TELLUS RESOURCES LTD
ACN 144 733 595

PROSPECTUS

For the offer 1,000 fully paid ordinary shares in the capital of the Company at an issue price of $0.20 per Share to raise up to $200.

This Prospectus has been prepared for the purpose of Section 708A(11) of the Corporations Act to remove any trading restrictions on the sale of Shares issued by the Company prior to the Closing Date.

IMPORTANT NOTICE

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the securities being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser.

The Shares offered by this Prospectus should be considered as speculative.

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1. SUMMARY OF IMPORTANT DATES AND IMPORTANT NOTES

Timetable and Important Dates*

Action	Date
Lodgement of Prospectus with the ASIC and ASX	16 May 2012
Opening Date	16 May 2012
Closing Date	31 May 2012
Expected Date of Official Quotation	31 May 2012

*The Company reserves the right to extend the Closing Date or close the Offer early without notice.

Important Notes

Potential investors should read this document in its entirety and, if in doubt, should consult their professional advisors.

This Prospectus is dated 16 May 2012 and a copy of this Prospectus was lodged with the ASIC on that date. The ASIC and ASX take no responsibility for the content of this Prospectus.

The Expiry Date of the Prospectus is 13 months after the date the Prospectus was lodged with the ASIC. No Shares will be issued on the basis of this Prospectus after the Expiry Date.

No person is authorised to give information or to make any representation in connection with this Prospectus which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions constitutes a violation of those laws. This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus regard has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and professional advisers whom potential investors may consult.

Electronic Prospectus

A copy of this Prospectus can be downloaded from the website of the Company at www.tellusresources.com.au. Any person accessing the electronic version of this Prospectus for the purpose of making an investment in the Company must be an Australian resident and must only access the Prospectus from within Australia.

The Corporations Act prohibits any person passing onto another person an Application Form unless it is attached to a hard copy of this Prospectus or it accompanies the complete and unaltered version of this Prospectus. Any person may obtain a hard copy of this Prospectus free of charge by contacting the Company.

Risk Factors

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus. For further information in relation to the risk factors of the Company please refer to section 6 of this Prospectus.

2. CORPORATE DIRECTORY

Directors

Anthony Wehby
Non-Executive Chairman

Stephen Woodham
Managing Director

Richard Willson
Non Executive Director

Company Secretary

Anne Adaley

Registered Office

Suite 301, Level 3
66 Hunter Street
Sydney NSW 2000

Telephone: +61 2 9231 6231
Facsimile: +61 2 9231 6687
Email: info@tellusresources.com.au

Website: www.tellusresources.com.au

ASX Code

TLU

Share Registry*

Boardroom Pty Limited
Level 7
207 Kent Street
Sydney NSW 2000

Telephone: 1300 737 760
Facsimile: 1300 653 459

International
Telephone: +61 2 9290 9600
Facsimile: +61 2 9279 0664

Solicitors

Steinepreis Paganin
Lawyers and Consultants
Level 4, The Read Buildings
16 Milligan Street
Perth WA 6000

Auditor

Grant Thornton Audit Pty Ltd
Level 17, 383 Kent Street
Sydney NSW 2000

Telephone: +61 2 8297 2400
Facsimile: +61 2 9299 4445

* This entity is included for information purposes only. It has not been involved in the preparation of this Prospectus.

3. DETAILS OF THE OFFER

3.1 Offer

By this Prospectus, the Company invites investors identified by the Directors to apply for up to 1,000 Shares at an issue price of $0.20 per Share payable in full on application to raise $200.

All of the Shares offered under this Prospectus will rank equally with Shares on issue at the date of this Prospectus. Please refer to section 5 for further information regarding the rights and liabilities attaching to the Shares.

3.2 Objectives

The Company is seeking to raise only a nominal amount of $200 under this Prospectus and, accordingly, the purpose of this Prospectus is not to raise capital.

The primary purpose of this Prospectus is to remove any trading restrictions that may have attached to the Shares issued by the Company prior to the Closing Date.

Section 708A(5) of the Corporations Act provides that a sale offer does not need disclosure to investors if:

(a) the relevant securities are in a class of securities that were quoted securities at all times in the 3 months before the day on which the relevant securities were issued;

(b) trading in that class of securities on a prescribed financial market on which they were quoted was not suspended for more than a total of 5 days during the shorter of the period during which the class of securities were quoted, and the period of 12 months before the day on which the relevant securities were issued;

(c) the Company has not been exempted by ASIC from the continuous disclosure provisions at any time during the relevant period referred to in paragraph (b);

(d) the Company or any person as director or auditor of the body has not been exempted from or received an instrument of modification in relation to the financial reporting provisions at any time during the relevant period referred to in paragraph (b); and

(e) (relevantly) the Company gives the relevant market operator for the Company a notice that complies with section 708A(6) of the Corporations Act before the sale offer is made.

The Company was voluntarily suspended from 26 to 28 October 2011 and 23 to 30 April 2012 to allow the Company to comply with its continuous disclosure obligations. Accordingly, the Company has been suspended for more than 5 days during the past 12 months and may not therefore rely on Section 708A(5) of the Corporations Act.

However, further and relevantly, Section 708A(11) of the Corporations Act provides that a sale offer does not need disclosure to investors if:

(a) the relevant securities are in a class of securities that are quoted securities of the body;

(b) either:

(i) a prospectus is lodged with the ASIC on or after the day on which the relevant securities were issued but before the day on which the sale offer is made; or

(ii) a prospectus is lodged with ASIC before the day on which the relevant securities are issued and offers of securities that have been made under the prospectus are still open for acceptance on the day on which the relevant securities were issued; and

(c) the prospectus is for an offer of securities issued by the body that are in the same class of securities as the relevant securities.

3.3 Background

(a) Capital Raising

Pursuant to approval granted by Shareholders at the general meeting on 5 April 2012 and as announced to the market on 30 April 2012, the Company intends to issue to sophisticated, institutional or otherwise exempt investors 8,625,000 Shares (**Capital Raising**). The Company intends to issue the Shares the subject of the Capital Raising before the close of this Prospectus.

(b) Premier Acquisition

Further, as announced on 21 November 2011 and again on 16 May 2012, the Company has agreed to purchase 100% of the issued capital in Premier Mining Pty Ltd from Premier Minerals Ltd, which will allow the Company to acquire the Chillagoe Project, being Premier's primary asset. The Chillagoe Project includes a number of exploration permits for minerals and mining leases located in Queensland, Australia. Part of the consideration for the acquisition of Premier is the issue to Premier Minerals Ltd of 5,555,555 Shares. The Company intends to issue those Shares before the close of this Prospectus.

The purpose of the issue of this Prospectus is to remove any trading restrictions on the sale of any Shares issued by the Company under the Capital Raising and issued to Premier Minerals Ltd.

3.4 Opening and Closing Dates of the Offer

The Opening Date of the Offer will be 16 May 2012 and the Closing Date will be 31 May 2012 at 5:00pm (EST). The Directors reserve the right to close the Offer early or extend the Closing Date (as the case may be), should it be considered by them necessary to do so.

3.5 Application

Applications for Shares must only be made by investors at the direction of the Company and must be made using the Application Form accompanying this Prospectus.

Payment for the Shares must be made in full at the issue price of $0.20 per Share.

Completed Application Forms and accompanying cheques must be mailed to:

Tellus Resources Ltd
GPO Box 2658
Sydney NSW 2000
Australia

or delivered to:

Tellus Resources Ltd
Suite 301 Level 3
66 Hunter Street
Sydney NSW 2001
Australia

Cheques should be made payable to "Tellus Resources Ltd – Share Application Account" and crossed "Not Negotiable". Completed Application Forms must reach the address set out above by no later than the Closing Date.

If you are paying by cheque, your completed Application Form and cheque must reach the Company's registered office no later than 5:00pm EST on the Closing Date.

3.6 Minimum Subscription

There is no minimum subscription for the Offer.

3.7 Allotment of Shares

Allotment of Shares will take place as soon as practicable after the Closing Date. Application moneys will be held in a separate subscription account until allotment. This account will be established and kept by the Company in trust for each applicant. Any interest earned on the application moneys will be for the benefit of the Company and will be retained by the Company irrespective of whether grant takes place and each applicant waives the right to claim any interest.

The Directors will determine the allottees of all the Shares. The Directors reserve the right to reject any application or to grant any applicant fewer Shares than the number applied for.

Where the number of Shares allotted is less than the number applied for, the surplus monies will be returned by cheque as soon as practicable after the Closing Date. Where no allottment is made, the amount tendered on application will be returned in full by cheque as soon as practicable after the Closing Date. Interest will not be paid on monies refunded.

3.8 Underwriter

The Offer is not underwritten.

3.9 Australian Securities Exchange Listing

Application for Official Quotation of the Shares offered pursuant to this Prospectus will be made within 7 days after the date of this Prospectus. If approval is not obtained from ASX before the expiration of 3 months after the date of issue of the Prospectus (or such period as varied by the ASIC), the Company will not issue any Shares and will repay all application monies for the Shares within the time prescribed under the Corporations Act, without interest.

The fact that ASX may grant Official Quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares now offered for subscription.

3.10 Restrictions on the Distribution of the Prospectus

This Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

Residents of countries outside Australia should consult their professional advisers as to whether any government or other consents are required, or whether any formalities need to be observed should they wish to make an application to take up Shares on the basis of this Prospectus. The return of a duly completed Application Form will be taken to constitute a representation and warranty that there has been no breach of such laws and that all approvals and consents have been obtained.

3.11 Taxation implications

The Directors do not consider that it is appropriate to give Applicants advice regarding the taxation consequences of applying for Shares under this Prospectus, as it is not possible to provide a comprehensive summary of the possible taxation consequences. The Company, its advisers and officers, do not accept any responsibility or liability for any taxation consequences to Applicants. Potential Applicants should, therefore, consult their own professional tax adviser in connection with the taxation implications of the Shares offered pursuant to this Prospectus.

3.12 Clearing House Electronic Sub-Register System (CHESS) and Issuer Sponsorship

The Company will not be issuing share certificates. The Company is a participant in CHESS for those investors who have a sponsoring stockbroker. Investors who do not wish to participate through CHESS will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation.

Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with separate statements (similar to a bank account statement) that set out the number of Shares issued to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship.

Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

3.13 Privacy Act

If you complete an application for Shares, you will be providing personal information to the Company (directly or by the Company's share registry). The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company share registry.

You can access, correct and update the personal information that we hold about you. Please contact the Company or its registry if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules. You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

3.14 Enquiries

Any questions concerning the Offer should be directed to the Company Secretary, Mrs Anne Adaley, on (+61 2) 9231 6231.

4. UPDATE ON ACTIVITIES AND PURPOSE AND EFFECT OF THE OFFER

4.1 Purpose of the Offer

The purpose of this Prospectus is to remove any trading restrictions that may have attached to the Shares issued by the Company prior to the Closing Date.

All of the funds raised from the Offer will be applied towards the expenses of the Offer. Refer to section 7.6 of this Prospectus for further details relating to the estimated expenses of the Offer.

4.2 Effect on Capital Structure

The effect of the Offer on the capital structure is set out below.

Shares	Number
Shares currently on issue	30,200,000
Shares offered by this Prospectus[1]	1,000
Shares to be issued pursuant to recent Capital Raising[2]	8,625,000
Shares to be issued pursuant to Premier Acquisition	5,555,555
Total Shares on issue on completion of the Offer[3]	**44,381,555**

Options	Number
Options exercisable at $0.30 on or before 31 March 2014	4,800,000
Options exercisable at $0.30 on or before 30 April 2014	1,200,000
Options offered by this Prospectus	Nil
Total Options on issue on completion of the Offer	**6,000,000**

Performance Rights	Number
Performance Rights, to convert if the 20 day VWAP for the Shares reaches 25 cents per Share, on or before 27 January 2017	300,000
Performance Rights, to convert if the 20 day VWAP for the Shares reaches 40 cents per Share, on or before 27 January 2017	400,000
Performance Rights offered by this Prospectus	Nil
Total Performance Rights on issue on completion of the Offer	**700,000**

Notes:

1. Assumes the Offer is fully subscribed.
2. Being the Shares to be issued following Shareholder approval being granted at the meeting on 5 April 2012.
3. Assumes no existing convertible securities are converted or additional securities issued.

4.3 Financial effect

After expenses of the Offer of approximately $8,787, there will be no proceeds from the Offer. The expenses of the Offer will be met from the Company's existing cash reserves.

The Offer will have an effect on the Company's financial position. Set out below is the consolidated reviewed balance sheet of the Group as at 31 December 2011 and the consolidated balance sheet of the Company (pro-forma, unaudited) as at 31 December 2011, incorporating the effect of the Offer and the completion of the Premier Acquisition. If all of the Shares are issued under this Prospectus, the effect will be to decrease the cash at bank, total assets, net assets, contributed equity and total equity by $8,587.

Consolidated Balance Sheet and Pro Forma Balance Sheet as at 31 December 2011 (reviewed) and 31 December 2011 (pro-forma, unaudited)

	Reviewed 31 December 2011 $'000	Pro Forma Adjustments $'000	Pro Forma 31 December 2011 $'000
CURRENT ASSETS			
Cash and cash equivalents	2,956	(990)	1,966
Trade and other receivables	39	62	101
Prepayments	14	-	14
TOTAL CURRENT ASSETS	**3,009**	**(928)**	**2,081**
NON-CURRENT ASSETS			
Property, plant and equipment	49	-	49
Intangibles	13	1,666	1,679
Other financial assets	50	(50)	-
Mineral Properties	107	878	985
TOTAL NON-CURRENT ASSETS	**219**	**2494**	**2,713**
TOTAL ASSETS	**3,228**	**1,566**	**4,794**
CURRENT LIABILITIES			
Trade and other payables	58	-	58
TOTAL CURRENT LIABILITIES	58	-	58
TOTAL LIABILITIES	**58**	**-**	**58**
NET ASSETS	**3,170**	**1,566**	**4,736**
EQUITY			
Share capital	4,141	997	5,138
Reserves	192	-	192
Accumulated losses	(1,163)	569	(594)
TOTAL EQUITY	**3,170**	**1,566**	**4,736**

5. RIGHTS AND LIABILITIES ATTACHING TO SHARES

The following is a summary of the more significant rights and liabilities attaching to Shares. Full details of the rights and liabilities attaching to Shares are set out in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

The rights, privileges and restrictions attaching to Shares can be summarised as follows:

(a) **General Meetings**

Shareholders are entitled to be present in person, or by proxy, attorney or representative to attend and vote at general meetings of the Company.

Shareholders may requisition meetings in accordance with Section 249D of the Corporations Act and the Constitution of the Company.

(b) **Voting Rights**

Subject to any rights or restrictions for the time being attached to any class or classes of shares, at general meetings of Shareholders or classes of Shareholders:

(i) each Shareholder entitled to vote may vote in person or by proxy, attorney or representative;

(ii) on a show of hands, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder has one vote; and

(iii) on a poll, every person present who is a Shareholder or a proxy, attorney or representative of a Shareholder shall, in respect of each fully paid Share held by him, or in respect of which he is appointed a proxy, attorney or representative, have one vote for the Share, but in respect of partly paid Shares shall have such number of votes as bears the same proportion to the total of such Shares registered in the Shareholder's name as the amount paid (not credited) bears to the total amounts paid and payable (excluding amounts credited).

(c) **Dividend Rights**

Subject to the rights of persons (if any) entitled to Shares with special rights to dividend the Directors may declare a final dividend out of profits in accordance with the Corporations Act and may authorise the payment or crediting by the Company to the Shareholders of such a dividend. The Directors may authorise the payment or crediting by the Company to the Shareholders of such interim dividends as appear to the Directors to be justified by the profits of the Company. Subject to the rights of persons (if any) entitled to Shares with special rights as to dividend all dividends are to be declared and paid according to the amounts paid or credited as paid on the Shares in respect of which the dividend is paid. Interest may not be paid by the Company in respect of any dividend, whether final or interim.

(d) **Winding-Up**

If the Company is wound up, the liquidator may, with the authority of a special resolution of the Company, divide among the Shareholders in kind the whole or any part of the property of the Company, and may for that purpose set such value as he considers fair upon any property to be so divided, and may determine how the division is to be carried out as between the Shareholders or different classes of Shareholders. The liquidator may, with the authority of a special resolution of the Company, vest the whole or any part of any such property in trustees upon such trusts for the benefit of the contributories as the liquidator thinks fit, but so that no Shareholder is compelled to accept any Shares or other securities in respect of which there is any liability. Where an order is made for the winding up of the Company or it is resolved by special resolution to wind up the Company, then on a distribution of assets to members, Shares classified by ASX as restricted securities at the time of the commencement of the winding up shall rank in priority after all other Shares.

(e) **Transfer of Shares**

Generally, Shares in the Company are freely transferable, subject to formal requirements, the registration of the transfer not resulting in a contravention of or failure to observe the provisions of a law of Australia and the transfer not being in breach of the Corporations Act or the Listing Rules.

(f) **Variation of Rights**

Pursuant to Section 246B of the Corporations Act, the Company may, with the sanction of a special resolution passed at a meeting of Shareholders vary or abrogate the rights attaching to Shares.

If at any time the Share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class), whether or not the Company is being wound up may be varied or abrogated with the consent in writing of the holders of three-quarters of the issued Shares of that class, or if authorised by a special resolution passed at a separate meeting of the holders of the shares of that class.

6. RISK FACTORS

6.1 General

The Shares offered under this Prospectus should be considered speculative.

The business activities of the Company are subject to various risks that may impact on the future performance of the Company. Some of these risks can be mitigated by the use of safeguards and appropriate systems and controls, but some are outside the control of the Company and cannot be mitigated. Accordingly, an investment in the Company carries no guarantee with respect to the payment of dividends, return of capital or price at which the Shares will trade.

A number of material risk factors are set out below. This list is not exhaustive and potential Applicants should examine the contents of this Prospectus and consult their professional advisers before deciding whether to apply for Shares.

6.2 Specific risks

Exploration and Development Success

The mineral tenements of the Company (**Tenements**) are at various stages of exploration, and potential investors should understand that mineral exploration and development are high-risk undertakings.

There can be no assurance that exploration of these tenements, or any other tenements that may be acquired in the future, will result in the discovery of an economic ore deposit. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited.

The future exploration activities of the Company may be affected by a range of factors including geological conditions, limitations on activities due to seasonal weather patterns, unanticipated operational and technical difficulties, industrial and environmental accidents, native title process, changing government regulations and many other factors beyond the control of the Company.

The success of the Company will also depend upon the Company having access to sufficient development capital, being able to maintain title to its Tenements and obtaining all required approvals for its activities. In the event that exploration programmes prove to be unsuccessful this could lead to a diminution in the value of the Tenements, a reduction in the case reserves of the Company and possible relinquishment of the Tenements.

The exploration costs of the Company are based on certain assumptions with respect to the method and timing of exploration. By their nature, these estimates and assumptions are subject to significant uncertainties and, accordingly, the actual costs may materially differ from these estimates and assumptions. Accordingly, no assurance can be given that the cost estimates and the underlying assumptions will be realised in practice, which may materially and adversely affect the Company's viability.

Failure to satisfy Expenditure Commitments

Interests in tenements in Australia are governed by the mining acts and regulations that are current in each State and are evidenced by the granting of licences or leases. Each licence or lease is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Consequently, the Company could lose title to or its interest in the Tenements if licence conditions are not met or if insufficient funds are available to meet expenditure commitments.

Operating Risks

The operations of the Company may be affected by various factors, including failure to locate or identify mineral deposits, failure to achieve predicted grades in exploration and mining, operational and technical difficulties encountered in exploration, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated metallurgical problems which may affect extraction costs, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment.

No assurances can be given that the Company will achieve commercial viability through the successful exploration and/or mining of its license interests. Until the Company is able to realise value from its projects, it is likely to incur ongoing operating losses.

Environmental risks and regulations

The Company's projects are subject to laws and regulations regarding environmental matters and the discharge of hazardous wastes and materials. As with all mining projects, these projects would be expected to have a variety of environmental impacts should development proceed.

The Company intends to conduct its activities in an environmentally responsible manner and in accordance with applicable laws and industry standards. Areas disturbed by the Company's activities will be rehabilitated as required by the conditions attaching to the tenements.

Legislative changes, Government policy and approvals

Changes in government regulations and policies may adversely affect the financial performance of the Company. For example, any increased rentals under the relevant mining legislation governing its projects may impact on the Company's actual financial statements. The Company's capacity to explore and mine, in particular the Company's ability to explore and mine any reserves, may be affected by changes in government policy, which are beyond the control of the Company.

Tenure and access

Exploration tenements are subject to periodic renewal. There is no guarantee that current or future tenements or future applications for production tenements will be approved.

The Tenements are subject to the applicable mining acts and regulations in the relevant State. The renewal of the term of a granted tenement is also subject to the discretion of the relevant Minister. Renewal conditions may include increased expenditure and work commitments or compulsory relinquishment of areas of the tenements comprising the Company's projects. The imposition of new conditions or the inability to meet those conditions may adversely affect the operations, financial position and/or performance of the Company.

6.3 General risks

Economic

General economic conditions, introduction of tax reform, new legislation, movements in interest and inflation rates and currency exchange rates may have an adverse effect on the Company's exploration, development and production activities, as well as on its ability to fund those activities.

Market conditions

Share market conditions may affect the value of the Company's quoted securities regardless of the Company's operating performance. Share market conditions are affected by many factors such as:

(a) general economic outlook;

(b) introduction of tax reform or other new legislation;

(c) interest rates and inflation rates;

(d) changes in investor sentiment toward particular market sectors;

(e) the demand for, and supply of, capital; and

(f) terrorism or other hostilities.

The market price of securities can fall as well as rise and may be subject to varied and unpredictable influences on the market for equities in general and resource exploration stocks in particular. Neither the Company nor the Directors warrant the future performance of the Company or any return on an investment in the Company.

Security investments

Applicants should be aware that there are risks associated with any securities investment. Securities listed on the stock market, and in particular securities of mining and exploration companies have experienced extreme price and volume fluctuations that have often been unrelated to the operating performances of such companies. These factors may materially affect the market price of the securities regardless of the Company's performance.

Exploration in itself is a speculative endeavour, while mining operations can be hampered by force majeure circumstances and cost overruns for unforeseen events.

Reliance on key personnel and employees

The Company's prospects depend in part on the ability of its executive officers, senior management and key consultants to operate effectively, both independently and as a group. To manage its growth, the Company must attract and retain additional highly qualified management, technical, sales and marketing personnel and continue to implement and improve operational, financial and management information systems. Investors must be willing to rely to a significant extent on management's discretion and judgement, as well as the expertise and competence of outside contractors.

Competition

The Company's current and future potential competitors include companies with substantially greater resources than it. There is no assurance that competitors will not succeed in developing products that are more effective or economic than the current products or any of those being developed by the Company or which would render the products obsolete and/or otherwise uncompetitive.

Force Majeure

The Company's projects now or in the future may be adversely affected by risks outside the control of the Company including labour unrest, civil disorder, war, subversive activities or sabotage, fires, floods, explosions or other catastrophes, epidemics or quarantine restrictions.

Funding risk

The Company's ability to effectively implement its business and operations plans in the future, to take advantage of opportunities for acquisitions, joint ventures or other business opportunities and to meet any unanticipated liabilities or expenses which the Company may incur may depend in part on its ability to raise additional funds. The Company may seek to raise further funds through equity or debt financing, joint ventures, production sharing arrangements or other means. Failure to obtain sufficient financing for the Company's activities and future projects may result in delay and indefinite postponement of exploration, development or production on the Company's properties or even loss of a property interest. There can be no assurance that additional finance will be available when needed or, if available, the terms of the financing might not be favourable to the Company and might involve substantial dilution to Shareholders.

Further, the Company, in the ordinary course of its operations and developments, is required to issue financial assurances, particularly insurances and bond/bank guarantee instruments to secure statutory and environmental performance undertakings and commercial arrangements. The Company's ability to provide such assurances is subject to external financial and credit market assessments, and its own financial position.

Loan agreements and other financing rearrangements such as debt facilities, convertible note issue and finance leases (and any related guarantee and security) that may be entered into by the Company may contain covenants, undertakings and other provisions which, if breached, may entitle lenders to accelerate repayment of loans and there is no assurance that the Company would be able to repay such loans in the event of an acceleration. Enforcement of any security granted by the Company or default under a finance lease could also result in the loss of assets.

The Company is exposed to risks associated with its financial instruments (consisting of cash, receivables, accounts payable and accrued liabilities due to third parties from time to time). This includes the risk that a third party to a financial instrument fails to meet its contractual obligations; the risk that the Company will not be able to meet its financial obligations as they fall due; and the risk that market prices may vary which will affect the Company's income.

6.4 Investment Speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above, may in the future materially affect the financial performance of the Company and the value of the Company's Shares. Therefore, the Shares to be issued pursuant to this Prospectus (if exercised) carry no guarantee with respect to the payment of dividends, returns of capital or the market value of Shares.

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

7. ADDITIONAL INFORMATION

7.1 Continuous Disclosure Obligations

The Company is a "disclosing entity" (as defined in Section 111AC of the Corporations Act) for the purposes of Section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities.

This Prospectus is a "transaction specific prospectus". In general terms a "transaction specific prospectus" is only required to contain information in relation to the effect of the issue of securities on the Company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of ASX as applicable throughout the 3 months before the issue of this Prospectus, which required the Company to notify ASX of information about specified events or matters as they arise, for the purpose of ASX making that information available to the securities market conducted by ASX.

Information that is already in the public domain has not been reported in this Prospectus other than as considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act, states that:

(a) it is subject to regular reporting and disclosure obligations;

(b) copies of documents lodged with the ASIC in relation to the Company (not being documents referred to in Section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of the ASIC; and

(c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:

    (i) the annual financial report most recently lodged by the Company with the ASIC;

(ii) any half-year financial report lodged by the Company with the ASIC after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC; and

(iii) any continuous disclosure documents given by the Company to ASX in accordance with the ASX Listing Rules as referred to in Section 674(1) of the Corporations Act after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with the ASIC.

Copies of all documents lodged with the ASIC in relation to the Company can be inspected at the registered office of the Company during normal office hours.

Details of documents lodged with ASX since the date of lodgement of the Company's latest annual financial report and before the lodgement of this Prospectus with the ASIC are set out in the table below.

Date	Description of Announcement
16/05/2012	Chillagoe Acquisition Executed
30/04/2012	Update on Chillagoe Acquisition
30/04/2012	Quarterly Activities and Cashflow Report
30/04/2012	Tellus Raises $2.7 Million to Acquire Chillagoe
30/04/2012	Reinstatement to Official Quotation
23/04/2012	Suspension from Official Quotation
19/04/2012	Trading Halt
05/04/2012	Results of Meeting
30/03/2012	Notice of Initial Substantial Holder
22/03/2012	Notice under S708A(5) and Appendix 3B
22/03/2012	Tellus Completes Successful Capital Raising
06/03/2012	Half Year Financial Report
05/03/2012	Notice of General Meeting/Proxy Form
22/02/2012	Change of Director`s Interest Notice
21/02/2012	Investor Presentation
09/02/2012	Change of Director`s Interest Notice
03/02/2012	Final Director`s Interest Notice
03/02/2012	Change of Director`s Interest Notice
01/02/2012	Initial Director`s Interest Notice

01/02/2012	Change of Director`s Interest Notice
30/01/2012	Appointment of Managing Director
24/01/2012	Quarterly Activities and Cashflow Report
23/01/2012	TLU Update on Northern Discovery
13/12/2011	Appendix 3B
02/12/2011	Release of Shares from Escrow
21/11/2011	TLU to Acquire Advanced Gold Project
17/11/2011	Update on Northern Discovery acquisition
08/11/2011	Results of Meeting
08/11/2011	AGM Presentation
08/11/2011	Chairman`s Address to Shareholders
31/10/2011	Quarterly Activities and Cashflow Report
28/10/2011	Reinstatement to Official Quotation
28/10/2011	TLU to acquire Northern Discovery
26/10/2011	Suspension from Official Quotation
24/10/2011	Trading Halt
13/10/2011	Appendix 3B - Release of Restricted Securities
07/10/2011	Annual Report to shareholders

ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at ASX during normal office hours.

7.2 Directors' Interests

Other than as set out below or elsewhere in this Prospectus, no Director nor any firm in which such a Director is a partner, has or had within 2 years before the lodgement of this Prospectus with the ASIC, any interest in:

(a) the formation or promotion of the Company;

(b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer pursuant to this Prospectus; or

(c) the Offer,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any Director or to any firm in which any such Director is a partner or director, either to induce him to become, or to qualify him as, a Director or otherwise for services rendered by him or by the firm in connection with the formation or promotion of the Company or the Offer.

Directors' relevant interests in securities of the Company at the date of this Prospectus and remuneration information for the current and last financial years is set out below:

Director	Shares	Options	Performance Rights
Anthony Wehby	660,000[1]	500,000[2]	Nil
Stephen Woodham	1,568,000[3]	Nil	700,000
Richard Willson	400,000[4]	500,000[2]	Nil

Notes:

1. Being 600,000 Shares in the name of Anthony Wehby, 40,000 Shares in the name of Rosemary Wehby and 20,000 Shares in the name of Ross Wehby.
2. Exercisable at $0.30 each, on or before 31 March 2014.
3. Being 968,000 Shares in the name of Locksley Holdings Pty Ltd and 600,000 in the name of S Woodham as trustee for Alphda Family A/C.
4. Each held in the name of Red Dog # 1 Pty Ltd.

The Constitution provides that the remuneration of non-executive Directors will be not more than the aggregate fixed sum initially set by the Constitution and subsequently varied by ordinary resolution of Shareholders in general meeting. The current aggregate fixed sum permitted as remuneration of non-executive Directors has been set at an amount not to exceed $250,000 per annum.

In addition, a Director may be paid fees or other amounts as the Directors determine where a Director performs special duties or otherwise performs services outside the scope of the ordinary duties of a Director.

Directors are also entitled to be paid reasonable travelling, hotel and other expenses incurred by them respectively in or about the performance of their duties as Directors.

The Company paid to the Directors a total of $14,895 for the year ended 30 June 2011 (being in relation to the period from 6 May 2011, when the Company was admitted to the official list of the ASX, to 30 June 2011). The Directors have been paid fees of $191,122 from the end of the previous financial year until the date of this Prospectus. These amounts are inclusive of salary, superannuation and associated benefits.

The total remuneration paid to each of the Directors in the financial year ended 30 June 2011 and during the financial year to date for their services to the Company as Directors is set out in the table below.

Director	Financial Year Ended 30 June 2011 $	Current $
Anthony Wehby	8,275	56,168[1]
Stephen Woodham	Nil	98,622[2]
Richard Willson	6,620	36,332

Notes:

1. This amount includes $10,000 in consulting fees (excluding GST).
2. This amount includes $33,548 in consulting fees (excluding GST) and $65,074 in employment benefits.

7.3 Interests of Experts and Advisers

Other than as set out below or elsewhere in this Prospectus, no expert, underwriter, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, nor any firm in which any of those persons is or was a partner, nor any company with which any of those persons is or was associated, has or had within 2 years before the lodgement of this Prospectus with the ASIC, any interest in:

(a) the formation or promotion of the Company; or

(b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or

(c) the Offer

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any expert, underwriter, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus, or to any firm in which any of those persons is or was a partner, or to any company with which any of those persons is or was associated, for services rendered by that person, or by the firm or the company, in connection with the formation or promotion of the Company or the Offer.

Steinepreis Paganin have acted as solicitors to the Company in respect of this Prospectus. Steinepreis Paganin will be paid approximately $5,000 (excluding GST) for services in relation to this Prospectus. In the past two years, Steinepreis Paganin has received $118,824 in fees (excl GST and disbursements) from the Company for professional services.

Grant Thornton Audit Pty Ltd has prepared the balance sheet which is included in section 4.3 of this Prospectus. The Company will not make any payment to Grant Thornton Audit Pty Ltd for these services. During the past two years, Grant Thornton Audit Pty Ltd has received fees from the Company totalling $69,301.20.

7.4 Consents

Each of the parties referred to in this section:

(a) does not make, or purport to make, any statement in this Prospectus other than those referred to in this section; and

(b) to the maximum extent permitted by law, expressly disclaim and take no responsibility for any part of this Prospectus other than a reference to its name and a statement included in this Prospectus with the consent of that party as specified in this section.

Steinepreis Paganin has given its written consent to being named as the solicitors to the Company in this Prospectus. Steinepreis Paganin has not withdrawn its consent prior to the lodgement of this Prospectus with the ASIC.

Grant Thornton Audit Pty Ltd has given its written consent to the inclusion of the balance sheet which is included in section 4.3 of this Prospectus in the form and context in which the information and report is included. Grant Thornton Audit Pty Ltd has given its written consent to being named in this Prospectus.

7.5 Litigation

(a) General

As at the date of this Prospectus, the Company is not involved in any legal proceedings other than as noted below in clause 7.5(b) and the Directors are not aware of any legal proceedings pending or threatened against the Company.

(b) Martin Litigation

As set out in the Company's Financial Report for the half year ending 31 December 2011, the Company was joined as a party in two proceedings in the New South Wales Court of Appeal (**Court of Appeal**) by Mr Albert Gilbert Martin, in which Mr Martin alleged that the Company was granted certain exploration licences as a result of the alleged misuse of confidential information by the Department of Industry and Investment and others, information which Mr Martin alleges he supplied.

On 14 September 2011, the Court of Appeal delivered judgement in the two Court of Appeal proceedings. In proceeding CA2011/185491, the appeal was struck out as incompetent, leave to appeal was refused and Mr Martin was ordered to pay costs of the Respondents, including the Company.

The Court of Appeal delivered judgment on 21 March 2012 in relation to proceeding CA2011/84040. The Notice of Motion was dismissed and Mr Martin was ordered to pay the costs of the Company.

On 3 May 2012, Mr Martin filed an application for special leave to appeal to the High Court of Australia against the decision given on 21 March 2012. The Company will oppose leave being granted.

As Mr Martin is unrepresented, the practice of the High Court of Australia is to review the application and supporting documentation before requiring the Company to take any further action on the application, other than to file a Notice of Appearance.

7.6 Estimated Expenses of Offer

The total expenses of the Offer are estimated to be approximately $8,787 as follows:

Expense	($)
ASIC fees	2,137
ASX fees	1,650
Legal expenses	5,000
Total	**8,787**

7.7 Market Price of Shares

The Company is a disclosing entity for the purposes of the Corporations Act and its Shares are enhanced disclosure securities quoted on ASX.

The highest and lowest market sale prices of the Company's Shares on ASX during the 3 months immediately preceding the date of lodgement of this Prospectus with the ASIC and the respective dates of those sales were:

Lowest: $0.175 on 7 May 2012; and

Highest: $0.21 on 15 February, 28 March, from 4 to 30 April and 1 May 2012.

The latest available closing sale price of the Company's Shares on ASX prior to the lodgement of this Prospectus with the ASIC was $0.18 on 15 May 2012.

7.8 Electronic Prospectus

Pursuant to Class Order 00/44, the ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with the ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have received the entire Prospectus accompanied by the Application Form. If you have not, please phone the Company on (+61 2) 9231 6231 and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or replacement prospectus or any of those documents were incomplete or altered.

8. DIRECTORS' AUTHORISATION

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with Section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with the ASIC.

Dated: 16 May 2012

Stephen Woodham
Managing Director
Signed for and on behalf of
TELLUS RESOURCES LIMITED

9. DEFINITIONS

$ means Australian dollars.

Applicant means an investor who applies for Shares pursuant to the Offer.

Application Form means an application form either attached to or accompanying this Prospectus.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ACN 008 624 691).

ASX Listing Rules means the Listing Rules of the ASX.

Board means the board of Directors unless the context indicates otherwise.

Business Day means a day on which trading takes place on the stock market of ASX.

Closing Date means the date specified in section 1 (unless extended or closed earlier).

Company means Tellus Resources Ltd (ACN 144 733 595).

Constitution means the constitution of the Company as at the date of this Prospectus.

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

Directors means the directors of the Company as at the date of this Prospectus.

EST means Eastern Standard Time as observed in Sydney, New South Wales.

Offer means the offer of Shares referred to in the "Details of the Offer" section of this Prospectus.

Official Quotation means official quotation on ASX.

Option means an option to acquire a Share.

Premier means Premier Mining Pty Ltd (ACN 119 897 335).

Premier Acquisition means the acquisition of Premier as set out in clause 3.3(b) of this Prospectus.

Prospectus means this prospectus.

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

Shareholder means a shareholder of the Company.

Share Registry means Boardroom Pty Limited (ACN 003 209 836).

Tenements means the tenements in which the Company has an interest.

VWAP means the volume weighted average price of the Shares.