

TERRA SYSTEMS, INC.

ANNUAL REPORT

FISCIAL YEAR 2010

PART A General Company Information

Item I The exact name of the issuer and its predecessor (if any).

Terra Systems, Inc.

Item II The address of the issuer's principal executive offices.

Terra Systems, Inc. (mailing address)
P.O. Box 212
Helper, Utah 84526

Terra Systems, Inc. (physical address)
847 North Highway 191
Helper, Utah 84526

Telephone : 1-435-472-4725

Item III The jurisdiction and date of the issuer's incorporation or organization.

Terra Systems, Inc is a Utah Corporation Incorporated on September 29, 2003

Part B Share Structure

Item IV The exact title and class of securities outstanding.

Terra Systems, Inc. Common Stock
CUSIP# 88101A 10 0

Item V Par or stated value and description of the security.

A. Par or Stated Value
Par value \$0.001

B. Common or Preferred Stock
1. All stock is common stock with dividend, voting conversion and liquidation rights.
2. The Company has not issued any Preferred Stock

3. No additional material rights of common stockholders exist.
4. No provisions in the issuer's charter or by-laws that would delay, defer or prevent a change in control of the issuer are known or anticipated.

Item VI The number of shares or total amount of the securities outstanding for each class of securities authorized.

A.	Period end date:	12-31-10
B.	Shares authorized:	100,000,000 Shares
C.	Number Outstanding	60,857,360
D.	Freely tradable shares	34,298,815
E.	Shareholders of record	297

Part C Business Information

Item VII The name and address of the transfer agent.

Standard Registrar and Transfer Company, Inc.
 12528 South 1840 East
 Draper, Utah 84020
 Telephone: 801-571-8844
 Agent is duly registered and licensed under Securities and Exchange Act

Item VIII The nature of the issuer's business.

- A. Business Development
 1. The form of organization of the issuer - corporation
 2. The year that the issuer (or any predecessor) was organized - the company was originally incorporated as Bunker Research, Incorporated on November 4, 1983. Through a series of mergers and name changes, all of which are filed of record with Edgar, it became Terra Systems, Inc.
 3. The issuer's fiscal year end date - December 31
 4. Whether the issuer (or any predecessor) has been in bankruptcy, receivership or any similar proceeding - No
 5. Any material reclassification, merger, consolidation, or purchase or sale of a significant amount of assets - Terra Systems, Inc has had none
 6. Any default of the terms of any note, loan, lease, or other indebtedness or financing arrangement requiring the issuer to make payments - None
 7. Any change of control - None
 8. Any increase of 10% or more of the same class of outstanding equity securities - None

9. Any past, pending or anticipated stock split, stock dividend, recapitalization, merger, acquisition, spin-off, or reorganization - None
10. Any delisting of the issuer's securities by any securities exchange or deletion from the OTC Bulletin Board. - Yes, per Form 15 and 8K filed in August 2008 with Edgar.
11. Any current, past, pending or threatened legal proceedings or administrative actions either by or against the issuer that could have a material effect on the issuer's business, financial condition, or operations and any current, past or pending trading suspensions by a securities regulator. State the names of the principal parties, the nature and current status of the matters, and the amounts involved.
 - a. The company has no judgments against it, however, the company is the Defendant in one lawsuit filed in State Court in Salt Lake City District Court, Utah concerning the alleged non-payment of rent on office space once occupied by the company in Midvale, Utah. The company is represented in that case by Attorney Christian Bryner of Price, Utah.

B. Business of Issuer

Terra Systems was incorporated in Utah on September 29, 2003. We are a development stage company. We are pursuing the conversion of coal to fixed carbon products as our primary business. We have developed a patented pneumatic accelerator system ("PAS"). This device is a gas format linear particle accelerator that processes bulk materials at high velocity in a particle isolate state using air as the medium of movement. The traditional and more costly medium for processing bulk materials is water. Our technology operates efficiently at ambient temperatures and at low pressures and does not use water. We believe that most, if not all the bulk materials used in our carbon processing technologies can be economically separated and classified by this device. The technology facilitates the drying, micro-pulverizing, mixing, conveying and other procedures for bulk materials. The system performs multiple tasks, requires no chemical additives, and can improve or have less impact on the surrounding environmental quality than traditional wet processes. Using our PAS device in conjunction with traditional and proprietary technology, Terra Systems can produce high quality fixed carbon products on a continuous basis. These fixed carbon products can be used in the manufacture of a range of products from steel to solar cells, Li-ion batteries to the production of sugar, carbon filters to carbon nanostructures.

Our success and ability to compete will be dependent in part on the protection of our existing and potential patents, trademarks, trade names, service marks, trade secrets and other proprietary rights. Thus, the majority of our research and development efforts have focused in product development, testing and patent application.

We seek to continue developing our products internally through research and

development, or if appropriate, through strategic partnerships and joint ventures. We expect, however, that if we can purchase or license products, services or technologies from third parties at a reasonable cost we will do so in order to avoid the time and expense involved in developing the products, services or technologies.

The issuer is not now, and has never been, a “shell company”.

The company CIK Code is 0001027816.

Item IX The nature of products or services offered

See the discussion in paragraph VIII. The company is currently involved in testing of commercial production coke briquettes with a minimum fixed carbon content of 85%. The process involves mixing the run-of-mine coal, petroleum coke and Terra Systems, Inc.’s proprietary binder so that the material becomes matted, similar to wet sand, and then it is processed through a briquetter. The green briquettes then pass through a dryer and continue on the conveyer belt to a calcining furnace that is heated to a temperature of 1,000 degrees centigrade. The briquettes are conveyed out of the calcining oven on the conveyer and the briquettes cool as they are being conveyed to a storage area at which point they are dropped into 1,000 pound super sacks and transported by forklift to a loading area.

All of the byproduct from this process is usable. There is no waste. The hydrogen and methane gases that are emitted during the process are subsequently evolved into a gaseous mixture that can be harmlessly flared into the atmosphere. However, it is the plan of the company that the gaseous mixture will be piped into a turbine and used to generate electricity. In other words, the company will use its gaseous emissions to generate more electricity for use in the briquetting process. Any excess electricity will be sold to the local power grids.

The process also generates a liquid material that is a coal tar based crude oil which will be piped into 2,000 gallon storage tanks to be sold to refineries. The company has a buyer who has expressed interest in taking all of this oil that is created as a byproduct from the operation of the company’s facility.

The company can also use its present plant and technology to generate various high quality fixed carbon products.

Item X The nature and extent of the issuer’s facilities

Terra Systems, Inc. owns a prototyping facility capable of producing 13.7 tons per day of fixed carbon based products located on property owned by Utah State University at 847 North Highway 191, Helper, Utah.

Part D Management Structure and Financial Information

Item XI. The name of the chief executive officer, members of the board of directors, as well as control persons.

A. Officers and Directors

1. Clayton D. Timothy, Chairman of the Board, P.O. Box 212, Helper, Utah 84526
Telephone number: 1-435-472-4725. Mr. Timothy is also a board member and is presently serving without compensation. However, it is anticipated that when the company becomes fully operational that Mr. Timothy will receive an initial compensation of \$6,000.00 per month plus expenses.

According to the records of the transfer agent, Mr. Timothy presently owns 5,090,543 shares of common stock in the company.

Mr. Timothy has an Associates Degree in Mine Maintenance from the College of Eastern Utah. From 1990-1994, he was Executive Vice President of Environmental Technologies Group, Inc (ETGP). He founded Terra Systems, Inc. in 1996.

2. George W. Ford, President, P.O. Box 212, Helper, Utah 84526
Telephone number: 1-435-472-4725. Mr. Ford is also a board member and is presently serving without compensation. However, it is anticipated that when the company becomes fully operational that Mr. Ford will receive an initial compensation of \$6,000.00 per month plus expenses.

According to the records of the transfer agent, Mr. Ford presently owns 3,194,512 shares of common stock in the company.

Mr. Ford has served as Principal Scientist/Vice President of Science and Technology for Headwaters, Inc. (NYSE: HW) Mr. Ford holds 27 national and international patents as well.

3. Jay N. Martin, Chief Operating Officer, P.O. Box 212, Helper, Utah 84526
Telephone Number 1-435-472-4725. Mr. Martin is also a board member. According To the records of the transfer agent Mr. Martin presently owns 261,991 shares of common stock in the company

B. Legal/Disciplinary History

1. Neither Mr. Timothy, Mr. Ford nor Mr. Martin has been convicted in a criminal proceeding or named as a defendant in a pending criminal proceeding.

There is no judgment by a court of competent jurisdiction against any of them and none has been enjoined, barred or suspended or otherwise limited in involvement in any type of business, securities, commodities or banking activities.

C. Disclosure of Family Relationships.

1. None currently, Mr. Ford's wife, Felecia P. Ford, worked as a part-time receptionist/administrative assistant for Terra Systems from 2005 until 2008, however, she has not been involved in the company since.

D. Disclosure of Related Party Transactions

1. None.

E. Disclosure of Conflicts of Interest

1. None.

Item XII Financial Information for the Issuer's most recent fiscal period

See Terra Systems, Inc. and Subsidiaries Condensed Consolidated Balance Sheets (Unaudited) for the period December 31, 2009 through December 31, 2010. These financial reports were prepared in accordance with GAAP by the company's accountant, Mr. Mark Faerber, 313 West Creekside Way, Kaysville, Utah 84037.

The issuer's unaudited financial statements for the period December 31, 2009 through December 31, 2010 have been posted through the OTC Disclosure and News Service under the name Terra Systems, Inc. for the applicable period. The financial statements are incorporated herein by reference.

Item XIII. Similar financial information for such part of the two preceding fiscal years as the issuer or its predecessor has been in existence.

All financial information filed by the company prior to March 31, 2008 is filed with Edgar to which reference is made for all purposes and those filings are incorporated by reference.

Item XIV Beneficial Owners

Clayton D. Timothy 6,090,543 shares
P.O. Box 1012
Price, UT. 84501

George W. Ford Jr 3,194,512 shares
4901 Wallace Lane
Holladay, UT. 84117

CEDE 31,340,941
P.O. Box 20
Bowling Green Station
New York, NY 10274

Item XV. The name, address, telephone number, and email address of each of the following outside providers that advise the issuer on matters relating to operations, business development and disclosures.

1. Mr. Justin R. Elswick, Attorney at Law, 2696 North University Ave, Suite 180, Provo, Utah 84604. Telephone number - 801-812-1000. Mr. Elswick has reviewed corporate documents and signed the required attorney letter for full information status.
2. Mr. Mark Faerber, 313 West Creekside Way, Kaysville, Utah 84037. Telephone number - 801-414-5036. Email address - mark@best-1.biz. Mr. Faerber provides accounting services and has prepared the unaudited financial statements attached hereto as well as posted on the OTC Disclosure and News Service. Mr. Faerber is an experienced accountant who was previously employed by the auditing firm of Hansen, Burnett and Maxwell in Salt Lake City, Utah prior to opening his private accounting practice. Mr. Faerber is a graduate of Weber State University.

Item XVI. Management's Discussion and Analysis or Plan of Operation

A. Plan of Operation

1. See Item XIII. Under our current growth plan, we expect that our present cash on hand will be sufficient to cover our expenses during the testing period and

for up to at least 90 days from this date. However, after the testing period, we will not be able to become fully operational without additional grants or funding.

In the event that we do receive additional grants or funding for full scale production at our present plant location then we anticipate being cash flow positive from month-to-month, assuming that there are no unforeseen events that would result in major negative capital impact outside of the budget anticipated by our business plan.

Our ability to generate significant revenues and become profitable will, additionally depend on many factors including our ability to:

- * prove our PAS technology at production scale;
- * acquire rights to waste coal streams or accumulations on economically favorable terms;
- * acquire permits necessary for the recovery of waste coal;
- * successfully demonstrate our licensed clean coke technology at our facility near Helper, Utah;
- * develop markets for “clean coke” and supply product for test purposes;
- * acquire adequate long-term supplies of coal and coke as raw material for the production of clean coke;
- * obtain the necessary permits to allow for the construction of clean coke plants;
- * manage construction, and operating costs associated with the clean coke plants we intend to develop;
- * enforce and protect our intellectual property while avoiding infringement claims;
- * comply with applicable governmental regulations; attract and retain qualified personnel; and
- * raise sufficient capital

B. Management's Discussion and Analysis of Financial Condition and Results of Operations

1. Full fiscal years.

The company has not generated any cash from operations in the last two fiscal years ending December 31, 2009 and December 31, 2010.

C. Off-Balance Sheet Arrangements

1. None

Part E Issuance History

Item XVII List of securities offerings and shares issued for services in the past two years.

A. The company has not had a securities offering in the past two years.

B. The company issued shares for services in the fiscal years ending December 31, 2008 and December 31, 2009 in the total amount of 2,665,496 shares. All shares were issued in the State of Utah as restricted treasury stock and the dates of issuance were May 5, 2008, October 2008, November 9, 2009 and November 9, 2009. All shares were restricted and bore a par value of \$0.001. None of the shares were sold at the time of issuance because they were restricted. All certificates contain a legend stating that the shares have not been registered under the Securities Act and setting forth or referring to the restrictions on transferability and sale of the share under the Securities Act

C. The names of the person to whom the securities were issued, the amount of securities issued to each person and the service provided for each person is as follows:

1. J. R. Martin was issued 5,000 shares on May 5, 2008 for Technical Consulting Services.
2. Tim Gwyther issued 228,663 shares on October 30, 2008 for Technical Consulting Services.
3. Dee Ann Finger issued 15,000 on November 9, 2009 for secretarial/administrative services

Part F Exhibits

Item XVII Material Contracts

- A. See Filed Contract dated June 16, 2008 between Terra Systems, Inc. and George W. Ford, Jr.

Item XIX Articles of Incorporation and Bylaws

- A. A complete copy of the issuer's Articles of Incorporation has been filed through the OTC Disclosure and News Service as required.
- B. A complete copy of the issuer's Bylaws has been filed through the OTC Disclosure and News Service as required.

Item XX. Purposes of Equity Securities by the Issuer and Affiliated Purchasers

- A. None

Item XXI Issuer's Certifications

Certifications:

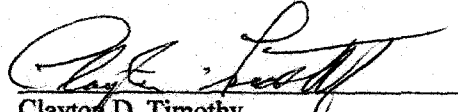
I, Clayton D. Timothy, Chairman of the Board of Terra Systems, Inc., certify that:

I have reviewed this Initial Company Information And Disclosure Statement of Terra Systems, Inc.;

Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Signed on this 31 day of March, 2011.


Clayton D. Timothy
Chairman of the Board
Terra Systems, Inc.

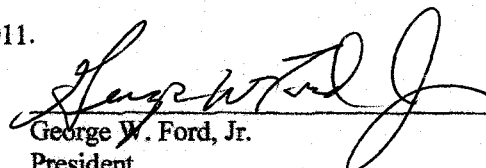
I, George W. Ford, Jr., certify that:

I have reviewed this Initial Company Information And Disclosure Statement of Terra Systems, Inc.;

Based on my knowledge, this disclosure statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this disclosure statement; and

Based on my knowledge, the financial statements, and other financial information included or incorporated by reference in this disclosure statement, fairly present in all material respects the financial condition, results of operations and cash flows of the issuer as of, and for, the periods presented in this disclosure statement.

Signed on this 31st day of March, 2011.


George W. Ford, Jr.
President
Terra Systems, Inc.