7%	62.8%	84.51%	72.74%
Expected dividend yield	Nil %	Nil %	Nil %	Nil %	Nil %	Nil %
Risk-free interest rate	6.01%	6.23%	6.23%	6.57%	6.63%	4.97%

**The Board approved the grant of the performance rights with an effective grant date of 1 July 2009. The acceptance of the performance rights was effected on 14 September 2010 and for the purposes of the model inputs the grant date of 27 July 2010 was used for independent valuation being the date upon which the valuation was conducted.*

All Performance Rights and Options were granted for no consideration.

The assessed fair value at the date the rights and options were granted to the individuals is allocated over the period from grant date to vesting date, and the amount is included in the remuneration tables above. Fair values at grant date are determined using the Black-Scholes Option Pricing Model that takes into account the exercise price, the estimated term of the right or option, the estimated impact of dilution, the share price at grant date, estimated price volatility and the risk-free interest rate for the estimated term of the right or option. Further information on the options is set out in Note 34 to the financial statements.

Shares provided on exercise of remuneration options

No ordinary shares in the Company were issued in the 2010 financial year as a result of the exercise of remuneration options or performance rights granted to any director or key management personnel of the Group.

(e) Additional information

Share-based compensation: Performance Rights and Options

Details of the performance rights and options granted over unissued ordinary shares to the Directors and to the key management personnel as part of their remuneration are as follows:

DIRECTORS' REPORT

	Rights/Options granted					Value Yet to Vest	
	Number	Date	%Vested	%Forfeited	Date Grant Vested	Minimum*	Maximum**
Directors							
• *I McCubbing*	2,500,000	2007 Options	33%	67%	03/03/2009	-	-
• *A Haslam*	560,447	2009 Rights	-	-	01/07/2012	Nil	Nil
				-			
Other key management personnel							
R Colson	171,136	2009 Rights	-	-	01/07/2012	Nil	Nil
B Cousins	2,500,000	2007 Options	100%	-	23/07/2009	-	-
C Dunbar	311,939	2009 Rights	-	-	01/07/2012	Nil	Nil
P McCole	1,250,000	2007 Options	66%	-	21/12/2008	Nil	$259,699
	234,091	2009 Rights	-	-	01/07/2012	Nil	$175,252
B McVee	155,584	2009 Rights	-	-	01/07/2012	Nil	Nil
P Rundel	203,300	2009 Rights	-	-	01/07/2012	Nil	$525,301

* During the term of the options and rights the share price may have zero value.

** The maximum value of options and rights yet to vest is not determinable as it depends on the market price of shares of Territory at the date the options and rights are exercised. The maximum values presented above are based on the percentage of the assessed fair value at the date of issue yet to vest.

Further details relating to the rights and options are set out below.

	Rights	Value at grant date[a] $	Value at vesting date[b] $	Value at lapse date[c] $
Directors			-	-
A Haslam	2009 Rights	135,740	-	-
Other KPM				
R Colson	2009 Rights	41,449	-	-
C Dunbar	2009 Rights	75,551	-	-
P McCole	2009 Rights	56,696	-	-
B McVee	2009 Rights	37,682	-	-
P Rundel	2009 Rights	49,239	-	-
	Options			
Directors			-	-
I McCubbing	2007 Options	510,250	-	-
Other KPM				
B Cousins	2007 Options	337,500	-	-
P McCole	2007 Options	785,000	-	-

(a) The value at grant calculated in accordance with AASB 2 *Share-based Payments* of rights granted during the year as part of remuneration.
(b) The value at vesting date of rights that were granted as part of remuneration and were exercised during the year, being the intrinsic value of shares issued at that date.
(c) The value at lapse date of rights that were granted as part of remuneration and that were cancelled or lapsed during the year because a vesting condition was not satisfied. The value is determined at the time of lapsing.

Performance of Territory Resources Limited

The table below sets out summary information about the consolidated entity's earnings and movements in shareholder wealth for the five years to 30 June 2010:

	30 June 2010	30 June 2009	30 June 2008	30 June 2007	30 June 2006
	$'000	$'000	$'000	$'000	$'000
Revenue	175,878	114,375	60,449	746	439
Net profit/loss before tax	36,602	(64,992)	(54,184)	(6,881)	(3,218)
Net profit/loss after tax	41,263	(71,434)	(48,490)	(6,881)	(3,218)
Share price at start of year	$0.22	$0.85	$1.49	$0.32	$0.34
Share price at end of year	$0.19	$0.22	$0.85	$1.49	$0.32
Basic and diluted profit/(loss) per share	15.6 cps	(25.5) cps	(20.5) cps	(4.7) cps	(3.1) cps
Dividends paid	-	-	-	-	-

During the year, the Board introduced short term incentives for the Managing Director to reach certain goals for Safety, Financial, Operational, Growth and Stakeholder for the 2009/2010 year. The Company's strong financial performance over the past year has resulted in increased remuneration being paid in short-term incentives to the Managing Director.

During the year ended 30 June 2010, discretionary bonuses were used to recognise the efforts of senior management. As part of the revised Remuneration Policy it is intended to introduce a Short Term Incentive Plan with performance criteria to further align executives' interests with those of Shareholders.

During the year ended 30 June 2010, a Long Term Incentive Plan was introduced and share rights were granted by the Company to the Managing Director and senior management. The long term incentives are designed to align executives' interests with those of Shareholders and the performance hurdles for the vesting of the long term incentives ensures that the Company's goals and objectives are advanced and shareholders are rewarded before the executive will receive any benefit through increased remuneration.

DIRECTORS' REPORT

SHARES UNDER RIGHTS AND OPTIONS

Unissued ordinary shares of the Company under rights and options at the date of this report are as follows:

Right/ Option	Date granted	Expiry date	Issue price of shares $	Number under right/option
Options	3 Sep 2007	21 Dec 2011	1.00	833,000
Options	11 Dec 2007	21 Dec 2012	1.50	1,250,000
Options	21 Dec 2007	21 Dec 2010	0.90	500,000
Options	2 Apr 2008	31 Mar 2011	1.11	1,875,000
Rights	14 Sep 2010*	1 Jul 2016**	Nil	1,759,224***
				6,217,224

** The Board approved the grant of the Performance rights on 24 June 2010 with an effective grant date of 1 July 2009.*

*** These rights will either vest or lapse after an assessment of performance criteria as at 30 June 2012.*

**** The grant of 560,447 of these rights are subject to shareholder approval at a general meeting of shareholders to be held on 13 October 2010*

No performance rights holder and no option holder has any right under the options to participate in any other share issue of the Company or any other entity controlled by the Company.

SHARES ISSUED ON THE EXERCISE OF OPTIONS AND PERFORMANCE RIGHTS

No ordinary shares of Territory Resources Limited were issued during the year ended 30 June 2010 on the exercise of any performance rights or options.

DIRECTORS' REPORT

INSURANCE OF OFFICERS

The Company has during and since the end of the financial year, in respect of any person who has, is or has been an officer of the Company or a related body corporate, paid a premium in respect of the directors and officers liability insurance which indemnifies directors, officers and the Company for any claims made against the directors, officers of the company and the company, subject to the conditions contained in the insurance policy. Further disclosure required under section 300(9) of the *Corporations Act 2001* is prohibited under the terms of the contract.

The Company has provided to all directors and certain officers Deeds of Indemnity and Access to indemnify them against all liabilities and claims of a civil nature by reason of their Directorship or office of the Company. The indemnity requires the Company to obtain adequate insurance for this purpose but does not extend to any claim by the Company nor any liability arising out of conduct involving a lack of good faith or breach of duty.

APPOINTMENT OF AUDITOR

PricewaterhouseCoopers continues in office in accordance with Section 327 of the *Corporations Act 2001*.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 35.

NON-AUDIT SERVICES

The Company may decide to employ the auditor on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Company and/or the Group are important and independence will not be impaired.

Details of the amounts paid or payable to the auditor (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out below.

The Directors have considered the position and, in accordance with advice received from the Corporate Governance & Audit Committee, are satisfied that the provision of non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001* for the following reasons:

- No non-audit services were provided during the year.

During the year, the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	Consolidated	
	2010	**2009**
	$	**$**
Audit services		
PricewaterhouseCoopers Australian firm:		
Audit and review of financial reports	155,000	194,300
	155,000	194,300
Non-audit services		
Other services -		
PricewaterhouseCoopers audit firm	-	-

DIRECTORS' REPORT

ENVIRONMENTAL REGULATIONS

The mining leases, exploration licences and prospecting licences granted to the Group pursuant to the Northern Territory Department of Primary Industry, Fisheries and Mines are granted subject to various conditions which include standard environmental requirements. The Group adheres to these conditions and the Directors are not aware of any contraventions of these requirements.

LEGAL PROCEEDINGS ON BEHALF OF COMPANY

No proceedings have been brought on behalf of the Company and no person has applied to the court under section 237 of the *Corporations Act 2001* (Cth) for leave to bring proceedings on behalf of the Company.

ROUNDING OF AMOUNTS

The Company is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

Signed in Perth in accordance with a resolution of directors.

Andrew Simpson
NON-EXECUTIVE CHAIRMAN

29 September 2010

PRICEWATERHOUSECOOPERS

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Auditor's Independence Declaration

As lead auditor for the audit of Territory Resources Limited for the year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been:

a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit; and

b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Territory Resources Limited and the entities it controlled during the period.

NHenry.

Nick Henry
Partner
PricewaterhouseCoopers

Perth
29 September 2010

CORPORATE GOVERNANCE STATEMENT

INTRODUCTION

Territory's Directors are committed to high standards of corporate governance. This statement describes the Company's corporate governance framework. As a listed entity, the Company is required to disclose the extent to which it has followed the 'Corporate Governance Principles and Recommendations 2nd Edition' issued by the ASX Corporate Governance Council ('Governance Recommendations') and if it does not follow the Recommendation, to explain why not. Details of the Governance Recommendations and the Company's practices are set out in the table below, and in the relevant sections of this statement.

Corporate Governance Principles and Recommendations		Reference	Recommendation Followed or Why Not Explained
Principle 1	**Lay solid foundations for management and oversight**		
1.1	Formalise and disclose the functions reserved to the board and those delegated to management.	Role of the Board, Board structure	✓
1.2	Disclose the process for evaluating the performance of executives.	Performance evaluation	✓
1.3	Provide the information indicated in Guide to reporting on Principle 1.	Role of the Board	✓
Principle 2	**Structure the board to add value**		
2.1	A majority of the board should be independent directors.	Director independence	**×, Yes**
2.2	The chairperson should be an independent director.	The Chairman	**×, Yes**
2.3	The roles of chairperson and chief executive officer should not be exercised by the same individual.	The Managing Director	✓
2.4	The board should establish a nomination committee.	Board Committees	✓
	2.4.1 Composition of the nomination committee		**×, Yes**
2.5	Disclose the process for evaluating the performance of the Board, its committees and individual directors.	Performance evaluation	✓

CORPORATE GOVERNANCE STATEMENT

	2.6	Provide the information indicated in Guide to reporting on Principle 2.	Board structure, Director independence, Independent professional advice, Board Committees, Performance Evaluation, *Directors' Report*	✓
Principle 3		**Promote ethical and responsible decision-making**		
	3.1	Establish a code of conduct to guide the directors, the chief executive officer (or equivalent), the chief financial officer (or equivalent) and any other key executives as to: 3.1.1 the practices necessary to maintain confidence in the company's integrity 3.1.2 the practices necessary to take into account their legal obligations and the reasonable expectation of their stakeholders. 3.1.3 the responsibility and accountability of individuals for reporting and investigating reports of unethical practices.	Codes of conduct	✓
	3.2	Disclose the policy concerning trading in company securities by directors, officers and employees.	Policy on share trading	✓
	3.3	Provide the information indicated in Guide to reporting on Principle 3.	Codes of conduct, Policy on share trading	✓
Principle 4		**Safeguard integrity in financial reporting**		
	4.1	The board should establish an audit committee.	Board committees, Audit Committee	✓
	4.2	Structure the audit committee so that it consists of • only non-executive directors • a majority of independent directors • an independent chairperson, who is not chairperson of the Board • at least three members.	Audit Committee	✓
	4.3	The audit committee should have a formal charter.	Audit Committee	✓

CORPORATE GOVERNANCE STATEMENT

	4.4	Provide the information indicated in Guide to reporting on Principle 4.	Audit Committee, Committee membership, *Directors' Report*	✓
Principle 5		**Make timely and balanced disclosure**		
	5.1	Establish written policies and procedures designed to ensure compliance with ASX Listing Rule disclosure requirements and to ensure accountability at a senior management level for that compliance.	Timely and balanced disclosure	✓
	5.2	Provide the information indicated in Guide to reporting on Principle 5.	Timely and balanced disclosure	✓
Principle 6		**Respect the rights of shareholders**		
	6.1	Design and disclose a communications strategy to promote effective communication with shareholders and encourage effective participation at general meetings.	Communication with and participation of shareholders and the Market	✓
	6.2	Request the external auditor to attend the annual general meeting and be available to answer shareholder questions about the conduct of the audit and the preparation and content of the auditor's report.	Communication with and participation of shareholders and the Market	✓
Principle 7		**Recognise and manage risk**		
	7.1	Establish policies for the oversight and management of material business risks and disclose a summary of those policies.	Internal control and risk management	✓
	7.2	The Board should require management to design and implement the risk management and internal control system to manage the company's material business risks and report to it on whether those risks are being effectively managed. The Board should disclose that management has reported to it as to the effectiveness of the company's management of its material business risks.	Internal control and risk management	✓

	7.3	The Board should disclose whether it has received assurance from the chief executive officer (or equivalent) and the chief financial officer (or equivalent) that the declaration provided in accordance with section 295A of the Corporations Act is founded on a sound system of risk management and internal controls and that the system is operating effectively in all material respects in relation to the financial reporting risks.	Financial reporting. Internal control and risk management	✓
	7.4	Provide the information indicated in Guide to reporting on Principle 7.	Internal control and risk management	✓
Principle 8		**Remunerate fairly and responsibly**		
	8.1	The board should establish a remuneration committee.	Board committees	✗, **Yes**
	8.2	Clearly distinguish the structure of non-executive directors' remuneration from that of executive directors and senior executives containing the appropriate framework for: Box 8.1 the guidelines for executive remuneration practices. Box 8.2 the guidelines for non-executive remuneration practices.	Remuneration arrangements, *Directors' Report*	✗, **Yes**
	8.3	Provide the information indicated in Guide to reporting on Principle 9.	Board committees, Committee membership, Policy on share trading, *Directors' Report*	✓

The key corporate governance practices of the Company are summarised on the Territory website www.territoryresources.com.au under the 'Company Information – Corporate Governance' tab.

BOARD OF DIRECTORS

Role of the Board

Under its formal charter, the Board's role is to ensure that the Company acts in accordance with prudent commercial principles and strives to satisfy shareholders' expectations in a way that is consistent with maximising the Company's long-term value. In undertaking this role, the Board gives direction and exercises judgement in overseeing the setting of the Company's objectives and the monitoring of their implementation. The Board is responsible for appointing and removing the Managing Director, providing leadership and supervision of senior management, business strategy, stakeholder relationships, reviewing and monitoring systems of risk management and internal controls and approving and monitoring major capital expenditure and financial reporting. Management, on the other hand is responsible for the implementation of these objectives and for the day-to-day operations of the Company.

The Board has agreed on the following guidelines for assessing the materiality of matters, as set out in the Company's Board Charter:

CORPORATE GOVERNANCE STATEMENT

- Balance sheet items are material if they have a value of more than 5% of net assets.
- Profit and loss items are material if they will have an impact on the current year operating result of 10% or more.
- Items are also material if they impact on the reputation of the Company, involve a breach of legislation, are outside the ordinary course of business, they could affect the Company's rights to its assets, if accumulated they would trigger the quantitative tests, involve a contingent liability that would have a probable effect of 10% or more on balance sheet or profit and loss items, or they will have an effect on operations which is likely to result in an increase or decrease in net income or dividend distribution of more than 10%.
- Contracts will be considered material if they are outside the ordinary course of business, contain exceptionally onerous provisions in the opinion of the Board, impact on income or distribution in excess of the quantitative tests, there is a likelihood that either party will default, and the default may trigger any of the quantitative or qualitative tests, are essential to the activities of the Company and cannot be replaced, or cannot be replaced without an increase in cost of such a quantum, triggering any of the quantitative tests, contain or trigger change of control provisions, they are between or for the benefit of related parties, or otherwise trigger the quantitative tests.

Further details on the materiality thresholds and matters reserved for the Board are set out in the Board Charter that can be found on Company website.

Director's individual responsibilities are set out in an appointment letter, while the Managing Director is engaged under an employment agreement, which includes a formal job description.

COMPOSITION OF THE BOARD

Board structure

Details of the Directors in office at the date of this report, including their qualifications, experience and date of appointment are set out in the Directors' Report.

In October 2009 the Board adopted a revised Board Charter that provided that the structure of the Board is subject to the following parameters:

- the Board quorum is 3 Directors;
- the Board should include a majority of independent Non-Executive Directors;
- the Chairman must be a Non-Executive Director;
- there is no maximum age for Directors;
- Directors are appointed for terms not exceeding three years but are eligible for re-appointment; and
- the Board should comprise Directors with a broad range of skills and experience.

The Board is responsible for ensuring the Board is comprised of directors with the appropriate skill sets and experience. The Board, with the assistance of the Remuneration & Nomination Committee, selects and appoints directors to the Board. All newly appointed directors must seek re-election by the shareholders at the following AGM.

Director independence

Under the Board Charter the Board, at least annually, assesses the independence of its Non-Executive Directors. This assessment may occur more than once each year if there is a change in circumstances that may impact upon the independence of a Non-Executive Director.

Individual Directors must not participate in assessing their own independence, and must provide to the Board all information relevant to the assessment.

CORPORATE GOVERNANCE STATEMENT

In assessing independence, the Board considers all circumstances relevant to determining whether the Non-Executive Director is free from any interest and any business or other relationship which could, or could reasonably be perceived to, materially interfere with that Director's ability to exercise unfettered and independent judgement on Company issues. The materiality threshold for reviewing independence for a director who is an affiliate to a business that has a contractual relationship with the Company is 10% of revenue or gross assets for either party.

During the reporting period the Company departed from Governance Recommendation 2.1 that recommends that a majority of the Board be independent Directors because the Board is made up of equal numbers of independent and non-independent Directors. The Board does not consider that it would be appropriate to increase the size of the Board, and is of the view that, given the strategic direction of the Company, the Board is constituted with the appropriate range of skills, knowledge and experience necessary to effectively govern the Company and understand the commodity and economic sectors in which the Company operates, and that the inclusion of an equal number of independent, Non-Executive directors balances any decision making in an appropriate manner.

At the date of this report, the Board includes 3 independent Non-Executive Directors.

Name	**First Appointed**	**Non-Executive**	**Independent**
Mr A Simpson*	2007	Yes	No
Mr A Haslam	2009	No	No
Mr G Ariti	2008	Yes	Yes
Dr M Donaldson	2008	Yes	Yes
Ms F Harris	2008	Yes	Yes
Mr I McCubbing**	2008	Yes	No

* Mr Simpson is the principal and director of Resources & Technology Marketing Services Pty Ltd, an entity that provided marketing services to the Company during the year. Mr Simpson is the Chairman of the publicly listed company Swick Mining Services Limited that provided drill rigs and drilling services to the Company for part of the year. Mr Simpson is also the Chairman of India Resources Limited which had borrowed funds from the Company.

The Board has considered the nature and extent of these relationships in assessing Mr Simpson's independence and has had regard to the materiality thresholds set by the Board for reviewing independence.

Due to the totality of the contractual relationships and having regard to the materiality thresholds, the Board has formed the view that Mr Simpson is not currently considered to be an Independent director of the Company.

In order to ensure appropriate corporate governance processes in this area the Board:

- has appointed a Lead Independent Director to deal with matters where there may be any perceived conflict of interest;
- has adopted a policy on Transactions with Director Related Entities. This policy can be found annexed to the Board Code of Conduct and has been posted on the Company's website.

While the Board had formed the view that Mr Simpson is not considered to be independent, the Board further notes that Mr Simpson has declared his interest in these companies both publicly and to the Board and that the relationships are on normal commercial terms and conditions.

Finally, the Board will continue to monitor these relationships and will undertake a regular assessment as to the independent status of Mr Simpson.

**Mr McCubbing was formerly the Finance Director and employed as an executive of the Company until 11 August 2008.

CORPORATE GOVERNANCE STATEMENT

Subject to unforeseen changes in circumstances, the Board expects that from 11 August 2011, Mr McCubbing will be deemed independent under the Corporate Governance Council's Recommendations.

The Chairman

On 24 June 2008, the Board appointed Mr Andrew Simpson as the Chairman. Mr Simpson is a Non-Executive Director. As Chairman, Mr Simpson is responsible for leadership of the Board and for the efficient organisation, integrity and conduct of the Board.

During the reporting period the Company departed from Governance Recommendation 2.2 that recommends that the Chairman be an independent director. The Board has considered the nature and extent of the contractual relationships in assessing Mr Simpson's independence and has had regard to the materiality thresholds set by the Board for reviewing independence. Due to the totality of the contractual relationships and in regard to the materiality thresholds, the Board has formed the view that Mr Simpson is not currently considered to be an Independent director of the Company.

Lead Independent Director

In October 2009 the Board adopted a revised Board Charter that provided that in the event that the Chairman is deemed not to be independent then the Board should appoint a Lead Independent Director to deal with matters involving any potential conflict of interest. Ms Harris has been requested to undertake this role.

The Managing Director

On 23 April 2009, the Board appointed Mr Andrew Haslam as the Managing Director and Chief Executive Officer.

The Managing Director is responsible for running the Company on a day to day basis pursuant to authority delegated by the Board and is responsible for the implementation of Board and corporate policy and planning in accordance with approved programmes and budgets. The Managing Director reports to the Board regularly and is under an obligation to make sure that all reports which he presents give a true and fair view of the Company's operational production activities, exploration and other activities and its current financial status.

The roles of Chairman and Managing Director are not exercised by the same individual.

Board Committees

During the reporting period the Remuneration & Nomination Committee (RNC) consisted of 3 directors for part of the period and has consisted of 4 members since 20 May 2010. The Committee is comprised of the following Non-Executive Directors:

- Mr Ian McCubbing (Chairman) appointed 20 May 2010
- Mr Andrew Simpson
- Mr Giuseppe Ariti; and
- Ms Fiona Harris

Until 20 May 2010 the Chairman of the Committee was an independent, Non-Executive director. From 20 May 2010, the Chairman of the Committee, Mr McCubbing, is a Non-Executive director who is not considered independent and this constitutes a departure from Governance Recommendations 2.4 and 8.1. The Board has requested that Mr McCubbing undertake the role of RNC Chairman in order to balance workloads within the Board and is of the view that Mr McCubbing is an appropriate member and Chairman of the Committee due to his knowledge, skills and experience and because it has been over 2 years since Mr McCubbing held an executive role with the Company.

Subject to unforeseen changes in circumstances, the Board expects that from 11 August 2011 Mr McCubbing will be deemed independent under the Corporate Governance Council's Recommendations.

The Board has formed the view that Mr Simpson is not currently considered to be an Independent director of the Company and therefore the RNC was comprised of equal numbers of independent and non-independent directors for part of the year, which is a departure from Governance Recommendations 2.4 and 8.1. The Board is of the view that, given the number of independent directors on the Board, and in light of the charter and functions of the RNC, it was considered appropriate to appoint Mr Simpson and Mr McCubbing as members of the RNC, and that the inclusion of two independent Non-Executive directors on the Committee balances any decision making in an appropriate manner.

The RNC assists the board in the Nomination function by:

- Reviewing induction procedures to ensure that they are appropriate to allow new directors to participate at the earliest opportunity;
- Reviewing succession plans for the Board with a view to maintaining an appropriate balance of skills and experience on the Board;
- Making recommendations to the Board on the appropriate size and composition of the Board; and
- Making recommendations to the Board on the terms and conditions of appointment to, and removal and retirement from, the Board.

Further information regarding the Remuneration functions of this Committee is dealt with below.

The Company does not have a Nomination Policy as the Board is of the view that the RNC is able to fulfil the nomination function within the RNC Charter.

The Board has established a Corporate Governance & Audit Committee (CGAC), comprising 3 directors. Further information regarding this Committee is dealt with below.

In addition, the Board also established the following committees to assist in the discharge of its responsibilities and to enhance corporate governance during the reporting period:

- Exploration and Reserves Committee (ERC);
- Operations Committee (OC);
- Business Development & Marketing Committee (BDC).

These committees are designed to consider specific matters and make recommendations to the Board. The Board considers the material and the committee recommendations presented to them, and makes an independent assessment of the recommendations. All of the Committees have adopted Charters that can be found on the Company's website.

CORPORATE GOVERNANCE STATEMENT

Membership of the committees as at the date of this Report are set out below:

Committee Memberships

Name	CGAC	RNC	ERC	OC	BDC
Mr A Simpson		X			X
Mr A Haslam			X	X	X
Mr I McCubbing	X	X			
Ms F Harris	X	X			
Mr G Ariti	X	X		X	X
Dr M Donaldson			X		

The number of meetings and attendance of the members at the Committee meetings are set out in the Directors' Report.

Independent professional advice

Each Director has the right to seek independent professional advice at the Company's expense. Prior approval of the Chairman is required and will not be unreasonably withheld.

Performance evaluation

An annual review is undertaken in relation to the composition and skills mix of the Directors of the Company and of the performance of the Board. The Remuneration & Nomination Committee assists the Board in determining the process of performance assessment.

During the reporting period an evaluation was conducted on the performance of the Board as a whole. Committee performance evaluations were also conducted during the year for the CGAC and RNC. The performance reviews involved the completion of self assessment questionnaires in accordance with the Board and respective Committee Charters, and the engagement of an independent Board and Corporate Governance advisor to assist the Board with the evaluation and discussion of the questionnaire results.

The Board has conducted regular informal reviews of executive performance and a formal evaluation process was conducted on the Managing Director's performance during the year. The Board conducted meetings without Management at most scheduled Board meetings and this provides an opportunity to discuss ongoing management performance.

The Remuneration & Nomination Committee has requested Management to put into place arrangements to introduce annual performance appraisals of senior executives against pre-determined Key Performance Indicators, as part of the annual review, to better monitor and assess the performance of the Company's executives

ETHICAL AND RESPONSIBLE DECISION MAKING

Code of Conduct

The Board has adopted a Board Code of Conduct that deals with:

- obligations under legislation;
- personal behaviour;
- conflicts of interest;
- remuneration, expenses and other benefits;
- confidentiality, information and records; and

- transactions with director-related entities.

One of the Board's key aims is to appropriately deal with conflicts of interest (both real and apparent) and to ensure that all board issues receive proper consideration, unfettered by outside influences. If a conflict does exist, there are various courses of action available, depending upon the significance of the conflict.

In addition, all employees and contractors of the Company (including Directors) must observe the Company Code of Conduct and Business Ethics and Conflict of Interest Policy. These policies provide guidance as to the standards of behaviour to be observed in pursuing the business objectives of the Company so as to ensure that Company and Territory personnel:

- act with integrity, professionalism and fairness at all times;
- comply with all laws and regulations;
- act in the best interest of all stakeholders at all times; and
- are responsible and accountable for reporting and investigating reports of unethical practices.

The Board Code of Conduct can be found on the Company's website.

Policy on share trading

The Board has adopted a Share Trading Policy that prohibits directors, officers and employees from dealing in the Company's shares when they possess price sensitive information. The Share Trading Policy also imposes trading restrictions on Directors, Senior Managers and any person who directly reports to the Managing Director, under which they are only allowed to transact (no active trading) within prescribed trading windows following the release of financial reporting or major corporate disclosure documents (and only so long as they do not have any other price-sensitive inside information)

In addition to the general prohibition on trading in Territory Securities, Directors, Senior Managers and any person who directly reports to the Managing Director are prohibited from trading, except in exceptional circumstances, in the period between the close of books and the release of the half-year or full-year financial results (Blackout Periods). Any person who, due to exceptional circumstances needs to trade during any Blackout Period, must seek the Chairman's written consent before trading in Territory Securities. All such trades are to be reported to the Board at the next full Board meeting of the Company.

The Company policy also prohibits employees from hedging their options or share rights prior to their vesting. The hedging of options or rights that have vested to the participant must be notified to the Board.

The Board is to be notified when trading of shares in the Company by any director of the Company occurs.

The Share Trading Policy can be found on the Company's website.

INTEGRITY IN FINANCIAL REPORTING

Financial Reports

The Managing Director and Chief Financial Officer have made the following certifications to the Board:

- that the Company's financial reports are complete and present a true and fair view, in all material respects, of the financial condition and operational results of the Company and the Group and are in accordance with relevant legislation and accounting standards; and

CORPORATE GOVERNANCE STATEMENT

- that the above statement is founded on a sound system of risk management and internal control and that the system is operating effectively in all material respects in relation to financial reporting risks.

Audit Committee

During the reporting period the Audit Committee consisted of 3 directors, had a majority of independent directors and was not chaired by the Chairman of the Board. The Corporate Governance & Audit Committee consists of the following Non-Executive Directors:

- Ms Fiona Harris (Chairman)
- Mr Giuseppe Ariti
- Mr Ian McCubbing

Mr McCubbing is a Non-Executive Director who is not considered independent. Mr McCubbing was previously the Finance Director of the Company and is considered to be an appropriate member of the Corporate Governance & Audit Committee given his financial background and the fact that it has been more than two years since he held an executive role.

Please refer to the Directors' Report for members' qualifications, membership changes and member attendance at the Audit Committee meetings. The Managing Director, Chief Financial Officer, Company Secretary and external auditors are normally invited to attend each Corporate Governance & Audit Committee meeting.

Under its charter, the Corporate Governance & Audit Committee assists the Board to discharge its responsibilities in the areas of:

- corporate governance;
- financial reporting;
- external audit;
- internal audit;
- internal controls & risks;
- compliance.

As part of its role in financial reporting, the Corporate Governance & Audit Committee assesses whether the external reporting is consistent with committee members' information and knowledge and is adequate for shareholder needs.

Additionally, on an annual basis, the Corporate Governance & Audit Committee reviews the performance and independence of the external auditor. The Board has adopted a Policy on Transactions with External Auditors for this purpose. Any rotation requirement of the lead audit partner will occur in accordance with the appropriate legislation and regulations. The Company does not have a formal policy on the selection, appointment and rotation of the external auditor as the Board is of the view that, given the size and the affairs of the Company, and the length of tenure of the auditor, a formal policy is not warranted.

The Corporate Governance & Audit Committee Charter can be found on the Company's website.

TIMELY AND BALANCED DISCLOSURE

The Company has adopted a Continuous Disclosure Policy to ensure timely and balanced disclosure of information in line with ASX Listing Rule disclosure requirements and Continuous Disclosure Guidelines. The Company Secretary oversees and administers all continuous disclosure procedures. The Chairman, Managing Director and Company Secretary:

- consider each matter raised with them as potentially requiring disclosure to the ASX; and
- ensure that all appropriate information is brought before the Board for discussion so that the Company is able to meet its obligations under the Continuous Disclosure regime.

The Continuous Disclosure Policy can be found on the Company's website.

COMMUNICATION WITH AND PARTICIPATION OF SHAREHOLDERS AND THE MARKET

The Company is committed to complying with the continuous disclosure obligations of the Corporations Act and the ASX Listing Rules. Only the Chairman, Managing Director and Company Secretary are authorised to respond to investor relations matters.

The Company keeps shareholders and the market regularly informed through the annual, half year and quarterly reports. The releases include production figures, exploration activity and other required statutory information. The Company also discloses material developments to the ASX and the media as required.

From time to time, briefings are arranged to give analysts and others who advise shareholders an understanding of the Company's activities. In conducting briefings the Company takes care to ensure that any price sensitive information released is made available to all shareholders (institutional and private) and the market at the same time. These announcements are lodged with the ASX and then posted on the Company's website at www.territoryresources.com.au.

The Board encourages full participation of shareholders at the Annual General Meeting to ensure a high level of accountability and identification with the Company's strategies and goals. The Company also requires the external auditor to attend its Annual General Meeting and to be available to answer shareholders' questions about the conduct of the audit and the preparation and content of the auditor's report.

The Shareholder Communications Policy can be found on the Company's website.

INTERNAL CONTROL AND RISK MANAGEMENT

During 2009 the Board approved a risk management policy, under which Management is required to design a risk management framework and internal control system to mitigate and to report regularly to the Board on the material risks to the Company. The major risk categories of the Company fall within strategic, financial, operational, project and compliance risks. Implementation of this framework is underway. The Risk Management Policy can be found on the Company's website.

The Board has overall responsibility for the Company's internal control system, and ensures that the Company has an integrated framework of control, based on formal procedures and appropriate delegation of financial and other authorities.

The Company has a framework in place to safeguard the Company's assets and interests and ensure that business risks are identified and properly managed. This includes procedures and limits to manage financial risk. To assist in discharging this responsibility the Board has in place a control framework which includes the following:

- annual business plan, approved by the Board, incorporating financial and non-financial key performance indicators;
- regular reporting to the Board on a number of key areas including safety, health, environment, financial, taxation, insurance and legal matters;
- the adoption of clear guidelines for operating and capital expenditure, including annual budgets, detailed review procedures, and levels of authority;
- the segregation of duties (where possible); and
- a comprehensive insurance program.

CORPORATE GOVERNANCE STATEMENT

In addition, the Board requires the Managing Director and CFO to state in writing that:

- the Company's financial reports are founded on a sound system of risk management and internal control and that system is operating effectively in all material respects in relation to financial reporting risks; and
- the Company's risk management and internal control system to manage the Company's material business risks are operating effectively and are being managed effectively in all material respects,

Management has formally reported to the Board on the first of these items, but has not formally reported to the Board as to the effectiveness of the Company's management of its material business risks because the risk management system for such risks is still in the implementation phase and has not been specifically reviewed.

The Corporate Governance & Audit Committee has been allocated responsibility for overseeing the risk management process.

REMUNERATION ARRANGEMENTS

The Company's remuneration policy has been developed to ensure that the Company is able to:

- provide reasonable and not excessive compensation to employees for the services they provide to the Company;
- attract and retain employees with the skills required to effectively manage the operations and growth of the business;
- motivate employees to perform in the best interests of the Company and its stakeholders;
- provide an appropriate level of transparency and take into account all ASX and ASIC requirements; and
- ensure a level of equity and consistency across the Company.

The Remuneration & Nomination Committee has been allocated responsibility for overseeing the remuneration process. Under its Charter, the Remuneration & Nomination Committee assists the Board to discharge its remuneration responsibilities by:

- reviewing market conditions, economic factors, industry trends, and peer remuneration practices to set the framework for the determination of organisation wide remuneration policies;
- ensuring that an annual performance appraisal and remuneration review process is in place and carried out each year across the Company;
- reviewing the remuneration of the CEO on a regular basis and recommending remuneration to the Board for approval;
- reviewing the remuneration of Non-Executive Directors on a regular basis and recommending remuneration to the Board for approval;
- reviewing remuneration recommendations for Management put forward by the CEO; and
- making recommendations to the Board with respect to the Company's equity based performance incentive plans and cash based performance incentive plans.

Details of remuneration paid to Directors and to Management are outlined in the Remuneration Report contained in the Directors' Report.

CORPORATE RESPONSIBILITY

The Company complies with all legislative and common law requirements which affect its business, particularly environmental regulations, native title and cultural heritage laws.

Territory Resources Limited

ABN 53 100 552 118

Annual report
30 June 2010

Territory Resources Limited
Consolidated statement of comprehensive income
For the year ended 30 June 2010

	Notes	**2010 $'000**	2009 $'000
Revenue from continuing operations			
Revenue from sale of goods	4	**175,878**	114,375
Cost of goods sold	6	**(139,274)**	(117,831)
Gross profit/(loss)		**36,604**	(3,456)
Other revenue	4	**725**	728
Other income	5	**437**	811
Expenses			
Corporate	6	**(2,385)**	(27,296)
Other	6	**(823)**	(602)
Impairment of assets	6	**(2,066)**	(30,897)
Reversal of impairment of assets	6	**7,115**	-
Finance costs	6	**(4,005)**	(4,280)
Profit/(loss) before income tax		**35,602**	(64,992)
Income tax benefit/(expense)	7	**5,661**	(6,442)
Profit/(loss) from continuing operations		**41,263**	(71,434)
Profit/(loss) is attributable to:			
Equity holders of the Company	24(b)	**41,263**	(67,398)
Minority Interest		**-**	(4,036)
		41,263	(71,434)
Profit/(loss) for the year		**41,263**	(71,434)
Other comprehensive income/(loss)			
Changes in the fair value of available-for-sale financial assets, net of tax		**(15)**	718
Changes in fair value of derivative financial instruments, net of tax		**1,615**	(6,942)
Other comprehensive income/(loss) for the year, net of tax		**1,600**	(6,224)
Total comprehensive income/(loss) for the year		**42,863**	(77,658)
Total comprehensive income/(loss) for the year is attributable to:			
Owners of Territory Resources Limited		**42,863**	(73,622)
Minority Interest		**-**	(4,036)
		42,863	(77,658)
Earnings per share for profit/(loss) from continuing operations attributable to the ordinary equity holders of the parent entity:			
Basic earnings per share		**15.6**	(25.5)

The above consolidated statement of comprehensive income should be read in conjunction with the accompanying notes.

Territory Resources Limited
Consolidated balance sheet
As at 30 June 2010

	Notes	2010 $'000	2009 $'000
ASSETS			
Current assets			
Cash and cash equivalents	8	**1,474**	1,183
Trade and other receivables	9	**21,379**	10,027
Inventories	10	**24,166**	23,859
Held for sale assets	37	**-**	2,380
Other current assets		**59**	136
Total current assets		**47,078**	37,585
Non-current assets			
Receivables	12	**2,875**	931
Available-for-sale financial assets	13	**243**	1,189
Property, plant and equipment	14	**44,037**	47,131
Deferred tax assets	16	**5,262**	-
Exploration and evaluation	15	**8,045**	10,042
Total non-current assets		**60,462**	59,293
Total assets		**107,540**	96,878
LIABILITIES			
Current liabilities			
Trade and other payables	17	**20,850**	16,021
Borrowings	18	**6,399**	79,464
Derivative financial instruments	11	**-**	1,329
Provisions	19	**359**	874
Total current liabilities		**27,608**	97,688
Non-current liabilities			
Borrowings	20	**37,684**	-
Provisions	22	**4,293**	3,328
Total non-current liabilities		**41,977**	3,328
Total liabilities		**69,585**	101,016
Net assets/(liabilities)		**37,955**	(4,138)
EQUITY			
Contributed equity	23	**118,284**	118,284
Reserves	24(a)	**4,233**	3,394
Accumulated losses	24(b)	**(84,562)**	(126,446)
Attributable to the equity holders of the Company		**37,955**	(4,768)
Minority interests		**-**	630
Total equity		**37,955**	(4,138)

The above consolidated balance sheet should be read in conjunction with the accompanying notes.

Territory Resources Limited
Consolidated statement of changes in equity
For the year ended 30 June 2010

Consolidated	Notes	Contributed equity $'000	Reserves $'000	Accumulated losses $'000	Total $'000	Minority interest $'000	Total equity $'000
Balance at 1 July 2008		**118,284**	**8,395**	**(59,046)**	**67,633**	**4,665**	**72,298**
Loss for the year		-	-	(67,399)	(67,399)	(4,035)	(71,434)
Available-for-sale financial assets, net of tax		-	718	-	718	-	718
Changes in fair value of derivative financial instruments, net of tax		-	(6,942)	-	(6,942)	-	(6,942)
Total comprehensive expense for the year		**-**	**(6,224)**	**(67,399)**	**(73,623)**	**(4,035)**	**(77,658)**
Transactions with owners in their capacity as owners:							
Employee share options - value of employee services		-	1,222	-	1,222	-	1,222
Balance at 30 June 2009		**118,284**	**3,393**	**(126,445)**	**(4,768)**	**630**	**(4,138)**
Balance at 1 July 2009		**118,284**	**3,393**	**(126,445)**	**(4,768)**	**630**	**(4,138)**
Profit for the year		**-**	**-**	41,263	41,263	**-**	41,263
Available-for-sale financial assets, net of tax		-	(15)	-	(15)	-	(15)
Changes in fair value of derivative financial instruments, net of tax		-	1,615	-	1,615	-	1,615
Total comprehensive income for the year		**-**	**1,600**	**41,263**	**42,863**	**-**	**42,863**
Transactions with owners in their capacity as owners:							
Sale of subsidiary		-	-	-	-	(630)	(630)
Transfer of reserves		-	(620)	620	-	-	-
Employee share options - value of employee services		-	(140)	-	(140)	-	(140)
Balance at 30 June 2010		**118,284**	**4,233**	**(84,562)**	**37,955**	**-**	**37,955**

The above consolidated statement of changes in equity should be read in conjunction with the accompanying notes.

Territory Resources Limited
Consolidated statement of cash flows
For the year ended 30 June 2010

	Notes	2010 $'000	2009 $'000
Cash flows from operating activities			
Receipts from customers (inclusive of goods and services tax)		**166,137**	123,078
Payments to suppliers and employees (inclusive of goods and services tax)		**(129,866)**	(125,355)
		36,271	(2,277)
Payment on settlement of derivative financial instruments		**(1,796)**	(15,246)
Interest received		**128**	-
Interest and other costs of finance paid		**(2,990)**	(733)
Net cash inflow/(outflow) from operating activities	32	**31,613**	(18,256)
Cash flows from investing activities			
Payment for exploration		**(2,176)**	(6,145)
Payments for property, plant and equipment		**(4,597)**	(12,586)
Payments for mine development		**(2,967)**	-
Payments for bonds		**(2,012)**	(21)
Proceeds from sale of equity investments		**735**	-
Proceeds from sale of property, plant and equipment		**708**	-
Proceeds from sale of available-for-sale financial assets		**-**	49
Interest received		**-**	997
Net cash outflow from investing activities		**(10,309)**	(17,706)
Cash flows from financing activities			
Proceeds from borrowings		**2,348**	9,476
Proceeds from advances on sales		**111,828**	105,198
Loan funds repaid by third parties		**11,481**	-
Repayment of advances on sales		**(132,949)**	(78,805)
Repayment of borrowings		**(12,290)**	-
Finance lease payments		**(1,431)**	(642)
Net cash (outflow)/inflow from financing activities		**(21,013)**	35,227
Net increase/(decrease) in cash and cash equivalents		**291**	(735)
Cash and cash equivalents at the beginning of the financial year		**1,183**	1,918
Cash and cash equivalents at end of year	8	**1,474**	1,183

The above consolidated statement of cash flows should be read in conjunction with the accompanying notes.

1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated. The financial statements are for the consolidated entity consisting of Territory Resources Limited and its subsidiaries.

The financial statements were authorised for issue by directors on 29 September 2010. The directors have the power to amend and reissue the financial statements.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001.*

Compliance with IFRS
The consolidated financial statements of the Territory Resources Limited group also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Historical cost convention
These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets and financial assets and liabilities (including derivative instruments) at fair value through profit or loss.

Critical accounting estimates
The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

Financial statement presentation
The Group has applied the revised AASB 101 *Presentation of Financial Statements* which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity. All non-owner changes in equity must now be presented in the statement of comprehensive income. As a consequence, the Group had to change the presentation of its financial statements. Comparative information has been re-presented so that it is also in conformity with the revised standard.

(b) Principles of consolidation

Subsidiaries
The consolidated financial statements incorporate the assets and liabilities of all subsidiaries of Territory Resources Limited ("Parent Entity") as at 30 June 2010 and the results of all subsidiaries for the year then ended. Territory Resources Limited and its subsidiaries together are referred to in this financial report as the Consolidated entity or the Group.

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies, generally accompanying a shareholding of more than one-half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the Group.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of the impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated balance sheet respectively.

(i) Associates
Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting, after initially being recognised at cost.

1 Summary of significant accounting policies (continued)

(b) Principles of consolidation (continued)

(ii) Changes in ownership interests
The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of Territory Resources Limited.

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, jointly controlled entity or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in a jointly-controlled entity or an associate is reduced, but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(iii) Changes in accounting policy
The Group has changed its accounting policy for transactions with non-controlling interests and the accounting for loss of control, joint control or significant influence from 1 July 2009 when a revised AASB 127 *Consolidated and Separate Financial Statements* became operative. The revisions to AASB 127 contained consequential amendments to AASB 128 *Investments in Associates* and AASB 131 *Interests in Joint Ventures*.

Previously when the Group ceased to have control, joint control or significant influence over an entity, the carrying amount of the investment at the date control, joint control or significant influence ceased became its cost for the purposes of subsequently accounting for the retained interests as associates, jointly controlled entity or financial assets.

The Group has applied the new policy prospectively to transactions occurring on or after 1 July 2009. As a consequence, no adjustments were necessary to any of the amounts previously recognised in the financial statements.

(c) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision maker. The chief operating decision maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of directors ("the Board").

Change in accounting policy
The Group has adopted AASB 8 *Operating Segments* from 1 July 2009. AASB 8 replaces AASB 114 *Segment Reporting.* The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. This has not resulted in an increase in the number of reportable segments presented. In addition, the segment is reported in a manner that is consistent with the internal reporting provided to the chief operating decision maker. There has been no other impact on the measurement of the Group's assets and liabilities. Comparatives for 2009 have not been affected.

(d) Foreign currency translation

(i) Functional and presentation currency
Items included in the financial statements of each of the Group's operations are measured using the currency of the primary economic environment in which it operates ('the functional currency'). The consolidated financial statements are presented in Australian dollars, which is the Group's functional and presentation currency.

(ii) Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when they are deferred in equity as qualifying cash flow hedges and qualifying net investment hedges or are attributable to part of the net investment in a foreign operation.

1 Summary of significant accounting policies (continued)

(d) Foreign currency translation (continued)

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as available-for-sale financial assets are included in the fair value reserve in equity.

(e) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

(i) Product Sales
Amounts are recognised as sales revenue when there has been a passing of risk to a customer, and

- the product is in a form suitable for delivery and no further processing is required by, or on behalf of, the Group;
- the quantity, quality and selling price of the product can be reliably measured; and
- the product has been dispatched to the customer and is no longer under the physical control of the consolidated entity or the customer has formally acknowledged legal ownership of the product including all inherent risks, albeit that the product may be stored in facilities the Group controls.

(ii) Interest income
Interest income is recognised on a time proportion basis using the effective interest method. When a receivable is impaired the Group reduces the carrying amount to its recoverable amount.

(f) Income tax

The income tax expense or revenue for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised for deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilise those temporary differences and losses.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

1 Summary of significant accounting policies (continued)

(f) Income tax (continued)

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(g) Leases

Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the consolidated balance sheet based on their nature.

(h) Impairment of assets

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets, other than goodwill, that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

(i) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the consolidated balance sheet.

(j) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost, less provision for impairment. Trade receivables are due for settlement no more that 90 days from the date of recognition.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment of receivables is established when there is objective evidence that the consolidated entity will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial. Due to the short term nature of these receivables, the carrying amount is assumed to approximate their fair value.

The amount of the impairment loss is recognised in profit or loss within other expenses. When a trade receivable for which an impairment allowance has been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in profit or loss.

1 Summary of significant accounting policies (continued)

(k) Inventories

(i) Raw Materials, stores and ore stock piles
Raw materials, stores and stockpiles of ore are stated at the lower of cost and estimated net realisable value. Cost comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure. Costs are assigned to ore stockpiles on the basis of weighted average costs. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

(ii) Consumables
Consumables are valued at cost less any required provision for obsolescence or impairment determined following a review to ascertain surplus, damaged or obsolete items. Cost is determined on an average cost basis.

(l) Investments and other financial assets

The Group classifies its investments in the following categories; financial assets at fair value through profit and loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments are acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at each reporting date.

(i) Financial assets at fair value through profit or loss
Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(ii) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of selling the receivable. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets. Loans and receivables are included in trade and other receivables in the consolidated balance sheet.

(iii) Available-for-sale financial assets
Available-for-sale financial assets, comprising principally marketable equity securities, are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within 12 months of the end of the reporting period. Investments are designated as available-for-sale if they do not have fixed maturities and fixed or determinable payments and management intends to hold them for the medium to long-term.

Financial assets - reclassification
The Group may choose to reclassify a non-derivative trading financial asset out of the held for trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held for trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Group may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held for trading or available-for-sale categories if the Group has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

Recognition and derecognition
Regular purchases and sales of financial assets are recognised on trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

1 Summary of significant accounting policies (continued)

(l) Investments and other financial assets (continued)

When securities classified as available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss as gains and losses from investment securities.

Subsequent measurement
Loans and receivables are carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in profit or loss within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss as part of revenue from continuing operations when the Group's right to receive payments is established.

Fair value
The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

Impairment
The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of a security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is reclassified from equity and recognised in the profit or loss as a reclassification adjustment. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss.

If there is evidence of impairment for any of the Group's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in profit or loss.

(m) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges) or
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges).

The Group documents at the inception of the hedging transaction the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative financial instruments used for hedging purposes are disclosed in note 11. Movements in the hedging reserve in shareholders' equity are shown in note 24. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(i) Fair value hedge
Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

1 Summary of significant accounting policies (continued)

(m) Derivatives and hedging activities (continued)

(ii) Cash flow hedge
The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves in equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within other income or other expense.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss (for instance when the forecast sale that is hedged takes place). The gain or loss relating to the effective portion of forward foreign exchange contracts hedging export sales is recognised in profit or loss within 'sales'. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset (for example, inventory or fixed assets) the gains and losses previously deferred in equity are reclassified from equity and included in the initial measurement of the cost of the asset. The deferred amounts are ultimately recognised in profit or loss as cost of goods sold in the case of inventory, or as depreciation or impairment in the case of fixed assets.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately reclassified to profit or loss.

(iii) Derivatives that do not qualify for hedge accounting
Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other income or other expenses.

(n) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains or losses on qualifying cash flow hedges of foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Mine development
Mine development expenditure represents the costs incurred in preparing mines for production, and includes stripping and waste removal costs incurred before production commences. These costs are capitalised to the extent they are expected to be recouped through successful exploitation of the ore bodies. Once production commences, these cost are amortised on a units-of-production basis (tonnes mined) over the life of mine based on the estimated economically recoverable reserves and resource to which they relate, or are written off if the mine property is abandoned.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives or, in the case of leasehold improvements and certain leased plant and equipment, the shorter lease term as follows:

- Buildings	40 years
- Plant & Equipment	2 - 3 years
- Leasehold improvements	3 - 4 years
- Mine Development	Life of mine

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in profit or loss.

1 Summary of significant accounting policies (continued)

(o) Trade and other payables

These amounts represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

(p) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities, which are not an incremental cost relating to the actual draw-down of the facility, are recognised as prepayments and amortised on a straight line basis over the term of the facility.

Borrowings are removed from the consolidated balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other income or finance costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

(q) Borrowing costs

Borrowing costs incurred for the construction of any qualifying asset are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale. Other borrowing costs are expensed.

(r) Provisions

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(s) Employee benefits

(i) Wages, salaries, leave and superannuation
Provision is made for the Group's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries and annual leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Other employee benefits payable later than one year are measured at the present value of the estimated future cash outflows to be made for those benefits.

(ii) Share-based payments
Share based compensation benefits are provided to employees in terms of the Territory Resources Limited Employee Share Option Plan, the Territory Resources Performance Rights plan or, in the case of any directors, under terms approved by shareholders in general meeting.

The fair value of options or performance rights granted to employees are recognised as an employee benefit expense with a corresponding increase in the share-based payments reserve in equity. The fair value is measured at grant date and recognised over the period during which the employees become unconditionally entitled to the options or performance rights.

The fair value at grant date is independently determined using a Black-Scholes pricing model that takes into account the exercise price, the estimated term of the option or performance right, the vesting criteria, the estimated impact of dilution, the share price at grant date, the expected price volatility of the underlying share, the expected dividend yield and the estimated risk-free interest rate for the term of the option or performance right. The fair value of the options or performance rights granted excludes the impact of any non-market vesting conditions.

1 Summary of significant accounting policies (continued)

(t) Contributed equity

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. Incremental costs directly attributable to the issue of new shares for the acquisition of a business are not included in the cost of the acquisition as part of the purchase consideration.

If the entity reacquires its own equity instruments, for example as the result of a share buy-back, those instruments are deducted from equity and the associated shares are cancelled. No gain or loss is recognised in profit or loss and the consideration paid including any directly attributable incremental costs (net of income taxes) is recognised directly in equity.

(u) Earnings per share

(i) Basic earnings per share
Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the Group, excluding any costs of servicing equity other than ordinary shares
- by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year.

(ii) Diluted earnings per share
Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

(v) Exploration and evaluation expenditure

Exploration and evaluation costs related to an area of interest are expensed as incurred except where they may be carried forward as an item in the consolidated balance sheet where the rights of tenure of an area are current and one of the following conditions is met:
- the costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively, by its sale; and
- exploration and/or evaluation activities in the area of interest have not at the reporting date 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 area of interest are continuing.

Capitalised costs include costs directly related to exploration and evaluation activities in the relevant area of interest. General and administrative costs are allocated to an exploration or evaluation asset only to the extent that those costs can be related directly to operational activities in the area of interest to which the asset relates.

Capitalised exploration and evaluation expenditure is written off where the above conditions are no longer satisfied.

All capitalised exploration and evaluation expenditure is assessed for impairment if facts and circumstances indicate that an impairment may exist. Exploration and evaluation assets are also tested for impairment once commercial reserves are found, before the assets are transferred to development properties.

(w) Recoverable amount of non-current assets

AASB 136 Impairment of Assets requires that depreciable assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. Where there is no binding sale agreement or active market, fair value less costs to sell is based on the best information available to reflect the amount the consolidated entity could receive for the Cash Generating Unit in an arm's length transaction. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (Cash Generating Units).

1 Summary of significant accounting policies (continued)

(w) Recoverable amount of non-current assets (continued)

The estimates of future cash flows for each Cash Generating Unit are based on significant assumptions including:

- Estimates of the quantities of mineral reserves and resources for which there is a high degree of confidence of economic extraction;
- future production levels and the ability to sell that production;
- future product prices based on the consolidated entity's assessment of short and long term prices for each of the key products;
- spot exchange rates for the Australian dollar compared to the US dollar;
- future cash costs of production, sustaining capital expenditure, rehabilitation and mine closure; and
- the asset specific discount rate applicable to the Cash Generating Unit, based upon the consolidated entity's weighted average cost of capital.

(x) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the consolidated balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(y) Deferred stripping

Stripping costs incurred during the production stage of a mine are deferred when this is considered the most appropriate basis for matching the costs against the related economic benefits. The amount deferred is based on the waste-to-ore ratio ('stripping ratio'), which is calculated by dividing the tonnage of waste mined by the quantity of ore mined. Stripping costs incurred in a period are deferred to the extent that the current period actual stripping ratio exceeds the expected life-of-mine stripping ratio. The current period's budgeted life-of-mine stripping ratio per the mine plan cannot be lower than the expected life-of-mine stripping ratio. Such deferred costs are then charged to profit and loss to the extent that, in subsequent periods, the current period actual stripping ratio falls below the expected life-of-mine stripping ratio.

The life-of-mine stripping ratio is calculated based on proven and probable ore reserves. Any changes to the expected life-of-mine stripping ratio are accounted for prospectively.

Deferred stripping costs are included in the cost base of assets when determining a Cash Generating Unit for impairment assessment purposes.

(z) Rehabilitation costs

The provision for restoration represents the costs of restoring site damage and is recognised in the period in which the obligation arises. The Group measures the provision as the present value of the estimated cost of legal and constructive obligations to restore the site, and any associated environmental obligations.

The provision for restoration costs is based on the net present value of the estimated future costs and does not include any additional obligations which are expected to arise from future production. The estimated costs are determined separately for each operation and are updated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated life of the operation.

The amortisation or 'unwinding' of the discount applied in establishing the net present value of provision is charged to profit and loss in each accounting period and is disclosed as a finance cost.

1 Summary of significant accounting policies (continued)

(aa) Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

(ab) Assets held for sale

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. They are measured at the lower of their carrying amount and fair value less cost to sell.

(ac) Parent entity financial information

The financial information for the parent entity, Territory Resources Limited, disclosed in note 35 has been prepared on the same basis as the consolidated financial statements, except as set out below.

(i) Investments in subsidiaries, associates and joint venture entities
Investments in subsidiaries, associates and joint venture entities are accounted for at cost in the financial statements of Territory Resources Limited. Dividends received from associates are recognised in the parent entity's profit or loss, rather than being deducted from the carrying amount of these investments.

(ii) Tax consolidation legislation
Territory Resources Limited and its wholly owned Australian controlled entities have implemented the tax consolidation legislation.

The head entity, Territory Resources Limited, and the controlled entities in the tax consolidated group account for their own current and deferred tax amounts. These tax amounts are measured as if each entity in the tax consolidated group continues to be a stand alone taxpayer in its own right.

In addition to its own current and deferred tax amounts, Territory Resources Limited also recognises the current tax liabilities (or assets) and the deferred tax assets arising from unused tax losses and unused tax credits assumed from controlled entities in the tax consolidated group.

The entities have also entered into a tax funding agreement under which the wholly owned entities fully compensate Territory Resources Limited for any current tax payable assumed and are compensated by Territory Resources Limited for any current tax receivable and deferred tax assets relating to unused tax losses or unused tax credits that are transferred to Territory Resources Limited under the tax consolidation legislation. The funding amounts are determined by reference to the amounts recognised in the wholly owned entities' financial statements.

The amounts receivable/payable under the tax funding agreement are due upon receipt of the funding advice from the head entity, which is issued as soon as practicable after the end of each financial year. The head entity may also require payment of interim funding amounts to assist with its obligations to pay tax instalments.

Assets or liabilities arising under tax funding agreements with the tax consolidated entities are recognised as current amounts receivable from or payable to other entities in the group.

Any difference between the amounts assumed and amounts receivable or payable under the tax funding agreement are recognised as a contribution to (or distribution from) wholly owned tax consolidated entities.

(ad) Business combinations

The acquisition method of accounting is used to account for all business combinations, including business combinations involving entities or businesses under common control, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

1 Summary of significant accounting policies (continued)

(ad) Business combinations (continued)

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the subsidiary acquired and the measurement of all amounts has been reviewed, the difference is recognised directly in profit or loss as a bargain purchase.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

Change in accounting policy
A revised AASB 3 *Business Combinations* became operative on 1 July 2009. While the revised standard continues to apply the acquisition method to business combinations, there have been some significant changes.

All purchase consideration is now recorded at fair value at the acquisition date. Contingent payments classified as debt are subsequently remeasured through profit or loss. Under the Group's previous policy, contingent payments were only recognised when the payments were probable and could be measured reliably and were accounted for as an adjustment to the cost of acquisition.

Acquisition-related costs are expensed as incurred. Previously, they were recognised as part of the cost of acquisition and therefore included in goodwill.

Non-controlling interests in an acquiree are now recognised either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets. This decision is made on an acquisition-by-acquisition basis. Under the previous policy, the non-controlling interest was always recognised at its share of the acquiree's net identifiable assets.

If the Group recognises previous acquired deferred tax assets after the initial acquisition accounting is completed there will no longer be any adjustment to goodwill. As a consequence, the recognition of the deferred tax asset will increase the Group's net profit after tax.

(ae) Rounding of amounts

The Group is of a kind referred to in Class Order 98/100, issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the financial statements. Amounts in the financial statements have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

(af) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2010 reporting periods and have not yet been applied in the financial report. The Group's assessment of the impact of these new standards and interpretations is set out below.

(i) AASB 2009-8 *Amendments to Australian Accounting Standards - Group Cash-Settled Share-based Payment Transactions [AASB2]* (effective from 1 January 2010)
The amendments made by the AASB to AASB 2 confirm that an entity receiving goods or services in a group share-based payment arrangement must recognise an expense for those goods or services regardless of which entity in the group settles the transaction or whether the transaction is settled in shares or cash. They also clarify how the group share-based payment arrangement should be measured, that is, whether it is measured as an equity or a cash-settled transaction. The Group will apply these amendments retrospectively for the financial reporting period commencing on 1 July 2010. However, as the amendments only affect the accounting in the individual entities there will be no impact on the financial statements of the Group.

1 Summary of significant accounting policies (continued)

(af) New accounting standards and interpretations (continued)

(ii) AASB 2009-10 *Amendments to Australian Accounting Standards - Classification of Rights Issues [AASB 132]* (effective from 1 February 2010)
In October 2009 the AASB issued an amendment to AASB 132 *Financial Instruments: Presentation* which addresses the accounting for rights issues that are denominated in a currency other than the functional currency of the issuer. Provided certain conditions are met, such rights issues are now classified as equity regardless of the currency in which the exercise price is denominated. Previously, these issues had to be accounted for as derivative liabilities. The amendment must be applied retrospectively in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors.* The Group will apply the amended standard from 1 July 2010. As the Group has not made any such rights issues, the amendment will not have any effect on the Group's financial statements.

(iii) AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards arising from AASB 9* (effective from 1 January 2013)
AASB 9 *Financial Instruments* addresses the classification and measurement of financial assets and is likely to affect the Group's accounting for its financial assets. The standard is not applicable until 1 January 2013 but is available for early adoption. The group is still to assess its full impact and decide when to adopt AASB 9.

(iv) AASB Interpretation 19 *Extinguishing Financial Liabilities with Equity Instruments* and AASB 2009-13 *Amendments to Australian Accounting Standards arising from Interpretation 19* (effective 1 July 2010)
AASB Interpretation 19 clarifies the accounting when an entity renegotiates the terms of its debt with the result that the liability is extinguished by the debtor issuing its own equity instruments to the creditor (debt for equity swap). It requires a gain or loss to be recognised in profit or loss which is measured as the difference between the carrying amount of the financial liability and the fair value of the equity instruments issued. The Group will apply the interpretation from 1 July 2010. It is not expected to have any impact on the group's financial statements since it is only retrospectively applied from the beginning of the earliest period presented (1 July 2009) and the Group has not entered into any debt for equity swaps since that date.

(v) AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* and AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* (effective from 1 July 2010/1 January 2011)
In June 2010, the AASB made a number of amendments to Australian Accounting Standards as a result of the IASB's annual improvements project. The Group will apply the amendments from 1 July 2010. It does not expect that any adjustments will be necessary as the result of applying the revised rules.

2 Financial risk management

The Group's activities expose it to a variety of financial risks: market risk (including currency risk, equity price risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments such as foreign exchange contracts to hedge certain risk exposures. Derivatives are exclusively used for hedging purposes, ie not as trading or other speculative instruments.

Risk management is carried out under policies approved by the Board of Directors. The Board reviews management processes for identifying, evaluating and managing financial risk and has established a financial and commodity risk management policy.

The Group holds the following financial instruments:

	2010 $'000	2009 $'000
Financial assets		
Cash and cash equivalents	**1,474**	1,183
Trade and other receivables, current	**21,379**	10,027
Receivables, non-current	**2,875**	931
Available-for-sale financial assets	**243**	1,189
	25,971	13,330
Trade and other payables, current	**20,850**	16,021
Borrowings, current	**6,399**	79,464
Borrowings, non-current	**37,684**	-
Derivative financial instruments	**-**	1,329
	64,933	96,814

(a) Market risk

(i) Foreign exchange risk
Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities denominated in a currency that is not the entity's functional currency. The risk is estimated using sensitivity analysis and cash flow forecasting.

The Group has exposures to foreign exchange risk, primarily to movements in the US dollar in respect of receivables for iron ore sales and borrowings, which it has historically managed by use of forward foreign exchange contracts and foreign exchange options. Since August 2008, the Group has elected not to enter any further hedging contracts. The Group's exposure to foreign currency risk at the reporting date was as follows:

	2010 US$'000	2009 US$'000
Cash and Receivables		
Cash and cash equivalents	**7**	44
Trade receivables	**13,262**	1,600
	13,269	1,644
Forward foreign exchange contracts		
Sell foreign currency (cash flow hedge)	**-**	16,000
	-	16,000
Borrowings		
US dollars	**32,529**	46,079
	32,529	46,079

2 Financial risk management (continued)

Sensitivity
At 30 June 2010, had the Australian dollar weakened/strengthened by 10% against the US dollar, with all other variables held constant, the Group's post-tax result for the year would have been $1.58 million lower/ $1.44 million higher (2009: $5.71 million lower / $5.20 million higher), mainly as a result of foreign exchange gains/losses on translation of US dollar denominated receivables and loans. There was no tax impact for the 2009 year.

The effect on Equity would have been nil (2009: $2.17 million lower / $1.96 million higher) had the Australian dollar weakened/strengthened by 10% against the US dollar, arising mainly from currency hedging contracts designated as cash flow hedges in the previous year.

The decrease in sensitivity to movements in the Australian dollar/US dollar foreign exchange rates between 2009 and 2010 is due to the Group's increased trade debtors in regards to sales of iron-ore being partially offset by reduced borrowings, both of which are denominated in US dollars.

(ii) Cash flow and fair value interest rate risk
Interest rate risk arises from the consolidated entity's borrowings. When managing interest rate risk the consolidated entity seeks to minimise its overall cost of funds with a preference for variable interest rate exposures. Management monitor interest rate exposure on an ongoing basis by assessing the impact on future cash flows of possible changes in interest rates and terms of possible alternative sources of finance.

Borrowings at variable rates expose the Group to cash flow interest rate risk while borrowings at fixed rates expose the Group to fair value interest rate risk.

	30 June 2010		30 June 2009	
Consolidated as at balance date	**Weighted average interest rate %**	**Balance $'000**	Weighted average interest rate %	Balance $'000
Cash	**2.90 %**	**1,474**	2.99 %	1,184
Loan from related party (US$)	**5.35 %**	**(38,166)**	4.00 %	(56,789)
Bank loans	**- %**	**-**	8.18 %	(15,497)
Finance leases	**9.00 %**	**(917)**	9.00 %	(2,179)
Commercial bills	**5.96 %**	**(5,000)**	6.27 %	(5,000)
Net exposure to cash flow interest rate risk		**(42,609)**		(78,281)

At 30 June 2010, if interest rates had changed by -/+ 100 basis points from the year end rates with all other variables held constant, post-tax profit for the year would have been $298,000 lower/higher (2009 - $387,000 lower/higher), mainly as a result of interest payments on interest bearing liabilities.

(b) Credit risk

The Group has one significant concentration of credit risk, being a loan to Swan Gold Mining Ltd which has been impaired as at year end (refer to Note 9).

The Group sells all its product to its off take partner who has credit ratings with both Moody's Investor services and Standard & Poor's and has always traded within agreed credit term in regards to product sales.

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to trade customers, including outstanding receivables and committed transactions and loans to other parties. There are no trade receivables past due but not impaired.

2 Financial risk management (continued)

(c) Liquidity risk

Liquidity risk management requires sufficient cash, liquid investments and committed credit facilities to meet the Group's commitments as they arise.

Liquidity risk is managed by monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and financial liabilities.

For details of loan renegotiations during the year refer note 29.

The tables below detail the Group's remaining contractual maturities for its liabilities. The amounts presented represent the future undiscounted principal and interest cash flows.

Non-derivatives	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Total contractual cash flows**	**Carrying Amount (assets)/ liabilities**
At 30 June 2010	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Non-derivatives					
Trade payables	20,850	-	-	20,850	20,850
Interest bearing liabilities	6,484	39,661	30	46,175	44,083
Total non-derivatives	27,334	39,661	30	67,025	64,933
Derivatives					
Gross settled (forward foreign exchange contracts - cash flow hedges)					
- (inflow)	(1,796)	-	-	(1,796)	-
- outflow	1,796	-	-	1,796	-
	-	-	-	-	-
At 30 June 2009					
Non-derivatives					
Trade payables	16,021	-	-	16,021	16,021
Interest bearing liabilities	79,465	179	-	79,644	79,465
Total non-derivatives	95,486	179	-	95,665	95,486
Derivatives					
Gross settled (forward foreign exchange contracts - cash flow hedges)					
- (inflow)	(18,380)	-	-	(18,380)	-
- outflow	19,709	-	-	19,709	1,329
	1,329	-	-	1,329	1,329

(d) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

2 Financial risk management (continued)

As of 1 July 2009, The Group has adopted the amendment to AASB 7 *Financial Instruments: Disclosures* which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
(b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

At 30 June 2010	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Assets				
Available-for-sale financial assets				
Equity securities	227	16	-	243
At 30 June 2009				
Assets				
Available-for-sale financial assets				
Equity securities	1,189	-	-	1,189

(e) Equity price risk

The Group is exposed to equity price risk arising from equity investments. Equity investments are held for strategic rather than trading purposes. The Group does not actively trade these investments.

Sensitivity
At reporting date, if the fair value of equities held had been 10% higher/lower while all other variables were held constant:

Net profit
The impact on net profit for the Group pre-tax would be an increase/decrease of Nil (2009: $67,000).

Equity
The revaluation reserve for the Group pre-tax would increase/decrease by $22,725 (2009: $83,000).

To manage its price risk arising from investments in equity securities, the Group reviews the carrying value of all listed investments on a monthly basis.

3 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

(a) Critical accounting estimates and assumptions

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

3 Critical accounting estimates and judgements (continued)

Determination of mineral resources and ore reserves
The Group estimates its mineral resources and ore reserves in accordance with the Australian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves (the "JORC Code"). The information on mineral resources and ore reserves is prepared by or under the supervision of Competent Persons as defined in the JORC Code. The amounts presented are based on the mineral resources and ore reserves determined under the JORC Code.

There are numerous uncertainties inherent in estimating mineral resources and ore reserves and assumptions that are valid at the time of estimation which may change significantly when new information becomes available.

Changes in the forecast prices of commodities, exchange rates, production costs or recovery rates may change the economic status of reserves and may, ultimately, result in the reserves being restated. Such changes in reserves could impact on depreciation and amortisation rates, asset carrying values and provisions for decommissioning and restoration.

Estimation of the provision for rehabilitation and dismantling.
The provision for rehabilitation and dismantling property, plant and equipment is estimated taking into consideration facts and circumstances available at the balance sheet date. This estimate is based on the expenditure required to undertake the rehabilitation and dismantling, taking into consideration the time value of money.

Carrying value of receivables due from Swan Gold net of impairment provision
Management has applied estimates and judgments in order to determine the appropriate level of impairment provision required to be recognised against the outstanding receivable balances due from Swan Gold Mining Company Ltd (formerly Monarch Gold Mining Company Ltd).

Share-based payment transaction
The Group measures the cost of equity settled transactions by reference to the fair value of the equity instruments at the date at which they are granted. The fair value is determined using the Black-Scholes option pricing model using the assumptions detailed in Note 34.

(b) Critical judgements in applying the entity's accounting policies

Income taxes
Judgment is required in determining the provision for income taxes. The Group recognises liabilities of anticipated tax based on estimates of taxes due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made.

Recoverability of deferred tax assets
The Group recognises deferred tax assets relating to carried forward tax losses and deductible temporary differences to the extent there are sufficient future taxable profits to utilise these losses. Determination of forecast future profits depends on a number of significant estimates and assumptions.

Derivatives
The Group utilises derivatives to manage foreign exchange cash flow and fair value risk. The valuation of these derivatives is calculated by external consultants using recognised valuation techniques.

Impairment of property, plant and equipment
The Group reviews for impairment of property, plant and equipment, in accordance with its accounting policy. The recoverable amount of these assets has been determined based on higher of the assets' fair value less costs to sell and value in use. These calculations require the use of estimates and judgments.

Impairment of capitalised mine development expenditure
The future recoverability of capitalised mine development expenditure is dependent on a number of factors, including the level of proven and probable reserves and inferred and indicated mineral resources, future technological changes which could impact the cost of mining, future legal changes (including changes to environment restoration obligations) and changes to commodity prices. To the extent that capitalised mine development expenditure is determined not to be recoverable in the future, this will reduce profits and net assets in the period in which this determination is made.

3 Critical accounting estimates and judgements (continued)

Exploration
Exploration expenditure is capitalised when either, costs are expected to be recouped through successful development and exploitation of the area of interest, or alternatively by its sale; or exploration and evaluation activities have not yet reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves. In determining this, assumptions, including maintenance of title, ongoing expenditure and prospectivity are made and in the event that these assumptions no longer hold then this expenditure may, in part or full, be expensed through profit and loss in future periods.

4 Revenue

	2010 $'000	2009 $'000
From continuing operations		
Sales revenue		
Sales of iron-ore	**177,892**	119,755
Hedge losses on exchange contracts brought to account	**(2,014)**	(5,380)
	175,878	114,375
Other revenue		
Rents and sub-lease rentals	**597**	351
Interest from financial assets not at fair value through profit or loss	**128**	377
	725	728
Total revenue	**176,603**	115,103

5 Other income

	2010 $'000	2009 $'000
Despatch on iron-ore shipments	**437**	811

6 Expenses

Profit/(loss) before income tax includes the following specific expenses:

	2010 $'000	2009 $'000
Cost of goods sold		
Production costs	**(110,506)**	(95,722)
Selling and marketing costs	**(13,152)**	(5,123)
Depreciation and amortisation	**(15,616)**	(16,986)
	(139,274)	(117,831)
Depreciation and amortisation		
Plant and equipment	**(5,807)**	(6,932)
Exploration	**(3,786)**	(4,676)
Deferred development costs	**(6,260)**	(5,681)
Total depreciation and amortisation	**(15,853)**	(17,289)
Corporate costs		
Corporate administration	**(5,904)**	(9,624)
Standstill costs	**(533)**	(1,867)
Rental expenses relating to operating leases		
- minimum lease payments	**-**	(100)
Occupancy	**(267)**	(139)
Net foreign exchange gain/(loss)	**4,415**	(14,040)
Depreciation	**(237)**	(303)
Share-based payments	**141**	(1,223)
	(2,385)	(27,296)

6 Expenses (continued)

	2010 **$'000**	2009 $'000
Finance costs		
Interest and finance charges paid/payable for financial liabilities not at fair value through profit or loss	**(3,781)**	(4,170)
Provisions: unwinding of discount	**(224)**	(110)
	(4,005)	**(4,280)**
Other		
Exploration expenditure	**(388)**	(388)
Net loss on sale of assets	**(435)**	(214)
	(823)	(602)
Impairment of assets		
Impairment of available for sale financial assets	**(160)**	(10,875)
Impairment of held for sale assets	**-**	(16,399)
Impairment of other receivables	**-**	(770)
Impairment of plant and equipment	**-**	(2,853)
Impairment of land & building	**(1,906)**	-
	(2,066)	(30,897)
Reversal of impairment of assets		
Reversal of impairment of loan to Swan Gold Mining Ltd	**7,115**	-
Superannuation expense		
Defined contribution superannuation expense	**(1,122)**	(1,130)

7 Income tax expense

(a) Income tax benefit/(expense)

	2010	2009
Current tax	**-**	-
Deferred tax	**5,661**	(6,442)
	5,661	(6,442)
Deferred income tax benefit/(expense) included in income tax benefit/(expense) comprises:		
Increase/(decrease) in deferred tax assets (note 16)	**4,568**	(5,335)
(Increase)/decrease in deferred tax liabilities (note 21)	**694**	(1,250)
Other	**399**	143
	5,661	(6,442)

7 Income tax expense (continued)

(b) Numerical reconciliation of income tax expense to prima facie tax payable

	2010	2009
Profit/(loss) from continuing operations before income tax expense	**35,602**	(64,992)
Tax at the Australian tax rate of 30% (2009 - 30%)	**(10,681)**	19,497
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Tax benefit not brought to account	**-**	(10,798)
Share-based payments	**42**	(367)
Share of subsidiary's loss	**-**	(281)
Sundry	**(235)**	47
Reversal of impairment	**2,134**	-
	(8,740)	8,098
Prior year tax losses not brought to account	**-**	(7,606)
Previously recognised tax losses reversed in prior year	**-**	(6,934)
Previously unrecognised tax losses now recognised	**6,066**	-
Previously unrecognised tax losses now recouped to reduce current tax expense	**8,335**	-
	14,401	(14,540)
Income tax benefit/(expense)	**5,661**	(6,442)

(c) Tax benefit (expense) relating to items of other comprehensive income

	2010	2009
Cash flow hedges	**399**	(2,798)
	399	(2,798)

8 Current assets - Cash and cash equivalents

	2010 $'000	2009 $'000
Cash at bank and in hand	**1,273**	976
Cash on deposit	**201**	207
	1,474	1,183

(a) Risk exposure

The Group's exposure to interest rate risk is discussed in note 2. The maximum exposure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

9 Current assets - Trade and other receivables

	2010 $'000	2009 $'000
Trade receivables		
Iron-ore sales	**15,560**	1,972
Other receivables		
Other receivables	**3,339**	3,960
Provision for impairment	**(770)**	(770)
	2,569	3,190
Due from Swan Gold Mining Ltd		
Loan	**15,730**	21,500
Other	**1,090**	1,090
Security deposit	**-**	2,961
Provision for impairment	**(13,570)**	(20,686)
	3,250	4,865
	21,379	10,027

(a) Impaired other receivables

These amounts arose in prior years from transactions outside the usual operating activities of the Group. Collateral was not obtained for any of these receivables other than the loan to Swan Gold Mining Ltd which is secured over certain assets of the Swan Gold Mining Ltd Group.

Movement during the year of these receivables is as follows:

	2010 $'000	2009 $'000
Beginning of year	**21,456**	17,725
Transfer from non-current	**-**	2,961
Reversal of impairment (refer note 6)	**(7,115)**	-
Other receivables	**-**	770
End of year	**14,341**	21,456

(b) Loans to Swan Gold Mining Ltd

Movement in the loan balance during the year is as follows:

	2010	2009
Beginning of year	**4,865**	4,865
Reversal of impairment	**7,115**	-
Repayment of loan amounts	**(8,730)**	-
End of year	**3,250**	4,865

(c) Past due but not impaired

	2010	2009
Up to 1 year	**500**	-
1 year to 2 years	**-**	4,865
	500	4,865

The other classes within trade and other receivables do not contain impaired assets and are not past due.

9 Current assets - Trade and other receivables (continued)

(d) Foreign exchange and interest rate risk

Information about the Group's exposure to foreign currency risk and interest rate risk in relation to trade and other receivables is provided in note 2.

10 Current assets - Inventories

	2010 $'000	2009 $'000
Consumables - at cost	**859**	784
Ore stock piles - at cost	**23,307**	23,075
	24,166	23,859

11 Derivative financial instruments

	2010 $'000	2009 $'000
Current liabilities		
Forward foreign exchange contracts - cash flow hedges (a (i))	**-**	1,329

(a) Instruments used by the Group

(i) Forward exchange contracts - cash flow hedges
The Group is party to derivative financial instruments in the normal course of business in order to hedge exposure to fluctuations in foreign exchange rates in accordance with the Group's financial risk management policies (refer to note 2).

The majority of the Groups revenue is denominated in USD. In order to manage risk against adverse exchange rate movements the Group entered into forward exchange contracts to sell USD.

The portion of the gain or loss on the hedging instrument that is determined to be effective is recognised directly in equity. When the cash flow occurs, the Group adjusts the initial measurement of the component recognised in the consolidated balance sheet by the related amount deferred in equity.

At balance date, the Group held no forward USD exchange contracts (2009: USD $16 million).

(ii) Fair Value
The Group estimates the fair value of derivative contracts based on well established option pricing models and market conditions existing at balance date.

(b) Risk exposures

Information about the Group's exposure to credit, foreign exchange and interest rate risk is provided in note 2.

12 Non-current assets - Receivables

	2010 $'000	2009 $'000
Environmental bonds and other security deposits	**2,875**	931

13 Available-for-sale financial assets

Listed share investments at market value	**243**	1,189
Available-for-sale financial asset considered to be impaired: Share investments		
Carrying value prior to provision for impairment	**30,276**	34,628
Provision for impairment	**(30,260)**	(33,961)
Movement in reserve	**-**	-
	16	667

14 Non-current assets - Property, plant and equipment

	Freehold land $'000	Freehold buildings $'000	Plant and equipment $'000	Mine development $'000	Deferred stripping $'000	Total $'000
At 1 July 2008						
Cost	5,063	2,990	19,126	38,703	10,468	76,350
Accumulated depreciation	-	(37)	(7,169)	(3,233)	-	(10,439)
Net book amount	5,063	2,953	11,957	35,470	10,468	65,911
Year ended 30 June 2009						
Opening net book amount	5,063	2,953	11,957	35,470	10,468	65,911
Additions	-	13	9,977	4,471	3,014	17,475
Disposal	-	-	(25)	-	-	(25)
Transfer	30	(30)	(189)	(17,557)	-	(17,746)
Impairment	-	-	(2,853)	-	-	(2,853)
Transfer to production costs	-	-	-	-	(3,014)	(3,014)
Depreciation charge	-	(79)	(6,857)	(5,681)	-	(12,617)
Closing net book amount	5,093	2,857	12,010	16,703	10,468	47,131
At 30 June 2009						
Cost	5,093	2,973	22,927	27,236	10,468	68,697
Accumulated depreciation	-	(116)	(10,917)	(10,533)	-	(21,566)
Net book amount	5,093	2,857	12,010	16,703	10,468	47,131
Year ended 30 June 2010						
Opening net book amount	5,093	2,857	12,010	16,703	10,468	47,131
Additions	25	-	3,673	5,058	2,844	11,600
Disposals	-	-	(1,112)	-	-	(1,112)
Transfers (i)	-	115	3,577	(3,692)	-	-
Impairment charge recognised in profit and loss (ii)	(1,242)	(664)	-	-	-	(1,906)
Depreciation charge	-	(78)	(5,729)	(6,260)	-	(12,067)
Depreciation on disposals	-	-	168	223	-	391
Closing net book amount	3,876	2,230	12,587	12,032	13,312	44,037
At 30 June 2010						
Cost	3,876	2,424	29,065	28,602	13,312	77,279
Accumulated depreciation	-	(194)	(16,478)	(16,570)	-	(33,242)
Net book amount	3,876	2,230	12,587	12,032	13,312	44,037

(i) The transfer relates to reclassification of prior year assets incorrectly classified.

(ii) Land and buildings were valued by an independent property valuer as at 30 June 2010. The written down value as at that date was $7.9 million, however the valuation has been assessed to be $6.0 million. The total impairment charge recognised as at 30 June 2010 is $1.9 million.

14 Non-current assets - Property, plant and equipment (continued)

(a) Assets in the course of construction

The carrying amounts of the assets disclosed above include the following expenditure recognised in relation to property, plant and equipment which is in the course of construction:

	2010 $'000	2009 $'000
Machinery	**3,117**	-

(b) Leased assets

Plant and equipment includes the following amounts where the Group is a lessee under a finance lease:

	2010 $'000	2009 $'000
Leased equipment		
Cost	**3,116**	3,820
Accumulated depreciation	**(1,854)**	(1,431)
Net book amount	**1,262**	2,389

(c) Valuations of land and buildings

The valuation basis of land and buildings is fair value being the amounts for which the assets could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition. The 2010 revaluation was based on independent assessment by a member of the Australian Property Institute as at 30 June 2010.

15 Exploration

Exploration and evaluation

Exploration and evaluation		
Cost		
Opening balance	**16,270**	10,126
Expenditure incurred	**1,789**	6,144
Closing balance	**18,059**	16,270
Amortisation of exploration		
Opening balance	**(6,228)**	(1,552)
Amortisation for the year	**(3,786)**	(4,676)
Closing balance	**(10,014)**	(6,228)
Net exploration and evaluation	**8,045**	10,042

Ultimate recoupment of exploration expenditure carried forward is dependent on successful development and commercial exploration, or alternatively sale of the respective areas.

16 Non-current assets - Deferred tax assets

	2010 $'000	2009 $'000
The balance comprises temporary differences attributable to:		
Losses available for offset against future taxable income	**11,357**	5,574
Provisions and accruals	**1,430**	1,216
Provision for impairment of investments and other assets	**14,079**	24,665
Capital raising costs and other	**1,069**	1,349
Derivative financial instruments	**-**	399
Borrowings	**782**	1,532
Other Receivables	**-**	231
Gross deferred income tax assets	**28,717**	34,966
Deferred tax assets not brought to account	**(13,848)**	(24,665)
Total deferred tax assets	**14,869**	10,301
Set-off of deferred tax liabilities pursuant to set-off provisions (note 21)	**(9,607)**	(10,301)
Net deferred tax assets	**5,262**	-
Deferred tax assets expected to be recovered within 12 months	**12,512**	1,846
Deferred tax assets expected to be recovered after more than 12 months	**2,357**	8,455
	14,869	10,301

17 Trade and other payables

	2010 $'000	2009 $'000
Trade creditors	**10,529**	6,847
Accruals and other creditors	**10,321**	9,174
	20,850	16,021

18 Current liabilities - Borrowings

	2010 $'000	2009 $'000
Current		
Loans from related party (a)	**657**	56,789
Loans from unrelated party (a)	**-**	15,497
Lease liabilities (b) (note 28)	**742**	2,178
Loans from unrelated party (c)	**5,000**	5,000
Total secured current borrowings	**6,399**	79,464

Information about the Group's exposure to credit, foreign exchange and interest rate risk is provided in note 2.

18 Current liabilities - Borrowings (continued)

Secured liabilities and assets pledged as security

(a) As at 30 June 2010 Noble holds a fixed and floating charge over the Group's assets, a mortgage over shares in key subsidiaries and a mining tenement mortgage over the Frances Creek mining leases to secure the funding provided by Noble. For more detail regarding security held during the year refer note 29.

(b) Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor on default.

(c) The loan from unrelated party of $5 million is secured by a first ranking mortgage over the Group's freehold land and building.

For carrying amounts of assets pledged as security for these borrowings see note 20.

19 Current liabilities - Provisions

	2010 $'000	2009 $'000
Employee benefits	**359**	874

(a) Movements in provisions

Movements in employee benefits during the year	**2010 $'000**	**2009 $'000**
Current		
Carrying amount at start of year	874	716
Charged/(credited) to income statement		
- additional provisions recognised	-	1,324
- amounts incurred and charged	(515)	(1,166)
Carrying amount at end of year	359	874

20 Non-current liabilities - Borrowings

	2010 $'000	2009 $'000
Secured		
Lease liabilities (b) (note 28)	**175**	-
Loans from related party (a)	**37,509**	-
Total secured non-current borrowings	**37,684**	-

Secured liabilities and assets pledged as security

The total secured liabilities (current and non-current) are as follows:

Loans from related party (a)	**657**	56,789
Loans from unrelated party	**-**	15,497
Lease liabilities (b)	**917**	2,178
Loans from related party (a)	**37,509**	-
Loans from unrelated party (c)	**5,000**	5,000
Total secured liabilities	**44,083**	79,464

20 Non-current liabilities - Borrowings (continued)

(a) Noble has granted the Company an extension for the repayment of the debts until 31 October 2011, or such later date as agreed.

(b) Lease liabilities are effectively secured as the rights to the leased assets recognised in the financial statements revert to the lessor on default.

(c) The loan from unrelated party of $5 million is secured by fist ranking mortgage over the Group's freehold land and building.

The carrying amounts of assets pledged as security for current and non-current borrowings are:

	2010 $'000	2009 $'000
Floating charge		
Cash and cash equivalents	**1,474**	1,183
Receivables	**24,254**	10,956
Inventories	**24,165**	23,858
Mortgage		
Freehold land and buildings	**6,106**	8,053
Finance lease		
Plant and equipment	**1,193**	1,050
Floating charge		
Available-for-sale financial assets	**243**	1,189
Plant and equipment	**11,394**	14,537
Mine properties	**12,032**	16,703
Total assets pledged as security	**80,861**	77,529

21 Non-current liabilities - Deferred tax liabilities

	2010 $'000	2009 $'000
The balance comprises temporary differences attributable to:		
Accrued income	**162**	158
Consumable inventories	**258**	235
Capitalised exploration assets	**2,413**	3,037
Mine Development assets	**6,136**	6,230
Rehabilitation assets	**638**	641
	9,607	10,301
Set-off of deferred tax liabilities pursuant to set-off provisions (note 16)	**(9,607)**	(10,301)
Net deferred tax liabilities	**-**	-
Deferred tax liabilities expected to be settled within 12 months	**2,940**	2,913
Deferred tax liabilities expected to be settled after more than 12 months	**6,667**	7,388
	9,607	10,301

22 Non-current liabilities - Provisions

	2010 $'000	2009 $'000
Rehabilitation/Demobilisation	**4,293**	3,328

(a) Movements in provisions

Reconciliation of movement in provision for rehabilitation/demobilisation

	2010 $'000	2009 $'000
Carrying amount at start of year	**3,327**	1,624
Additional provision recognised	**742**	1,599
Charged/(credited) to the profit or loss		
- unwinding of discount	**224**	105
Carrying amount at end of year	4,293	3,328

23 Contributed equity

	2010 Shares	2009 Shares	2010 $'000	2009 $'000
(a) Share capital				
Ordinary shares - fully paid	**264,606,388**	264,606,388	**118,284**	118,284

(b) Movements in ordinary share capital:

Date	Details	Number of shares	Amount $'000
30 June 2008	Balance	264,606,388	118,284
30 June 2009	Balance	264,606,388	118,284
30 June 2010	Balance	**264,606,388**	**118,284**

(c) Ordinary shares

Ordinary shares entitle the holder to participate in dividends and the proceeds on winding up of the company in proportion to the number of and amounts paid on the shares held. On a show of hands every holder of ordinary shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

Ordinary shares have no par value and the company does not have a limited amount of authorised capital.

(d) Options

Information relating to Territory Resources Limited Employee Option Plan, including details of options issued, exercised and lapsed during the financial year and options outstanding at the end of the financial year, is set out in note 34.

23 Contributed equity (continued)

(e) Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may consider the amount of dividends to be paid to shareholders, return capital to shareholders, issue new shares or sell assets to reduce debt.

	2010 $'000	2009 $'000
Total borrowings	**44,083**	79,465
Less: cash and cash equivalents	**(1,474)**	(1,183)
Net debt	**42,609**	78,282
Equity/(deficiency)	**37,955**	(4,137)
Total capital	**80,564**	74,145
Gearing ratio	**53 %**	106 %

The decrease in the gearing ratio during 2010 resulted primarily from the reduction of borrowings and increased operating profit.

24 Reserves and retained earnings

	2010 $'000	2009 $'000
(a) Reserves		
Available-for-sale financial assets	**(391)**	(376)
Cash flow hedges	**-**	(1,615)
Share-based payments	**4,624**	5,385
	4,233	3,394

Movements:

Available-for-sale financial assets		
Balance 1 July	**(376)**	(1,094)
Revaluation	**(15)**	718
Balance 30 June	**(391)**	(376)
Cash flow hedges		
Balance 1 July	**(1,615)**	5,327
Revaluation	**2,014**	(9,740)
Deferred tax	**(399)**	2,798
Balance 30 June	**-**	(1,615)

24 Reserves and retained earnings (continued)

Share-based payments		
Balance 1 July	**5,385**	4,162
Net vesting expense for the year	**(140)**	1,223
Transfer to accumulated losses	**(621)**	-
Balance 30 June	**4,624**	5,385

(b) Accumulated losses

Balance 1 July	**(126,445)**	(59,048)
Net profit/(loss) for the year	**41,263**	(67,398)
Transfer from reserves	**620**	-
Balance at end of year	**(84,562)**	(126,446)

(c) Nature and purpose of reserves

(i) Available-for-sale investments asset revaluation reserve
The available-for-sale investments asset revaluation reserve is used to record increments and decrements on the revaluation of marketable equity investments assets.

(ii) Hedging reserve
The hedging reserve is used to record gains or losses on qualifying hedging instruments that are recognised directly in equity.

(iii) Share-based payments reserve
The share-based payments reserve is used to recognise the fair value of options or performance rights granted to employees which have vested.

25 Key management personnel disclosures

(a) Directors

The following persons were directors of Territory Resources Limited during the financial year:

(i) Chairman - non-executive
A Simpson

(ii) Executive director
A Haslam (Managing Director)

(iii) Non-executive directors
I McCubbing
M Donaldson
F Harris
J Ariti

(b) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Group, directly or indirectly, during the financial year:

25 Key management personnel disclosures (continued)

Name	***Position***	***Date of appointment or resignation if not in the position for the whole of the financial year.***
B Cousins	General Manager Logistics and Procurement	
E Platts	General Manager Engineering	Resigned 14 August 2009
P Davies	General Manager Land Management	Resigned 31 July 2009
A Cumming	General Manager Finance and Administration	
P McCole	Company Secretary	
I Hassall	Exploration Manager	Resigned 7 June 2010
C Dunbar	Operations Manager	
F Kiss	General Manager Business Development	Appointed 13 January 2010 Resigned 16 April 2010
D Broomfield	General Manager Business Development	Appointed 3 May 2010
P Rundel	Engineering Manager	Appointed 1 October 2009
R Colson	Mine Manager	
P Bleakley	Exploration Manager	Appointed 21 June 2010

(c) Key management personnel compensation

	2010 **$**	2009 $
Short-term employee benefits	**2,987,878**	2,937,154
Post-employment benefits	**235,878**	261,007
Termination benefits	**-**	298,456
Share-based payments	**358,983**	1,725,839
	3,582,739	5,222,456

(i) Options provided as remuneration and shares issued on exercise of such options
Details of options provided as remuneration and shares issued on exercise of such options, together with terms and conditions of the options, can be found in the remuneration report.

(ii) Performance rights provided as remuneration and shares issued on exercise of such performance rights
Details of performance rights provided as remuneration and shares issued on the exercise of such performance rights, together with terms and conditions of the performance rights, can be found in the remuneration report.

On 24 July 2010 the board approved the issue of performance rights to key management personal, however as at 30 June 2010 no rights had been offered to any key management personal.

(iii) Option holdings
The numbers of options over ordinary shares in the Group held during the financial year by each director of Territory Resources Limited and other key management personnel of the Group, including their personally related parties, are set out below.

25 Key management personnel disclosures (continued)

2010

Name	Balance at start of the year	Granted as remuneration	Exercised	Lapsed	Balance at end of the year	Vested and exercisable	Unvested
Directors of the Parent Entity							
I McCubbing	833,333	-	-	-	833,333	833,333	-
Other key management personnel of the Group							
P Davies	650,000	-	-	(650,000)	-	-	-
B Cousins	2,500,000	-	-	-	2,500,000	2,500,000	-
E Platts	1,250,000	-	-	(1,250,000)	-	-	-
I Hassall	650,000	-	-	(650,000)	-	-	-
P McCole	1,250,000	-	-	-	1,250,000	833,333	416,667
	7,133,333	-	-	(2,550,000)	4,583,333	4,166,666	416,667

All vested options are exercisable at the end of the year.

2009

Name	Balance at start of the year	Granted as remuneration	Exercised	Lapsed	Balance at end of the year	Vested and exercisable	Unvested
Directors of the Parent Entity							
I McCubbing	2,500,000	-	-	(1,666,667)	833,333	-	833,333
A Quadrio	5,000,000	-	-	(5,000,000)	-	-	-
Other key management personnel of the Group							
P Davies	650,000	-	-	-	650,000	325,000	325,000
B Cousins	2,500,000	-	-	-	2,500,000	1,250,000	1,250,000
E Platts	1,250,000	-	-	-	1,250,000	625,000	625,000
I Hassall	650,000	-	-	-	650,000	325,000	325,000
P McCole	1,250,000	-	-	-	1,250,000	416,667	833,333
H Gilbery	650,000	-	-	(650,000)	-	-	-
A McCartney	1,250,000	-	-	(1,250,000)	-	-	-
	15,700,000	-	-	(8,566,667)	7,133,333	2,941,667	4,191,666

(iv) Share holdings

The numbers of shares in the Group held during the financial year by each director of Territory Resources Limited and other key management personnel of the Group, including their personally related parties, are set out below. There were no shares granted during the reporting period as compensation.

25 Key management personnel disclosures (continued)

2010 Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes	At date of appointment (resignation)	Balance at the end of the year
Directors of Territory Resources Limited					
Ordinary shares					
Andrew Simpson	30,000	-	-	-	30,000
Andrew Haslam (appointed 23 April 2009)	20,000	-	-	-	20,000
Giuseppe Ariti (appointed 13 August 2008)	-	-	-	-	-
Michael Donaldson (appointed 1 August 2008)	-	-	-	-	-
Fiona Harris (appointed 1 August 2008)	-	-	-	-	-
Ian McCubbing (appointed 5 May 2008)	-	-	-	-	-
Other key management personnel of the Group					
Ordinary shares					
B Cousins	-	-	-	-	-
P McCole	-	-	-	-	-
A Cumming	-	-	-	-	-
R Colson	-	-	-	-	-
C Dunbar	-	-	-	-	-
P Rundel	-	-	-	-	-
D Broomfield	-	-	-	-	-
B McVee	-	-	-	-	-
P Bleakley	-	-	-	-	-
	50,000	-	-	-	50,000

2009 Name	Balance at the start of the year	Received during the year on the exercise of options	Other changes	At date of appointment (resignation)	Balance at the end of the year
Directors of the Parent Entity					
Ordinary shares					
Andrew Simpson	30,000	-	-	-	30,000
Andrew Haslam (appointed 23 April 2009)	-	-	-	20,000	20,000
Giuseppe Ariti (appointed 13 August 2008)	-	-	-	-	-
Michael Donaldson (appointed 1 August 2008)	-	-	-	-	-
Fiona Harris (appointed 1 August 2008)	-	-	-	-	-
Ian McCubbing (appointed 5 May 2008)	-	-	-	-	-
R Elman (resigned 2 December 2008)	70,000,000	-	-	(70,000,000)	-
A Quadrio (resigned 27 February 2009)	20,000	-	-	(20,000)	-
Other key management personnel of the Group					
Ordinary shares					
B Cousins	-	-	-	-	-
E Platts	-	-	-	-	-
P Davies	-	-	-	-	-
A Cumming	-	-	-	-	-
P McCole	-	-	-	-	-
I Hassall	-	-	-	-	-
C Dunbar	-	-	-	-	-
A McCartney	-	-	-	-	-
H Gilbery	-	-	-	-	-
	70,050,000	-	-	(70,000,000)	50,000

25 Key management personnel disclosures (continued)

(d) Loans to key management personnel

No loans were made to key management personnel during current or comparative years.

26 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the parent entity, its related practices and non-related audit firms:

	2010 **$**	2009 $
Audit and review of financial statements for the financial year	**155,000**	194,300

27 Contingencies

(a) Contingent liabilities

Various tenements may require payments under native title agreements which are not quantifiable until production commences.

Royalties that are payable on production from various tenements areas are not quantifiable until production commences.

The Directors are not aware of any other material contingent liabilities at 30 June 2010 (2009: nil).

28 Commitments for expenditure

(a) Capital commitments

Capital expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	2010 **$'000**	2009 $'000
Property, plant and equipment		
Payable:		
Within one year	**699**	-

The Group leases various plant and equipment with a carrying amount of $1.26 million (2009 - $2.39 million) under finance leases expiring within three years. Under the terms of the leases, the Group has the option to acquire the leased assets on expiry of the leases.

	2010 **$'000**	2009 $'000
Commitments in relation to finance leases are payable as follows:		
Within one year	**742**	1,281
Later than one year but not later than five years	**175**	898
Minimum lease payments	**917**	2,179
Representing lease liabilities:		
Current (note 18)	**742**	2,179
Non-current (note 20)	**175**	-
	917	2,179

28 Commitments for expenditure (continued)

(b) Mineral Tenements

In order to maintain the mineral tenements in which the Group and other parties are involved, the Group is committed to fulfil the minimum annual expenditure conditions under which the tenements are granted. The minimum estimated expenditure in accordance with the requirements of the Northern Territory Department of Primary Industry, Fisheries and Mines for the next financial year is set out below.

	2010 $'000	2009 $'000
Mineral covenant	**1,111**	1,200

These requirements are expected to be fulfilled in the normal course of operations and may be varied from time to time subject to approval by the grantor of titles. The estimated expenditure represents potential expenditure which may be avoided by relinquishment of tenure. Exploration expenditure commitments beyond twelve months cannot be reliably determined.

The minimum estimated expenditure in accordance with the requirements of the Territory Department of Primary Industry, Fisheries and Mines for the next financial year is shown as mineral covenant commitments.

29 Related party transactions

(a) Parent entity

The parent entity within the Group is Territory Resources Limited.

(b) Subsidiaries

Interests in subsidiaries are set out in note 30.

(c) Key management personnel

Disclosure relating to key management personnel are set out in note 25.

(d) Transactions with other related parties

During the reporting period the following transactions occurred with related parties:

Matilda Zircon Limited (formerly known as Olympia Resources Limited)
The Group entered into a conditional agreement during the previous financial year for the disposal of 171,282,253 shares in Matilda Zircon and for the assignment of the $1,750,000 loan in consideration of receiving $1,750,000 in cash. The sale agreement was completed on 24 July 2009 with the Company receiving the funds and disposing of its entire interest in Matilda Zircon. Territory Resources Ltd formerly held 73.5% of Matilda Zircon Ltd.

India Resources Limited
During the year the Group sold the shares held in and the loan receivable from India Resources Limited to Alexander Resources Limited, which is not related to the Group, for a total consideration of $1,759,456. A total of $456,456 was received for the shares and total funds of $1,000,000 were received in respect of the loan funds, with an amount of $500,000 of loan funds still outstanding at 30 June 2010. The board has determined that India Resources Ltd is a related party due to the shares held, loans advanced and Andrew Simpson, chairman of the Group, also being chairman of India Resources Ltd.

29 Related party transactions (continued)

Noble Group
The Noble Group holds 26.45% of the issued shares of Territory Resources Ltd. During the year, the Group received advances on sales of USD $99,374,000 (2009:USD $73,470,000) from Noble Resources Limited ("Noble") and repaid USD $115,936,000 (2009:USD $55,320,000). The interest expense on the loan and sales advances amounted to USD $1,392,000 (2009:USD $750,000) and interest of USD $1,392,000 (2009:USD $290,000) was paid, with a nil balance outstanding as at 30 June 2010. The Group also paid the Noble Group AUD $6,049,663 for marketing services in relation to the sale of iron-ore during the year (2009:AUD $4,562,925). As at 30 June 2010 total debt outstanding was USD $32,500,000 (2009: USD $46,079,000).

During the year, the Group completed a restructuring of its debt facilities with the consolidation of all core debt facilities with Noble. To facilitate this, the Group entered into a series of Standstill Agreements with its hedge book provider ("the Bank") and Noble to allow the parties to develop and implement a debt restructuring plan.

On 25 September 2009, an agreement was reached for the transfer of the Group's Bank debt totalling AUD $17,600,000 to Noble. Under the agreement, Noble also acquired the Bank's security interest in regard to the debt purchased and the transaction settled on 6 October 2009. On 16 October 2009, the Group reached agreement with Noble for an extension to the loan facilities provided by Noble and in January 2010 documentation was finalised with Noble that consolidated the core debt owed to Noble and the debt that Noble purchased from the Group's Bankers into one debt totalling USD $43,360,000 on normal commercial terms for a loan facility of this nature that would be provided by a Bank.

As part of the standstill arrangements and to facilitate the debt restructure, the Group also entered into a Security Trust Deed under which it provided a fixed and floating charge over the Company's assets, a mortgage over its shares in key subsidiaries and a mining tenement mortgage over its Frances Creek mining leases to secure the funding provided by Noble. In accordance with ASX Listing Rule 10.1, shareholder approval was obtained on 16 July 2009 at the General Meeting for the 2007 life-of-mine Marketing and Off-take Agreement with Noble and for the granting of the beneficial interest of the security arrangements to Noble under the standstill arrangements.

Under the debt consolidation arrangements, the Security Trust Deed that held the securities in respect to the loan arrangements was terminated and Noble now holds these securities in its own right (including Noble's interest in the securities that was approved by shareholders at the General Meeting). Territory Iron Pty Ltd, a wholly-owned subsidiary of the Company, has also provided a fixed and floating charge over its assets and a guarantee and indemnity, which guarantees Territory's obligations to Noble. The terms of the agreement require the Company to make monthly interest payments and quarterly principal repayments of USD $140,000. The agreement also provides for payment to Noble of any cash balances in excess of USD $1,500,000, at each month end, after providing for approved capital and exploration expenditure. The loan agreement also provides for any funds received, pursuant to the Swan Gold proposed recapitalisation and the sale of Territory's shares in, and loan to, India Resources Limited (ASX: IRL), to be applied in repayment of the Noble loan.

Noble has granted the Group an extension for the repayment of the debts until 31 October 2011, or such later date as agreed.

Resources & Technology Marketing Services Pty Ltd
Mr A Simpson is a director of Resources & Technology Marketing Services Pty Ltd which, during the year, provided marketing services to the Group to the value of $144,869 (2009 $197,644). The services were provided on normal commercial terms.

(e) Transactions with other parties

Mr A Simpson and Mr G Ariti are both non-executive Directors of Swick Mining Services. Swick provided mineral drilling services on a non-exclusive basis to the Group during the year amounting to $1,152,000 (2009 $3,200,000). The services were provided on normal commercial terms. Subsequent to yearend Mr McCubbing was appointed as a non-executive Director of Swick Mining Sevices.

30 Subsidiaries

Name of entity	Country of incorporation	Class of shares	Equity holding * 2010 %	2009 %
Territory Iron Pty Ltd	Australia	Ordinary	**100**	100
Territory Manganese Pty Ltd	Australia	Ordinary	**100**	100
Territory Uranium Pty Ltd	Australia	Ordinary	**100**	100
Territory Gold Pty Ltd	Australia	Ordinary	**100**	100
Territory Chromite Pty Ltd	Australia	Ordinary	**100**	100
Territory Mineral Sands Pty Ltd	Australia	Ordinary	**100**	100
Territory Copper Pty Ltd	Australia	Ordinary	**100**	100
Territory Diamonds Pty Ltd	Australia	Ordinary	**100**	100
Territory Garnet Sands Pty Ltd	Australia	Ordinary	**100**	100
Territory Land Holdings Pty Ltd	Australia	Ordinary	**100**	100
Frances Creek Pty Ltd	Australia	Ordinary	**100**	100
Matilda Zircon Limited **	Australia	Ordinary	**-**	73.5

* The proportion of ownership interest is equal to the proportion of voting power held.

** The Group has disposed of Matilda Zircon Limited during the year.

31 Events occurring after the reporting period

Subsequent to year end, no events have occurred that are likely to have an effect on the results or the state of affairs of the consolidated entity in subsequent financial years.

32 Reconciliation of profit/(loss) after income tax to net cash inflow/(outflow) from operating activities

	2010 $'000	2009 $'000
Profit/(Loss) after income tax	**41,263**	(71,434)
Depreciation and amortisation expense	**15,853**	17,289
Unwind of interest provision for rehabilitation	**224**	110
Share-based payments expense	**(141)**	1,223
Impairment of assets	**2,066**	30,897
Reversal of impairment of assets	**(7,115)**	-
Loss on sale of fixed assets	**435**	-
Exploration assets written off	**388**	-
Transfer of interest received to investing activities	**-**	(997)
Foreign exchange (gains)/losses	**(4,415)**	5,626
Accrued interest on loans	**-**	3,437
Change in operating assets and liabilities, net of effects of purchase of controlled entity		
(Increase)/decrease in receivables	**(7,174)**	1,752
Increase in inventories	**(302)**	(11,833)
Decrease in prepayments	**-**	58
(Increase)/decrease in deferred tax assets	**(4,568)**	6,442
(Decrease) in payables	**(2,462)**	(2,247)
(Decrease)/increase in provisions	**(1,745)**	600
Decrease in deferred tax liability	**(694)**	-
Other	**-**	821
Net cash inflow/(outflow) from operating activities	**31,613**	(18,256)

33 Earnings per share

	2010 Cents	2009 Cents
(a) Basic earnings/(loss) per share		
Basic earnings/(loss) per share	**15.6**	(25.5)
(b) Reconciliation of earnings used in calculating earnings per share		
Profit/(loss) for the reporting period used in calculating basic and diluted profit/(loss) per share	**41,263**	(67,399)

(c) Weighted average number of shares used as the denominator

	2010 Number	2009 Number
Weighted average number of ordinary shares outstanding during the year used in the calculation of the basic and diluted earnings/(loss) per share	**264,606,388**	264,606,388

34 Share-based payments

(a) Employee options

In prior years, the Group provided benefits to employees (including directors) of the Group in the form of share-based benefits. The establishment of the share option plan was approved by shareholders in the 2005/06 financial year. Options were granted under the plan for no consideration.

Options granted carry no dividend or voting rights. When exercisable, each option is convertible into one ordinary share in the capital of the Group with full dividend and voting rights.

Set out below are summaries of options granted under the plan:

Grant Date	Expiry date	Exercise price cents	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
Consolidated - 2010								
13/10/2006	3/10/2009	40.15	120,000	-	-	(120,000)	-	-
13/10/2006	13/10/2009	50	70,000	-	-	(70,000)	-	-
13/10/2006	13/10/2009	60	60,000	-	-	(60,000)	-	-
22/08/2007	21/08/2010	90	2,500,000	-	-	-	2,500,000	2,500,000
11/12/2007	31/12/2012	150	1,250,000	-	-	-	1,250,000	833,334
21/12/2007	21/12/2010	90	1,500,000	-	-	(1,000,000)	500,000	500,000
21/12/2007	21/12/2011	100	833,333	-	-	-	833,333	833,333
10/06/2008	31/03/2011	111	5,462,000	-	-	(3,587,000)	1,875,000	1,875,000
10/06/2008	18/04/2011	93	650,000	-	-	(650,000)	-	-
Total			12,445,333	-	-	(5,487,000)	6,958,333	6,541,667
Weighted average exercise price			105.2	-	-	100.5	108	104.9

34 Share-based payments (continued)

Grant Date	Expiry date	Exercise price cents	Balance at start of the year Number	Granted during the year Number	Exercised during the year Number	Forfeited during the year Number	Balance at end of the year Number	Vested and exercisable at end of the year Number
Consolidated - 2009								
13/10/2006	3/10/2009	40.15	195,000	-	-	(75,000)	120,000	120,000
13/10/2006	13/10/2009	50	70,000	-	-	-	70,000	70,000
13/10/2006	13/10/2009	60	60,000	-	-	-	60,000	60,000
15/06/2007	15/06/2010	82.5	500,000	-	-	(500,000)	-	-
15/06/2007	15/06/2010	90	500,000	-	-	(500,000)	-	-
22/08/2007	21/08/2010	90	2,500,000	-	-	-	2,500,000	1,250,000
11/12/2007	31/12/2012	150	1,250,000	-	-	-	1,250,000	416,667
21/12/2007	21/12/2010	90	1,500,000	-	-	-	1,500,000	750,000
21/12/2007	21/12/2011	126	5,000,000	-	-	(5,000,000)	-	-
21/12/2007	21/12/2011	100	2,500,000	-	-	(1,666,667)	833,333	833,333
10/06/2008	31/03/2011	111	8,250,000	-	-	(2,788,000)	5,462,000	2,886,000
10/06/2008	18/04/2011	93	1,250,000	-	-	(1,250,000)	-	-
10/06/2008	18/04/2011	93	650,000	-	-	-	650,000	325,000
Total			24,225,000	-	-	(11,779,667)	12,445,333	6,711,000
Weighted average exercise price (cents)			109	-	-	111.3	105.2	102.5

For vesting requirements refer remuneration report.

Included in the options forfeited during year are 50,000 expired options at 40.15 cents

No options were exercised during the year ended 30 June 2010, and therefore the weighted average share price at the date of exercise of options exercised during the year ended 30 June 2010 was n/a (2009 - n/a).

The weighted average remaining contractual life of share options outstanding at the end of the period was 0.74 years (2009 - 1.78 years).

Fair value of options granted
No options were granted during the year ended 30 June 2010 or 30 June 2009.

Prior to 30 June 2009 the Board resolved to cancel the share option plan.

35 Parent entity financial information

(a) Summary financial information

The individual financial statements for the parent entity show the following aggregate amounts:

	2010 $'000	2009 $'000
Balance sheet		
Current assets	**4,076**	8,938
Non-current assets	**66,618**	5,337
Total assets	**70,694**	14,275
Current liabilities	**1,491**	18,412
Non-current liabilities	**37,694**	-
Total liabilities	**39,185**	18,412
Contributed equity	**118,284**	118,284
Reserves	**4,233**	4,475
Accumulated losses	**(91,008)**	(126,896)
	31,509	(4,137)
Loss for the year	**(5,476)**	(67,935)
Total comprehensive loss	**(5,576)**	(68,120)

(b) Guarantees entered into by the parent entity

As at 30 June 2010 the Parent Entity has provided financial guarantees, both secured and unsecured in respect of bank loans and debt facilities of Territory Land Holdings Pty Ltd amounting to $5,000,000 (2009: $5,000,000).

(c) Contingent liabilities of the parent entity

The Parent Entity did not have any contingent liabilities as at 30 June 2010 or 30 June 2009.

36 Segment Information

The Group determines and presents operating segments based on the information that internally is provided to the Group's chief operating decision maker. The chief operating decision maker has been identified as the Board that makes the strategic decisions. The Board considers the business from both a product and a geographic perspective and has identified one reportable segment. The Group operates in predominantly one industry in which the principle activities are iron ore production and exploration.

37 Discontinued operations and non-current assets held for sale

In May 2009, the Group signed a conditional agreement with ASX listed mineral sands company Olympia Resources Limited ("Olympia", now renamed Matilda Zircon Ltd) and Stirling Resources Limited ("Stirling Resources") for the divestment of its interest in Olympia. This was consistent with a re-alignment strategy focused on the Group's core strengths as a disciplined, high quality iron ore producer.

Under the transaction, the Group transferred its 74% interest in Olympia (171,282,253 shares held by its subsidiary, Territory Mineral Sands Pty Ltd) to Stirling Resources in exchange for repayment of the $1.75 million loan previously provided by the Group to Olympia.

The transaction was concluded on 17 July 2009 and the funds of $1.75 million were received.

37 Discontinued operations and non-current assets held for sale (continued)

As the loan was still outstanding as at 30 June 2009, this has been shown in the balance sheet as held for sale assets of $2.38 million including $0.63 million distributed to minority interest, to reflect the total net amount of $1.75 million owing to the Group at year end.

In the year ended 30 June 2009, Territory recognised a loss of $16.4 million relating to the intended divestment of Olympia. This calculation reflects the removal of the Group's share of Olympia's net assets at 30 June 2009 to reflect the impairment of Olympia, and to result in a carrying value on the consolidated basis equal to the known $1.75 million of cash consideration subsequently received by the Group.

Territory Resources Limited
Directors' declaration
30 June 2010

In the directors' opinion:

(a) the financial statements and notes set out on pages 50 to 95 are in accordance with the *Corporations Act 2001*, including:

   (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
   (ii) giving a true and fair view of the Group's financial position as at 30 June 2010 and of its performance for the financial year ended on that date.

(b) the financial statements and notes set out on pages 50 to 95 are also in accordance with the international financial reporting standards issued by the International Accounting Standards Board

(c) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, and

The directors have been given the declarations by the chief executive officer and chief financial officer required by section 295A of the *Corporations Act 2001*.

This declaration is made in accordance with a resolution of the directors.

Andrew Simpson
Chairman

Perth
29 September 2010

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Independent auditor's report to the members of Territory Resources Limited

Report on the financial report

We have audited the accompanying financial report of Territory Resources Limited (the company), which comprises the balance sheet as at 30 June 2010, the statement of comprehensive income, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration for the Territory Resources Limited Group (the consolidated entity). The consolidated entity comprises the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances. In Note 1, the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that compliance with the Australian equivalents to International Financial Reporting Standards ensures that the financial statements comply with International Financial Reporting Standards.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

PRICEWATERHOUSECOOPERS

Independent auditor's report to the members of Territory Resources Limited (continued)

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's opinion

In our opinion:

(a) the financial report of Territory Resources Limited is in accordance with the *Corporations Act 2001*, including:

   (i) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of their performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001;* and

(b) the financial report also complies with International Financial Reporting Standards as disclosed in Note 1.

Report on the Remuneration Report

We have audited the Remuneration Report included in pages 19 to 31 of the directors' report for the year ended 30 June 2010. The directors of the company are responsible for the preparation and presentation of the Remuneration Report in accordance with section 300A of the *Corporations Act 2001*. Our responsibility is to express an opinion on the Remuneration Report, based on our audit conducted in accordance with Australian Auditing Standards.

Auditor's opinion

In our opinion, the Remuneration Report of Territory Resources Limited for the year ended 30 June 2010, complies with section 300A of the *Corporations Act 2001*.

PricewaterhouseCoopers

PricewaterhouseCoopers

N Henry

Nick Henry
Partner

Perth
29 September 2010

SHAREHOLDER INFORMATION

The shareholder information set out below was applicable as at 22 September 2009

NUMBER OF SECURITIES ON ISSUE

Class of security	Number of Securities Quoted	Not Quoted
Shares		
Ordinary shares fully paid	264,606,388	
Unlisted Options		
Options exercisable at $1.00 before 21 Dec 2011		833,333
Options exercisable at $1.50 before 21 Dec 2012		1,250,000
Options exercisable at 90c before 21 Dec 2010		500,000
Options exercisable at $1.11 before 31 Mar 2011		1,875,000
Rights exercisable for nil consideration on the Measurement Date from 30 June 2012		1,198,777
	264,606,388	**5,657,110**

DISTRIBUTION OF LISTED SECURITIES

Range	Ordinary shares	Number of Holders Employee Options	Number of Holders Performance Rights
1-1,000	381	-	-
1,001 - 5,000	1,376	-	-
5,001 - 10,000	1,030	-	-
10,001 - 100,000	1,778	11	-
100,001 and above	201	9	6
	4,766	20	6

The Employee options and rights are held by employees or their nominees.

MARKETABLE PARCEL

527 Shareholders hold less than a marketable parcel of ordinary shares.

SUBSTANTIAL SHAREHOLDERS

Shareholder Name	Number of Shares	% of Total Issued Shares
Noble Group Limited	69,991,975	26.45
DCM Decometal GMBH	28,175,836	10.65
OM Holdings Limited	18,000,000	6.8

TOP TWENTY SHAREHOLDERS

Name	Number of Shares	% of Total Issued Shares
Jonesville Ltd	51,990,475	19.65
DCM Decometal GMBH	28,175,836	10.65
Crawley Resources Limited	18,001,500	6.80
OM Holdings Limited	18,000,000	6.80
Sun Kung Hai Investment Services Ltd	5,000,000	1.89
ANZ Nominees Limited	4,517,532	1.71
Zero Nominees Limited	4,050,000	1.53
National Nominees Limited	3,590,191	1.36
OCJ Investment (Australia) Pty Ltd	3,000,077	1.13
HSBC Custody Nominees	2,505,547	0.95
UBS Nominees Pty Ltd	1,788,827	0.68
Mr James Howard Nigel Smalley	1,500,000	0.57
Y S Chains Pty Ltd	1,300,000	0.49
Tinkler Investments Pty Ltd	1,215,843	0.46
Merrill Lynch (Australia) Nominees Pty Ltd	1,106,916	0.42
Custodial Services Limited	1,085,000	0.41
CIMB Securities (Singapore) Pte Ltd	1,080,000	0.41
Mr Ron Kendall	1,000,000	0.38
Mr Keith William Sheppard	1,000,000	0.38
Mr Peter Gee	936,578	0.35
TOTAL	**150,844,322**	**57.02**

MINERAL TENEMENT REPORT

Tenement Number	Registered Holder	Current Equity	Nature of Interest
Frances Creek			
AN389	Frances Creek Pty Ltd	100%	Gold rights retained by Arafura Resources Ltd
EL10137	Territory Resources Ltd	100%	Gold rights retained by Arafura Resources Ltd
EL22270	Territory Resources Ltd	100%	Gold rights retained by Arafura Resources Ltd
EL22856	Territory Resources Ltd	100%	Owned
EL23237	Frances Creek Pty Ltd	100%	Gold rights retained by Arafura Resources Ltd
EL23506	Teelow, Orridge, & Clark	100%	Right to earn 100% iron ore production subject to royalty
EL23824	Territory Resources Ltd Softwood Plantations Pty Ltd	51% 49%	Right to earn 75% subject to JV agreement.
EL24040	Territory Resources Ltd	100%	Owned
EL24045	Territory Resources Ltd	100%	Owned
EL24715	Terra Gold Mining Pty Ltd	100%	Right to earn 100% iron ore production subject to royalty
EL24990	Territory Resources Ltd	100%	Owned
EL9999	Territory Resources Ltd	100%	Owned
ML24727	Territory Resources Ltd	100%	Owned
ML25087	Territory Resources Ltd	100%	Owned
ML25088	Territory Resources Ltd	100%	Owned
ML25152	Territory Resources Ltd	100%	Owned
ML25396	Territory Resources Ltd	100%	Owned
ML25529	Territory Resources Ltd	*100%*	*Under Application*
ML26222	Territory Resources Ltd	*100%*	*Under Application*
ML26429	Territory Resources Ltd Softwood Plantations Pty Ltd	*75%* *25%*	*Under Application*
ML27224	Territory Resources Ltd	*100%*	*Under Application*
ML27225	Territory Resources Ltd	*100%*	*Under Application*
ML27226	Territory Resources Ltd	*100%*	*Under Application*
ML27227	Frances Creek Pty Ltd	*100%*	*Under Application*
ML27228	Territory Resources Ltd	*100%*	*Under Application*
ML27229	Frances Creek Pty Ltd	*100%*	*Under Application*
ML27230	Territory Resources Ltd	*100%*	*Under Application*
ML27807	Territory Resources Ltd	*100%*	*Under Application*
ML27808	Territory Resources Ltd	*100%*	*Under Application*
EMP27677	Territory Resources Ltd	100%	Owned
Mount Bundy			
EL23791	Territory Resources Ltd	100%	Production is subject to Royalty
EL23921	Territory Resources Ltd	100%	Production is subject to Royalty
EL24468	Territory Resources Ltd	100%	Production is subject to Royalty
Yarram / Batchelor			
EL25204	Territory Resources Ltd	100%	Owned
ERL125	Compass Resources Ltd	100%	Right to earn 100% iron ore production subject to royalty
ERL146	Compass Resources Ltd	100%	Right to earn 100% iron ore production subject to royalty
MLN1163	Compass Resources Ltd	100%	Right to earn 100% iron ore production subject to royalty
Reynolds Range			
EL28077	Territory Resources Ltd	*100%*	*Under Application*