Tellus Resources Ltd
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16 MAY 2012 ASX ANNOUNCEMENT

FORMAL AGREEMENT FOR CHILLAGOE ACQUISITION EXECUTED -

DRILLING TO COMMENCE

Highlights

- **Execution of Agreement with Premier Minerals Ltd**
- **Tellus to pay Premier $950,000 and allot 5,555,555 shares**
- **Drilling to commence without delay at the Chillagoe Project**

Tellus Resources Ltd ("Tellus" or the "Company'") is pleased to announce that it has executed a formal Share Purchase Agreement (the Agreement) to acquire 100% of the issued capital of Premier Mining Pty Ltd (Premier). The execution of the Agreement follows the execution of a heads of agreement for the acquisition of Premier in November 2011 (announced to the market on 21 November 2011).

In accordance with the Agreement, Tellus will now pay $950,000 and allot 5,555,555 shares (subject to shareholder approval, if required) to Premier Minerals Ltd (PML), the vendor of the Premier shares. All of the conditions precedent to the Agreement have been satisfied and settlement is expected to occur today. The Tellus shares to be issued to PML will be subject to a voluntary escrow period of 24 months. In addition, upon the delineation and announcement by Tellus of a JORC compliant indicated mineral resource of at least 300,000 ounces of gold with a cut off grade of 3.0 grams per tonne (please note that Premier does not currently have a JORC compliant mineral resource), Tellus will:

a. pay PML the sum of $2,000,000; and
b. issue to PML, $2,000,000 worth of shares in Tellus at a deemed issue price calculated using the thirty (30) day VWAP over the preceding thirty (30) trading days.

The Agreement otherwise contains terms and conditions customary for agreements of this nature, for example representations and warranties and indemnities have been provided by PML.

Managing Director, Stephen Woodham said "It's an exciting period for the Company with the opportunity to explore the prospective Chillagoe Gold Project. We are looking forward to drilling commencing before the end of the month." A drill rig will be mobilised immediately to enable a 5000 metre RC drilling program to begin.

Background

The Chillagoe Gold Project is situated 165 kilometres west of Cairns in far North Queensland, Australia. The Chillagoe region is renowned for its vibrant mining industry beginning in the early 1900's.

The Chillagoe Gold Project consists of one (1) granted Exploration Permit for Minerals, four (4) applications for Exploration Permit for Minerals and four (4) granted Mining Leases, all currently held by Premier. The Exploration Permits cover a combined area of 9,520.7 hectares and the Mining Leases cover a combined area of 480.92 hectares. Within the Mining Lease are the Empire and Wandoo prospect areas. Both these prospects are associated with classic breccia pipe and IRG complexes and display features typical of the nearby multi-million ounce deposits at Kidston, Red Dome and Mungana.

Advanced exploration has already been completed with more than 14,000 metres drilled to date with strong mineralisation evident from surface, and open at depth.

Full and further details in respect of the Chillagoe Gold Project have previously been announced to the market, in particular on 21 November 2011.

For further information on this announcement or Tellus Resources please contact:

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About Tellus

Tellus Resources Ltd is an ASX-listed minerals exploration company focused on generating value for its shareholders by identifying and acquiring properties and projects that have significant discovery and development potential.

Tellus has acquired a large tenement package in regional New South Wales prospective for Intrusive Related Gold Deposits (IRG) and is actively pursuing other value-adding opportunities within the resources sector, including through the purchase of the Chillagoe Gold project in Queensland.