



Territory Resources Limited

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West Perth WA 6005
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26 October 2007

Company Announcements
ASX Limited
Level 10, 20 Bond Street
SYDNEY NSW 2000

Dear Sir / Madam

NOTICE OF ANNUAL GENERAL MEETING

Attached is a copy of the Notice of Meeting for the Territory Resources Limited Annual General Meeting to be held on 30 November 2007.

Yours faithfully

Peter Ruttledge
Company Secretary

An Australian Resources Group

Post Office Box 158, West Perth, Western Australia 6872
admin@territoryresources.com.au www.territoryresources.com.au
A.B.N. 53 100 552 118

**NOTICE OF ANNUAL GENERAL MEETING
AND
EXPLANATORY STATEMENT**

**For a Shareholders' Annual General Meeting to be held at
3 pm (Western Standard Time) on Friday 30 November 2007
at the The University Club of Western Australia,
University of Western Australia Campus
Hackett Drive, Crawley, Western Australia**

This is an important document. Please read it carefully.

If you are unable to attend the Annual General Meeting, please complete the Proxy Form enclosed and return it in accordance with the instructions set out on that form.

TIME AND PLACE OF MEETING AND HOW TO VOTE

Venue

The Annual General Meeting of Territory Resources Limited will be held at:

The University Club of Western Australia Commencing
Hackett Drive at 3 pm (Western Standard Time)
Crawley, Western Australia on Friday 30 November 2007

How to Vote

You may vote by attending the meeting in person, by proxy or authorised representative.

Voting in Person

To vote in person, attend the meeting on the date and at the place set out above. The meeting will commence at 3 pm (Western Standard Time).

Voting by Proxy

To vote by proxy, please complete and sign the proxy form enclosed with this Notice of Annual General Meeting as soon as possible and either:

- send the proxy form by post to:
Computershare Investor Services Pty Limited
GPO Box 242
Melbourne VIC 3001
- send the proxy form by facsimile to:
Fax No: +61 8 9323 2033.

so that it is received not later than 3 pm (Western Standard Time) on 28 November 2007.

Your proxy form is enclosed.

TERRITORY RESOURCES LIMITED
ABN 53 100 552 118

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the Shareholders of TERRITORY RESOURCES LIMITED will be held at 3pm (Western Standard Time) on Friday 30 November 2007 at The University Club of Western Australia, University of Western Australia Campus, Hackett Drive, West Perth, Western Australia for the purpose of transacting the following business.

The attached Explanatory Statement is provided to supply Shareholders with information to enable Shareholders to make an informed decision regarding the Resolutions set out in this Notice. The Explanatory Statement is to be read in conjunction with this Notice.

AGENDA

GENERAL BUSINESS

Accounts and Reports

To receive and consider the financial statements of the Company and the reports of the Directors and Auditors for the financial year ended 30 June 2007.

Resolution 1 – Adoption of Remuneration Report

To consider and, if thought fit, to pass, with or without amendment, the following in accordance with section 250R(2) of the Corporations Act:

"That the Remuneration Report in the 2007 Annual Report of the Company be adopted."

Short Explanation: The Remuneration Report is in the Directors' Report section of the Company's Annual Report. Listed companies are required to put the Remuneration Report to the vote for adoption at the Company's Annual General Meeting. The resolution will be determined as an ordinary resolution but is advisory only and does not bind the Directors or the Company.

Resolution 2 – Election of Director – Andrew Simpson

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, Andrew Simpson who was appointed during the year and retires in accordance with rule 7.3(g) of the Constitution of the Company, and being eligible offers himself for election, is hereby elected as a Director of the Company."

Short Explanation: Mr Simpson was appointed a Director of the Company on 25 September 2007 and is presented for election in accordance with the rules of the Company's Constitution.

Resolution 3 – Re-Election of Director – Julie-Anne Wolseley

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That Julie-Anne Wolseley, who retires by rotation in accordance with rule 7.3(a) of the Constitution of the Company, and being eligible, offers herself for re-election, is hereby re-elected as a Director of the Company."

Short Explanation: Ms Wolseley has been a director of the Company since 20 January 2005 and was last re-elected on 23 November 2006. Ms Wolseley is presented for re-election in accordance with the rotation requirements of the Company's Constitution.

SPECIAL BUSINESS

Resolution 4 – Appointment of Auditor

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of section 327B(1) of the Corporations Act and for all other purposes, the Company appoints PricewaterhouseCoopers (having consented in writing to act as auditor of the Company) as auditor of the Company."

Short Explanation: The Company's current auditor, Stantons International, has notified the Company that it has applied to ASIC to resign. Section 327B(1) of the Corporations Act provides a public company must appoint an auditor to fill any vacancy in the office of auditor at each annual general meeting. If ASIC consents to the resignation of Stantons International effective as at the date of this Meeting, the Company proposes that PricewaterhouseCoopers be appointed as auditor.

Resolution 5 – Grant of Options to Bruce McFadzean

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of Chapter 2E of the Corporations Act and Listing Rule 10.11 of the Listing Rules of ASX Limited and for all other purposes, approval is given for the Company to grant to Mr Bruce McFadzean or his nominee up to 2,500,000 unlisted options to acquire fully paid ordinary shares in the capital of the Company, to be issued on the terms and conditions set out in the Explanatory Statement accompanying this Notice."

Short Explanation: Under the related party provisions of the Corporations Act (Chapter 2E) the provision of any financial benefit (which includes the grant of options) to a related party requires shareholder approval unless excepted in terms of the Corporations Act. The

ASX Listing Rules require the Company to seek shareholder approval prior to the issue of securities to a related party. Mr McFadzean as a Director is a related party of the Company.

The Company will disregard any votes cast on this Resolution by Mr Bruce McFadzean or any of his associates or any person who may obtain a benefit if this Resolution is passed other than in their capacity as Shareholder. However, the Company need not disregard a vote cast on this Resolution if:

- a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 6 – Grant of Options to Allan Quadrio

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

"That, for the purposes of Chapter 2E of the Corporations Act and Listing Rule 10.11 of the Listing Rules of ASX Limited and for all other purposes, approval is given for the Company to grant to Mr Allan Quadrio or his nominee up to 5,000,000 unlisted options to acquire fully paid ordinary shares in the capital of the Company, to be issued on the terms and conditions set out in the Explanatory Statement accompanying this Notice."

Short Explanation: Under the related party provisions of the Corporations Act (Chapter 2E) the provision of any financial benefit (which includes the grant of options) to a related party requires shareholder approval unless excepted in terms of the Corporations Act. The ASX Listing Rules requires the Company to seek shareholder approval prior to the issue of securities to a related party. Mr Quadrio as a Director is a related party of the Company.

The Company will disregard any votes cast on this Resolution by Mr Allan Quadrio or any of his associates or any person who may obtain a benefit if this Resolution is passed other than in their capacity as Shareholder. However, the Company need not disregard a vote cast on this Resolution if:

- a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 7 – Placement of Shares to OM Holdings Limited

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of Listing Rule 7.1 of the Listing Rules of ASX Limited and for all other purposes, approval is given for the Directors to allot and issue up to 5,437,826 Shares to OM Holdings Limited on the terms and conditions set out in the Explanatory Statement.”

Short Explanation: The Company announced a Share Purchase Plan on 17 October 2007. The effect of the Share Purchase Plan is that it may materially dilute the holdings of major shareholders and the Board has offered to OM Holdings Limited (and Crawley Resources Limited – see Resolution 8) the right but not the obligation to subscribe for that number of Shares to maintain its recently market advised percentage interest in the Company following the completion of the Share Purchase Plan. In order to retain its capacity to issue Shares in the future up to its 15% limit, the Company is seeking approval under the ASX Listing Rules prior to the issue of securities to OM Holdings Limited.

The Company will disregard any votes cast on this Resolution by OM Holdings Limited or any of its associates or any person who may obtain a benefit if this Resolution is passed other than in their capacity as Shareholder. However, the Company need not disregard a vote cast on this Resolution if:

- a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 8 – Placement of Shares to Crawley Resources Limited

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

“That, for the purpose of Listing Rule 10.11 of the Listing Rules of ASX Limited and for all other purposes, approval is given for the Directors to allot and issue up to 13,062,570 Shares to Crawley Resources Limited on the terms and conditions set out in the Explanatory Statement.”

Short Explanation: As set out in the short explanation below Resolution 7, the Company announced a Share Purchase Plan on 17 October 2007. The effect of the Share Purchase Plan is that it may materially dilute the holdings of major shareholders and the Board has offered to OM Holdings Limited and Crawley Resources Limited the right but not the obligation to subscribe for that number of Shares necessary to maintain their recently market advised respective percentage interests in the Company following the completion of the Share Purchase Plan. In order to retain its capacity to issue Shares in the future up to its 15% limit, the Company is seeking approval under the ASX Listing Rules prior to the issue of securities to Crawley Resources Limited.

The Company will disregard any votes cast on this Resolution by Crawley Resources Limited or any of its associates or any person who may obtain a benefit if this Resolution is passed other than in their capacity as Shareholder. However, the Company need not disregard a vote cast on this Resolution if:

- a) it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- b) it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

VOTING AND PROXIES

1. A Shareholder of the Company entitled to attend and vote is entitled to appoint not more than two proxies. Where more than one proxy is appointed, each proxy must be appointed to represent a specified proportion of the Shareholder's voting rights. If the Shareholder appoints two proxies and the appointment does not specify this proportion, each proxy may exercise half of the votes. A proxy need not be a Shareholder of the Company.
2. Where a voting exclusion applies, the Company need not disregard a vote if it is cast by the person who is entitled to vote in accordance with the directions on the proxy form or it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.
3. In accordance with Regulation 7.11.37 of the Corporations Act, the Directors have set a date to determine the identity of those entitled to attend and vote at the Meeting. The date is 28 November 2007 at 5.00pm (Western Standard Time).
4. A proxy form is attached. If required it should be completed, signed and returned to the Company's registered office in accordance with the instructions on that form.



By order of the Board

Peter Rutledge

Company Secretary

Dated: 17 October 2007

TERRITORY RESOURCES LIMITED
ABN 53 100 552 118

EXPLANATORY STATEMENT

This Explanatory Statement is intended to provide Shareholders with sufficient information to assess the merits of the Resolutions contained in the Notice.

The Directors recommend that Shareholders read this Explanatory Statement in full before making any decision in relation to the Resolutions.

1. RESOLUTION 1 – ADOPTION OF REMUNERATION REPORT

The Remuneration Report is in the Directors' Report section of the Company's Annual Report.

By way of summary, the Remuneration Report:

- (a) explains the Company's remuneration policy and the process for determining the remuneration of its Directors and executive officers;
- (b) addresses the relationship between the Company's remuneration policy and the Company's performance; and
- (c) sets out remuneration details for each Director and each of the Company's executives and group executives named in the Remuneration Report for the financial year ended 30 June 2007.

The Directors recommend that Shareholders vote in favour of Resolution 1. Section 250R(2) of the Corporations Act requires companies to put a resolution to their members that the Remuneration Report be adopted. The vote on this Resolution is advisory only, however, and does not bind the Board or the Company.

The Chairman will give Shareholders a reasonable opportunity to ask questions about or to make comments on the Remuneration Report.

2. RESOLUTION 2 – ELECTION OF DIRECTOR – ANDREW SIMPSON

Mr Andrew Simpson was appointed as a Director of the Company during the year, under rule 7.2(b) of the Constitution of the Company, to fill a casual vacancy on the Board.

By rule 7.3(g) of the Company's Constitution, a Director appointed as a casual vacancy must retire at the next AGM and is eligible for re-election at that meeting.

Details of the qualification and experience of Mr Simpson are set out in the 2007 Annual Report for the Company.

Mr Simpson offers himself for election by Resolution 2.

The Directors unanimously recommend that Shareholders vote to approve Resolution 2.

**3. RESOLUTION 3 –RE-ELECTION OF DIRECTOR –
JULIE-ANNE WOLSELEY**

Ms Wolseley was appointed a Director of the Company on 20 January 2005 and was last re-elected on 23 November 2006.

By rule 7.3(a) of the Company's Constitution, Ms Wolseley being a Director of the Company, retires by way of rotation and, being eligible, offers herself for re-election as a Director of the Company.

Details of the qualification and experience of Ms Wolseley are set out in the 2007 Annual Report for the Company.

The Director rotation requirements under the Constitution will be met by the retirement of Ms Wolseley and Mr Trevor Tennant. Mr Tennant will not be seeking re-election at the Meeting.

The Directors unanimously recommend that Shareholders vote to approve Resolution 3.

**4. RESOLUTION 4 – APPOINTMENT OF AUDITOR –
PRICEWATERHOUSECOOPERS**

The Company's current auditor, Stantons International, has notified the Company that it has applied to ASIC to resign as auditor. ASIC must consent to the resignation for it to be effective.

If ASIC consents to the resignation of Stantons International as auditor of the Company and that consent takes effect as at the date of this Meeting, the Company proposes that PricewaterhouseCoopers ("**PWC**") be appointed as auditor.

Sparkling Investments Pty Ltd, being a Shareholder of the Company, has nominated that PWC be appointed as auditor. A copy of this nomination is attached as Annexure 2 to this Notice.

PWC has consented in writing to act as the Company's auditor.

If ASIC has not consented to the resignation of Stantons International at the date of this Meeting, this Resolution 4 will not be put at the Meeting.

The Directors unanimously recommend that Shareholders vote to approve Resolution 4.

5. RESOLUTIONS 5 AND 6 – GRANT OF OPTIONS TO MR BRUCE McFADZEAN AND MR ALLAN QUADRIO

Background – Mr Bruce McFadzean

During the year Mr Bruce McFadzean was appointed as the Company's Operations Director.

On 7 June 2007 the Company announced that the Board had agreed, subject to Shareholder approval, to grant Mr McFadzean up to 2,500,000 unlisted Options as part of his remuneration. The Board resolved to grant the Options at an exercise price of \$0.90 (90 cents) each, representing a 15% premium to the volume weighted average share price preceding the Shareholder meeting held on 30 May 2007.

Resolution 5 seeks Shareholder approval for the grant of up to 2,500,000 Options to Mr McFadzean or his nominee.

Shareholder approval is required for the purposes of Chapter 2E of the Corporations Act (Section 208) and ASX Listing Rule 10.11 because Mr McFadzean is a Director and a related party of the Company.

Background – Mr Allan Quadrio

During the year Mr Allan Quadrio was appointed as a Director and is expected to commence in the role of Managing Director in early November 2007.

As part of Mr Quadrio's remuneration package as Managing Director the Board resolved on 5 October 2007, subject to Shareholder approval, to issue up to 5,000,000 unlisted Options to Mr Quadrio. The Board resolved to grant the Options at an exercise price of \$1.261 each, representing a 10% premium to the 5 day volume weighted average price of Shares concluding on 5 October 2007.

This formula for the exercise price is consistent with the Company's Employee Share Option Plan.

Resolution 6 seeks Shareholder approval for the grant of up to 5,000,000 Options to Mr Quadrio or his nominee.

Shareholder approval is required for the purposes of Chapter 2E of the Corporations Act (Section 208) and ASX Listing Rule 10.11 because Mr Quadrio is a Director and a related party of the Company.

Chapter 2E of the Corporations Act

Related Party Transaction

Chapter 2E of the Corporations Act prohibits a public company from giving a financial benefit to a related party of the public company unless either:

- (a) the giving of the financial benefit falls within one of the nominated exceptions to the provisions; or

- (b) prior shareholder approval is obtained to the giving of the financial benefit to the related party.

For the purposes of Chapter 2E, each of Mr McFadzean and Mr Quadrio, as a Director, is a related party of the Company.

Resolutions 5 and 6 provide for the grant of Options to a related party, which is a financial benefit requiring Shareholder approval in the absence of a specified exception applying.

For the purpose of Chapter 2E of the Corporations Act the following information is provided:

- (a) **The related party to whom the proposed resolution would permit the financial benefit to be given**

The related parties are Mr McFadzean or his nominee (Resolution 5) and Mr Quadrio or his nominee (Resolution 6).

- (b) **The nature of the financial benefit**

The proposed financial benefit to be given is the grant of up to 2,500,000 Options in three tranches for no cash consideration to Mr McFadzean or his nominee (by Resolution 5) and the grant of up to 5,000,000 Options in three tranches for no cash consideration to Mr Quadrio or his nominee (by Resolution 6).

As the Operations Director, the financial benefit will constitute part of Mr McFadzean's remuneration package. Similarly, as Managing Director, the financial benefit will constitute part of Mr Quadrio's remuneration package.

The terms of the Options proposed to be granted to Mr McFadzean or his nominee or Mr Quadrio or his nominee are set out in Annexure 1. The only difference is the exercise price. The exercise price of Mr McFadzean's Options is \$0.90 (90 cents) each while the exercise price of Mr Quadrio's Options is \$1.261 each. The terms of the Options include vesting hurdles which provide that the Options only become fully vested when Mr McFadzean or Mr Quadrio (as the case may be) have provided 6 months, 18 months and 30 months service to the Company from the date of issue.

- (c) **Directors' recommendation and basis of financial benefit**

The Board currently consists of Mr Michael Kiernan (Executive Chairman), Mr Allan Quadrio (Director), Mr Bruce McFadzean (Executive Director), Mr Andrew Simpson (Non-Executive Director), Mr Trevor Tennant (Non-Executive Director) and Ms Julie-Anne Wolseley (Non-Executive Director).

The Options proposed to be granted to each of Mr McFadzean as Operations Director and Mr Quadrio as Managing Director comprise part of their remuneration package under their executive employment agreement. Additionally, the purpose of the grant of the Options is to provide each of

Mr McFadzean and Mr Quadrio with an incentive for dedicated and ongoing commitment and effort to the Company.

The Directors in each case (other than Mr McFadzean and Mr Quadrio) consider the particular number and terms of Options to be granted respectively to each of Mr McFadzean and Mr Quadrio constitutes an appropriate number to adequately incentivise each of them in light of their skill, experience and reputation when considered together with their other remuneration as executive Directors (as detailed below).

The Directors in each case (being all the Directors other than the Director the subject of the Resolution) recommend that Shareholders vote in favour of the Resolutions 5 and 6 for the reasons set out above.

Mr McFadzean abstains from making a recommendation to Shareholders as to Resolution 5 as he has a material personal interest in the outcome of the Resolution being the recipient of the Options.

Mr Quadrio abstains from making a recommendation to Shareholders as to Resolution 6 as he has a material personal interest in the outcome of the Resolution being the recipient of the Options.

(d) **Dilution**

The passing of Resolutions 5 and 6 will have the effect of granting each of Mr McFadzean (or his nominee) and Mr Quadrio (or his nominee) Options on the terms set out in Annexure 1.

If any Options granted as proposed above are exercised, the effect would be to dilute the shareholding of existing Shareholders. The market price of the Company's Shares during the period of the Options will normally determine whether or not option holders exercise the Options. At the time any Options are exercised and Shares are issued pursuant to the exercise of the Options, the Company's Shares may be valued at a price that is higher than the exercise price of the Options.

If the 2,500,000 Options to be granted under Resolution 5 to Mr McFadzean or his nominee were to be exercised, the effect would be to dilute the shareholding of existing Shareholders by approximately 1.25% being based on the number of Shares on issue at the date of this Notice of 199,325,000.

If the 5,000,000 Options to be granted under Resolution 6 to Mr Quadrio or his nominee were to be exercised, the effect would be to dilute the shareholding of existing Shareholders by approximately 2.51% being based on the number of Shares on issue at the date of this Notice of 199,325,000.

(e) **Total Remuneration Package of Mr McFadzean and Mr Quadrio**

The remuneration received by Mr McFadzean is \$381,000 per annum comprising of salary and inclusive of statutory superannuation and a director's fee. Mr McFadzean is entitled to be reimbursed for reasonable expenses in

providing his services. The current securities held by Mr McFadzean are referred to below.

The remuneration received by Mr Quadrio as Managing Director is \$518,000 per annum comprising of salary and the use of a motor vehicle and inclusive of statutory superannuation and a director's fee. Mr Quadrio is entitled to be reimbursed for reasonable expenses in providing his services. Mr Quadrio currently holds no securities in the Company.

(f) **Existing Relevant Interest**

Mr McFadzean and his associates currently have a relevant interest in 37,000 Shares and 600,000 unquoted Options in the Company issued in three tranches with the first tranche of 200,000 Options having an exercise price of 40.15 cents each, the second tranche of 200,000 Options having an exercise price of 50 cents each and the third tranche having an exercise price of 60 cents each.

Mr Quadrio and his associates currently have no relevant interest in securities in the Company.

(g) **Trading History**

The following table gives details of the highest, lowest and the latest trading price of the Company's Shares trading on the ASX over the last 12 months.

| | Date | Trading Price |
|---------------|------------------|----------------------|
| Highest Price | 22 June 2007 | \$1.54 |
| Lowest Price | 21 November 2006 | \$0.28 |
| Latest Price | 15 October 2007 | \$1.10 |

(h) **Valuation of Options**

The Company's independent advisers, HLB Mann Judd Corporate (WA) Pty Ltd have valued the Options at 5 October 2007 by reference to the Black & Scholes option pricing model based on the following assumptions:

| Input | | Note |
|--------------------------------|---|-------------|
| Underlying Security spot price | \$1.14 | 1 |
| Exercise Price | \$0.90 – Mr McFadzean \$1.261 – Mr Quadrio | |
| Dividend Rate | 0% | |
| Volatility Rate | 51.6% | 2 |
| Risk Free Rate of Return | 6.42% | 3 |
| Expiry Date | 4 years from date of issue | |

Note 1: The underlying security spot price used for the purposes of this valuation is the weighted average closing price of Shares for the 5 days up to and including 5 October 2007.

Note 2: The volatility rate is based on the daily closing Share prices of the Company in the 3 months preceding 5 October 2007.

Note 3: The risk free rate of return is based on the 5 year Australian treasury bond rate as at 5 October 2007.

A discount factor of 30% has been applied to the value of each of the Options to be issued to Messrs McFadzean and Quadrio by reason of their lack of marketability as the Options are not transferable and are not to be quoted. Based on the above assumptions and the discount factor, the valuation applied to each Option to be issued is as follows:

| | |
|--|---|
| Value of each Option to be issued to Mr McFadzean (\$0.90 exercise price): | 43.58 cents each (2,500,000 Options in total) |
|--|---|

| | |
|---|---|
| Value of each Option to be issued to Mr Quadrio (\$1.261 exercise price): | 35.48 cents each (5,000,000 Options in total) |
|---|---|

(i) **Other Information**

The Directors are not aware of any other information that is reasonably required by Shareholders to allow them to make a decision as to whether it is in the best interests of the Company to pass the Resolution.

ASX Listing Rule 10.11

For the purposes of ASX Listing Rule 10.11 each of Messrs McFadzean and Quadrio is a related party of the Company.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to grant the Options to Messrs McFadzean and Quadrio as approval is being obtained under ASX Listing Rule 10.11. Shareholders should note that the grant of the Options to Messrs McFadzean and Quadrio will not be included in the 15% calculation for the purposes of ASX Listing Rule 7.1.

ASX Listing Rule 10.13 sets out a number of matters which must be included in the notice of meeting convened to consider shareholder approval under ASX Listing Rule 10.11.

For the purposes of ASX Listing Rule 10.13, the following information is provided to Shareholders in relation to the Resolutions. This information is as follows:

- (a) the Options will be granted to Mr McFadzean or his nominee and Mr Quadrio or his nominee;

- (b) the maximum number of Options the Company will grant to Mr McFadzean is 2,500,000 Options and to Mr Quadrio is 5,000,000 Options;
- (c) the Options will be issued no later than one month after the date of this Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules);
- (d) the Options will be granted for nil cash consideration and the terms of the Options are set out in Annexure 1 of this Explanatory Statement; and
- (e) there will be no funds raised from the issue of the Options.

6. RESOLUTIONS 7 and 8 – PLACEMENT OF SHARES TO OM HOLDINGS LIMITED AND CRAWLEY RESOURCES LIMITED

Background

Resolutions 7 and 8 seek Shareholder approval for the allotment and issue of a total of up to 18,500,396 Shares at an issue price of not less than \$1.00 per Share to each of OM Holdings Limited and Crawley Resources Limited.

The approval is sought to provide each of these cornerstone shareholders with the right but not the obligation to subscribe for that number of Shares that will maintain their recent respective percentage interests in the Company post the completion of the Share Purchase Plan (**SPP**) announced on 17 October 2007.

The maximum number of Shares that could theoretically be subscribed for by all Shareholders under the SPP is 21,505,000.

Accordingly, in respect of OM Holdings Limited (**OMH**), with its present holding of 25,000,000 Shares representing 12.54% of the issued capital of the Company, it would be entitled to subscribe for up to a maximum of 5,437,826 Shares to maintain its recent percentage interest if the maximum number of Shares was subscribed for under the SPP by all eligible Shareholders.

It is not likely that all eligible Shareholders will take up their full entitlements and therefore the number of Shares that OMH will be entitled to subscribe for is limited to that amount necessary to maintain its percentage interest immediately post the issue of the Shares following the completion of the SPP.

In respect of Crawley Resources Limited (**Crawley**), with its present holding of 60,000,000 Shares representing 30.10% of the issued capital of the Company, it would be entitled to subscribe for up to a maximum of 13,062,570 Shares to maintain its recent percentage interest if the maximum number of Shares was subscribed for under the SPP.

Again, as it is not likely that all eligible Shareholders will take up their full entitlements, the number of Shares that Crawley will be entitled to subscribe for is limited to that amount necessary to maintain its recent percentage interest immediately post the issue of the Shares following the completion of the SPP.

Both OMH and Crawley intend to subscribe to their full entitlement of 5,000 Shares each respectively under the SPP.

The proposed placement to OMH and/or Crawley will allow each cornerstone investor to retain up to their strategic interest positions in the Company as at 8 June 2007 when Crawley and OMH last lodged to the market their Notices of Change of Interests of Substantial Shareholder. On that date Crawley held 60,000,000 Shares (being 30.53% of the Company's issued capital) and OMH held 25,000,000 Shares (being 12.72% of the Company's issued capital).

The effect of Resolutions 7 and 8 will be to allow the Directors to issue the Shares pursuant to these resolutions without using the Company's 15% annual placement capacity.

The approval for the placement of Shares to OMH is required under ASX Listing Rule 7.1 and the approval for the placement of Shares to Crawley is required under ASX Listing Rule 10.11, as Crawley is an entity related to Mr Michael Kiernan, a Director of the Company.

It is considered that related party approval under the Corporations Act to the proposed placement of Shares to Crawley is not required on the basis that the proposed price is the same as the offer price under the SPP and accordingly either there is no financial benefit being given to Crawley or if there is, then the benefit is being given on the basis that it falls within the arms length "carve-out" in section 210 of the Corporations Act.

ASX Listing Rule 7.3 - Disclosures in respect of Placement to OMH

In accordance with ASX Listing Rule 7.3, the following information is provided in relation to the proposed placement to OMH:

- (a) the maximum number of Shares that may be issued is 5,437,826;
- (b) the Shares will be issued no later than 1 month after the date of the Annual General Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and the allotment will occur on one date. ASX Listing Rule 7.3 allows the Shares to be issued no later than 3 months after the date of the Annual General Meeting however the Company wishes to issue these Shares on the same date as the issue to Crawley which must be done within 1 month of that date;
- (c) the issue price will be not less than \$1.00 per Share;
- (d) the Shares will be allotted and issued to OMH;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) the Company intends to use the raised from the Share Placement towards working capital and to further advance the Company's exploration pursuits at the Frances Creek Project in the Northern Territory.

ASX Listing Rule 10.13 - Disclosures in respect of Placement to Crawley

In accordance with ASX Listing Rule 10.13, the following information is provided in relation to the proposed placement to Crawley:

- (a) the maximum number of Shares that may be issued is 13,062,570;
- (b) the Shares will be issued no later than 1 month after the date of the Annual General Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and the allotment will occur on one date;
- (c) the issue price will be not less than \$1.00 per Share;
- (d) the Shares will be allotted and issued to Crawley;
- (e) the Shares issued will be fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares; and
- (f) the Company intends to use the raised from the Share Placement towards working capital and to further advance the Company's exploration pursuits at the Frances Creek Project in the Northern Territory.

Approval pursuant to ASX Listing Rule 7.1 is not required in order to issue the proposed Shares to Crawley as approval is being obtained under ASX Listing Rule 10.11. Accordingly, the issue of the proposed Shares to Crawley will not be included in the 15% calculation of the Company's annual placement capacity pursuant to ASX Listing Rule 7.1.

The Directors in each case (being all the Directors other than Ms Julie-Anne Wolseley, a director of OMH, in respect of Resolution 7 and Mr Michael Kiernan and Mr Andrew Simpson, directors of Crawley, in respect of Resolution 8) recommend that Shareholders vote in favour of the Resolutions 7 and 8 for the reasons set out above.

Ms Julie Anne Wolseley abstains from making a recommendation to Shareholders on Resolution 7 and Mr Michael Kiernan and Mr Andrew Simpson ,abstain from making a recommendation to Shareholders on Resolution 8.

TERRITORY RESOURCES LIMITED
ABN 53 100 552 118

GLOSSARY

In the Notice and this Explanatory Statement the following expressions have the following meanings:

"**ASIC**" means the Australian Securities and Investments Commission.

"**ASX**" means ASX Limited (ACN 008 624 691).

"**ASX Listing Rules**" or "**Listing Rules**" means the Listing Rules of the ASX.

"**Board**" means the Board of Directors of the Company.

"**Business Day**" means a day, other than a Saturday or Sunday, on which banks are open for general banking business in Perth, Western Australia.

"**Company**" or "**Territory Resources**" means Territory Resources Limited (ABN 53 100 552 118).

"**Constitution**" means the constitution of the Company.

"**Corporations Act**" means the Corporations Act 2001 (Cth).

"**Director**" mean a director of the Company.

"**Explanatory Statement**" means this Explanatory Statement.

"**Meeting**" and "**General Meeting**" means the meeting convened by this Notice.

"**Notice**" means the notice of meeting that accompanies this Explanatory Statement.

"**Option**" means an option to subscribe for one Share.

"**Resolution**" means a resolution referred to in the Notice.

"**Share**" means a fully paid ordinary share in the capital of the Company.

"**Shareholder**" means a registered holder of Shares in the Company.

"**WST**" means Western Standard Time, Perth, Western Australia.

ANNEXURE 1

TERMS OF OPTIONS

The following terms apply to the Options it is proposed be issued to Mr Bruce McFadzean or his nominee pursuant to Resolution 5 and to Mr Allan Quadrio or his nominee pursuant to Resolution 6 of the Meeting.

(a) Entitlement

Each Option entitles the holder to subscribe for and be allotted one fully paid ordinary share upon payment of the Exercise Price.

(b) Exercise Price

The Exercise Price of each Option for Mr McFadzean or his nominee is \$0.90 (90 cents). The Exercise Price of each Option for Mr Quadrio or his nominee is \$1.261.

(c) Term

Subject to section (m) below, the Options are exercisable at any time prior to 5.00pm (WST) 4 years from their date of issue. Options not exercised on or before the expiry date will automatically lapse and cease to carry any rights or benefits.

(d) Vesting

- (i) approximately one third of the Options (833,000 for Mr McFadzean and 1,666,000 for Mr Quadrio) may only be exercised after 6 months from their date of issue;
- (ii) approximately one third of the Options (833,000 for Mr McFadzean and 1,667,000 for Mr Quadrio) may only be exercised after 18 months from their date of issue;
- (iii) the balance of the Options (834,000 for Mr McFadzean and 1,667,000 for Mr Quadrio) may only be exercised after 30 months from their date of issue,

save that this condition is waived so that full vesting occurs in the event of a takeover of the Company or the death or incapacity of the Director.

(e) Exercise of Options

An Option is exercised by the holder delivering to the Company Secretary a Notice of Exercise (in the form prescribed by the Company from time to time) together with the certificate for that Option and payment in Australian dollars of the Exercise Price in respect of each Share to be issued on the exercise of that Option. Within 10 business days of receipt of that properly executed documentation and the correct payment, the Company will issue the resultant Shares and deliver a statement of holding of Shares to the Shareholder.

(f) Statement of holding

A statement of holding of Options will be forwarded to the Option holder on issue of the Options together with the terms and conditions of the Options.

(g) Quotation

The Options will not be quoted. Upon the exercise of Options and within 7 days of the date of issue of the resultant Shares, the Company will make application to ASX to have the resultant Shares granted official quotation.

(h) Ranking

Shares issued pursuant to an exercise of Options shall rank from the date of their allotment pari passu with the other issued fully paid ordinary shares in the Company.

(i) Transfer

Subject to the ASX Listing Rules the Options shall not be capable of transfer or assignment either in whole or in part without the approval of the Company.

(j) Participating rights

There are no participating rights or entitlements inherent in the Options and holders of the Options will not be entitled to participate in new issues of capital offered to Shareholders during the currency of the Options.

However the Company will ensure that, for the purposes of determining entitlements to any such issue, the record date will be at least 9 business days after the issue is announced. Holders of Options shall be afforded the opportunity to exercise all Options which they are entitled to exercise pursuant to these terms prior to the date for determining entitlements to participate in any such issue.

(k) Bonus Issues

If the Company makes an issue of shares to the holders of shares in the Company by way of capitalisation of profits or reserves ("Bonus Issue"), each holder of Options which have not expired at the time of the record date for determining entitlements to the Bonus Issue shall be entitled to have issued to him upon exercise of any of those Options the number of Shares which would have been issued under the Bonus Issue ("Bonus Shares") to a person registered as holding the same number of Shares as that number of Shares to which the Option holder may subscribe pursuant to the exercise of those Options immediately before the record date determining entitlements under the Bonus Issue (in addition to the Shares which he or she is otherwise entitled to have issued to him or her upon such exercise). The Bonus Shares will be paid by the Company out of profits or reserves (as the case may be) in the same manner as was applied in relation to the Bonus Issue and upon issue rank pari passu in all respects with the other shares issued upon exercise of the Options.

(l) Reconstructions

In the event of any reconstruction (including a consolidation, subdivision, reduction or return) of the issued capital of the Company prior to the expiry of any Options, the number of Options to which each holder is entitled or the exercise price of his or her Options or both or any other terms will be reconstructed in a manner determined by the Board which complied with the provisions of the ASX Listing Rules.

(m) Cessation of engagement or death of Director

An Option held by Director or his nominee which has not expired will immediately lapse upon:

- (i) A determination by the Company that the Director has acted fraudulently, dishonestly or in breach of their obligations to the Company or an Associated Body Corporate and the Option is on that account to be forfeited;
- (ii) The Director ceasing to be engaged by the Company or an Associated Body Corporate for any reason (or, in the case of an Option held by a nominee, the engagement of the nominating Director is terminated) except where the Director ceased to be engaged as a direct result of the disposal or sale of the Company or Associated Body Corporate (in which case, for the avoidance of doubt, such Options shall not lapse by virtue of that event alone);
- (ii) The day which is 30 days following any person or corporation having a relevant interest in not less than 90% of the Shares of the Company; or
- (iv) The day which is 10 days following the Company issuing a notice of meeting convening a meeting of Shareholders in order to enter into a scheme of arrangement (pursuant to the provisions of the Corporations Act) which, if implemented would result in a person or corporation having a relevant interest in not less than 90% of the Shares of the Company.

For the purposes of this section (m), a director shall be deemed to have ceased to be engaged by the Company or an Associated Body Corporate:

- (a) On the day which is 6 months after the day the Director ceases to be employed by the Company or an Associated Body Corporate by virtue of:
 - (i) the Directors death; or
 - (ii) the Director being retrenched or made redundant by the Company or an Associated Body Corporate (other than as a direct result of the disposal or sale of the Company or Associated Body Corporate); and
- (b) On the later of 21 days following the Director ceasing to be engaged by the Company or an Associated Body Corporate or such later date that the Company determines in its absolute discretion where the Director ceases to be employed by virtue of:
 - (iii) the Director retiring; or

- (iv) the Director's permanent illness or permanent physical or mental incapacity (as certified by a medial practitioner who is approved in writing by the Company).

(n) Definitions

"Associated Body Corporate" means any:

- (a) related body corporate of the Company under section 50 of the Corporations Act; or
- (b) a body corporate that has voting power in the Company of not less than 20%; and
- (c) a body corporate in which the Company has voting power of not less than 20%.

ANNEXURE 2

SPARKLING INVESTMENTS PTY LTD

ABN 68 058 820 278

102 Angelo Street
SOUTH PERTH WA 6151

Mobile: 0417 953 626
Facsimile: (08) 9367 5489
Email: sparkle@wt.com.au

9 October 2007

The Chairman
Territory Resources Limited
Ground Floor
23 Ventnor Avenue
WEST PERTH WA 6005

Dear Sir

Nomination of Auditor

I, Sparkling Investments Pty Ltd, being a shareholder of Territory Resources Limited, hereby nominate PricewaterhouseCoopers, of 250 St George's Terrace, Perth, Western Australia 6000 to be appointed as auditor of Territory Resources Limited.

I consent to the distribution of a copy of this notice of nomination as an annexure to the Notice of Meeting for the 2007 Annual General Meeting of Territory Resources Limited as required by section 328B(3) of the Corporations Act.

Yours faithfully



Director
Sparkling Investments Pty Ltd