



31 July 2012

ASX RELEASE

Tellus Resources Ltd is an Australian-based mineral exploration company.

On 16 May 2012 Tellus announced it had acquired 100% of the issued capital of Premier Mining Pty Ltd (Premier). Premier's primary asset is the Chillagoe Gold Project located near the township of Chillagoe.

The Chillagoe Gold Project includes Exploration Permits covering a combined area of ~28,878 hectares plus Mining Leases covering a combined area of approx. 480 hectares, including the Wandoo & Empire prospects.

In addition Tellus has a large tenement package in regional New South Wales prospective for Intrusive Related Gold Deposits (IRG).

A key part of the Company's strategy is to actively pursue the acquisition of, and/or participation in additional advanced resource projects.

Directors/Officers:

Anthony Wehby
Stephen Woodham
Richard Willson
Anne Adaley

Issued Shares and Options:

44,380,555 ordinary shares
6,000,000 unlisted options

Tellus Resources Ltd

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QUARTERLY REPORT

For the period ending 30 June 2012

HIGHLIGHTS

- **Finalisation of the purchase of the Chillagoe Project**
- **Over 30 years of exploration data compiled from hard copy into a coherent digital database**
- **Development of robust IRG geological model for mineralisation**
- **Mobilisation of field team and setup of field base in Chillagoe**
- **2,688m of RC drilling completed at Chillagoe to test previous intersections and newly conceived geological model**
- **Two (2) EPM applications consolidating the Chillagoe ground position increasing total tenement size to 29,359 hectares**

Projects & Exploration

During the June quarter the Company has focused on:

- validation and compilation of previous drilling into a digital database;
- creation of a robust geological model to explain the significant gold and gold-silver intersected by previous explorers;
- mobilisation of field crews and setup of a field base in Chillagoe; and
- Tellus' first drilling program at the Chillagoe Gold Project designed to confirm positions and grades of the existing gold and gold-silver intersections at Wandoo and Empire.

No exploration was completed on the NSW Projects in the June quarter.



Chillagoe Gold Project, QLD

During the June quarter Tellus executed the Agreement with Premier Minerals Ltd to acquire 100% of its wholly owned subsidiary Premier Mining Pty Ltd (Premier), with significant Intrusive Related Gold (IRG) assets near Chillagoe in North Queensland.

Premier has become a wholly owned subsidiary of Tellus Resources Ltd. Premier is the 100% holder of the Chillagoe Gold Project consisting of four (4) mining leases covering an area of ~480 hectares and one (1) granted plus four (4) applications for Exploration Permit for Minerals which cover an area of ~14,437 hectares. In addition, during the June quarter, Tellus Resources applied for two (2) adjacent EPMs in the Chillagoe region covering an area of 14,440 hectares.

RC drilling started on the 22nd May 2012, focused on proving up and confirming the previously defined 'discovery' intersections from the approximately 30 years of previous drilling.

By the end of the quarter a total of fifteen (15) RC holes for 2,688m were completed at the Chillagoe Gold Project.

Thirteen (13) holes were drilled within the Empire mining lease (ML20380), ten (10) at the Empire Prospect and three (3) at the Pinnacles Prospect.

Two (2) holes were completed at the Bayley's Prospect within the Mt Wandoo mining lease (ML5130).

All results are expected during the September 2012 quarter.

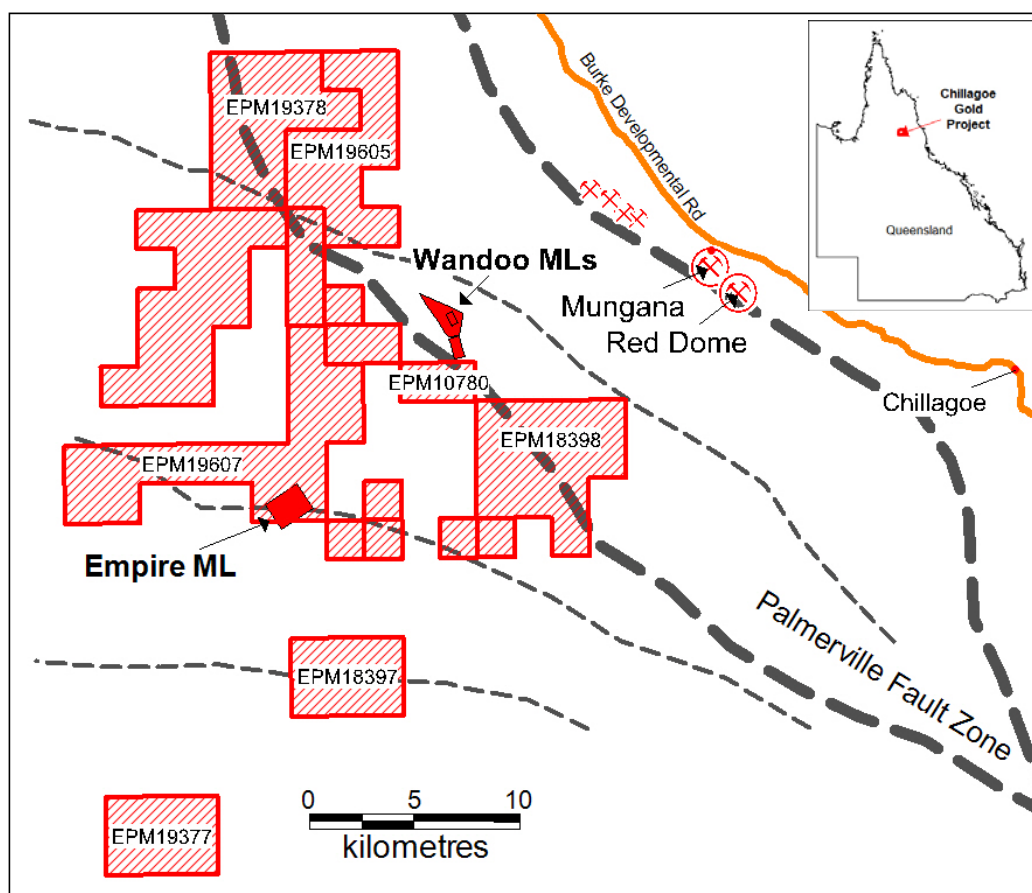


Figure 1 – Project Location. EPM19605 and EPM19607 are recent Tellus Applications



Database and Validation

Validation of the drillhole database continued throughout the quarter. Seven companies and over 30 years of data was compiled into a coherent digital database.

Going forward, diligent and accurate data collection and validation of the digital database will provide a significant advantage in future interpretation of all the drilling results.

Empire Mining Lease ML20380 - 100%

Ten (10) RC holes were drilled around the margins of the Empire Breccia System, seven (7) following up the previous gold drillhole intercepts, and three (3) following up significant surface quartz veining on the margins of an outcropping intrusion.

Three (3) RC holes for 456m were drilled at Pinnacles, testing a strong soil gold anomaly coincident with the margins of an outcropping intrusion.

Drilling at Empire and Pinnacles has intersected broad zones of strong silica sercite alteration associated with numerous phases of quartz eye and feldspar porphyry dykes and quartz arsenopyrite veining.

The geology intersected in the Tellus drilling at Empire and Pinnacles is consistent with an Intrusive Related Gold geological model.

All samples have been submitted to the laboratory and results are expected during the September 2012 quarter.

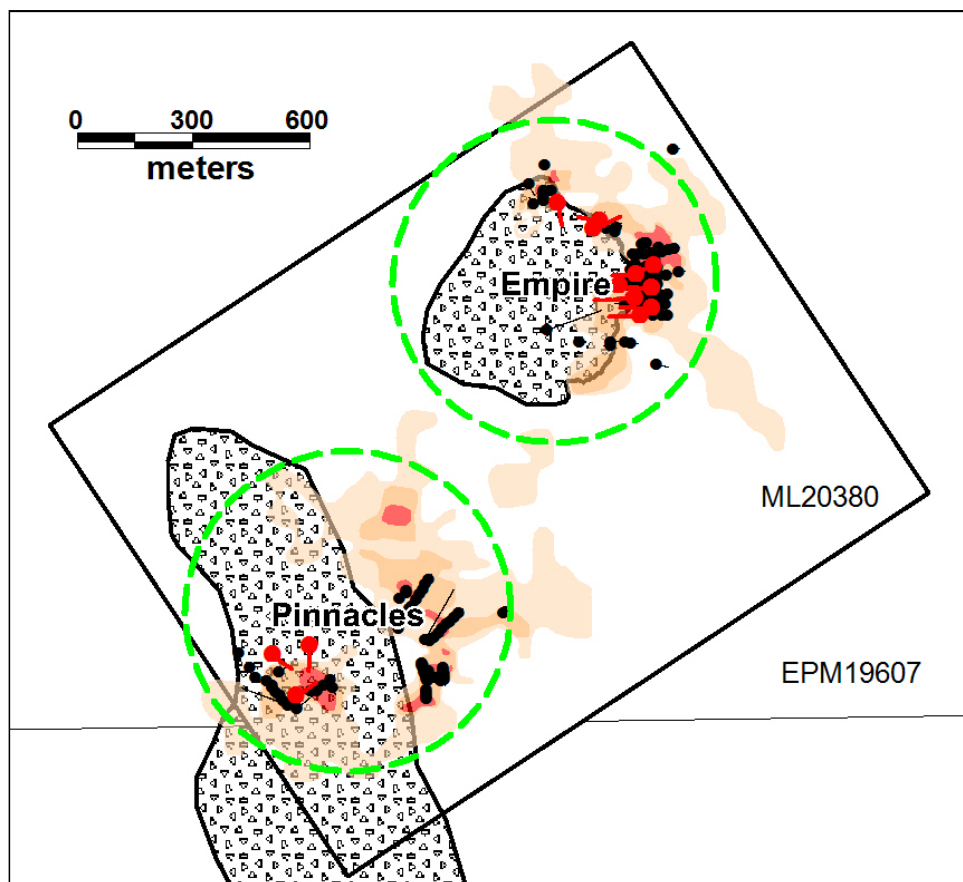


Figure 2 – Empire ML20380. Empire and Pinnacles Breccias overlaid with gold soil anomalism. Tellus Drillholes in red. All previous drilling in black.



Empire Reconnaissance Work

Reconnaissance mapping of the Empire and Wandoo areas took place in conjunction with the RC drilling program. It was found that outcropping quartz eye feldspar porphyritic intrusions similar to those driving the Red Dome and Mungana mineralisation were more abundant than previously identified.

Previous mapping picked up these porphyry intrusives around the Empire Breccia but not around Pinnacles.

At Pinnacles the reconnaissance mapping quickly identified a porphyry intrusion with a large sericite alteration (phyllic) halo, previously the whole area was mapped as breccia. Phyllic alteration is common around the margins of a fertile intrusion.

The phyllic alteration around the porphyry intrusion coincided with a relative depletion in the gold soil anomalism (Figure 3). This in turn explained the distribution of gold in soil at Pinnacles. The soil anomaly is separated into two areas, one large semicircular anomaly on the margins of the phyllic alteration and one more discrete gold anomaly associated with the outcropping porphyry.

The eastern side of the porphyry is in contact with a granite, which is strongly sericite altered, on the western side the porphyry is in contact with the breccia. The breccia is biotite and chlorite altered with rare copper staining and boxwork, interpreted to be weathering after disseminated sulphides.

Three holes were drilled into the margins of the intrusive from different angles to test for contact mineralisation.

Results of these holes are expected in the September 2012 quarter.

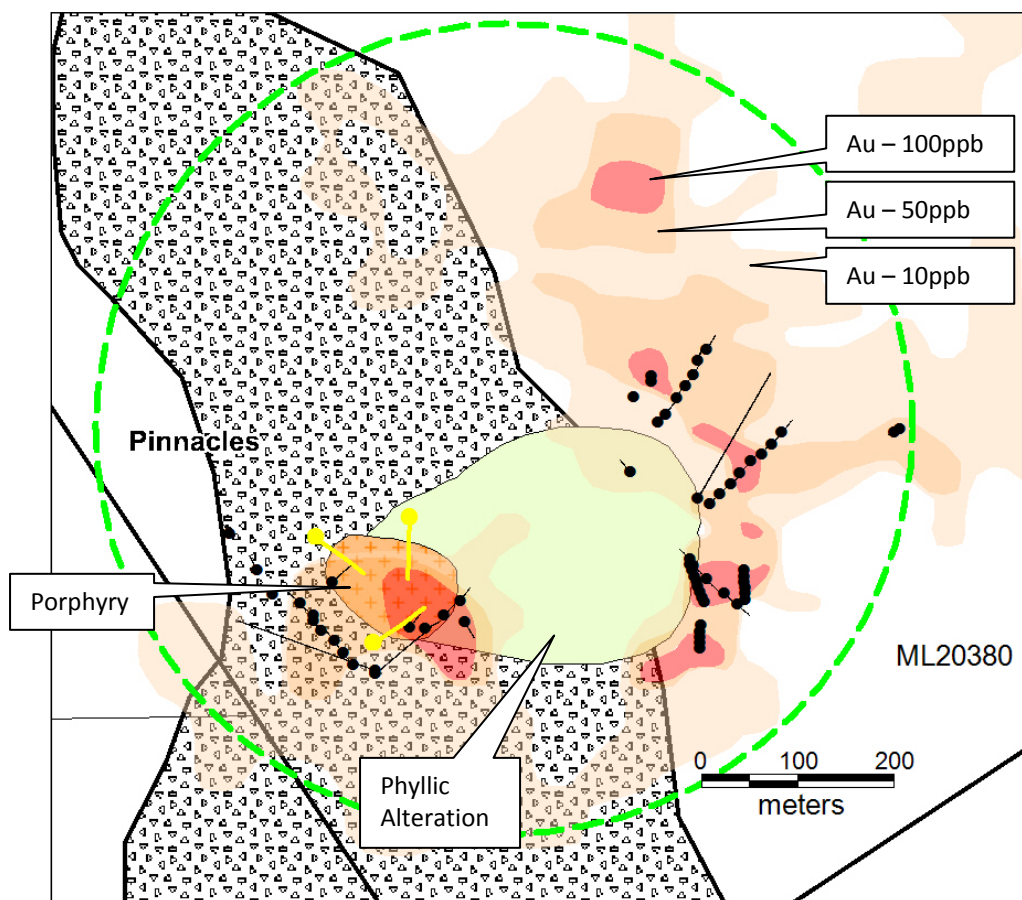


Figure 3 – Empire ML20380. Pinnacles Breccia and limited reconnaissance mapping overlaid with gold soil anomalism. Tellus drillholes in yellow, historic holes in black.



Wandoo Mining Leases ML5130, ML20381 and ML20234

Drilling at Wandoo continued into the September quarter.

Two (2) RC were drilled at Wandoo during the quarter following up previous explorers gold-silver intersections at Bayley's.

Drilling at Bayley's in the June quarter intersected broad zones of intense silica sercite with discrete zones of strong quartz arsenopyrite veining. The quartz arsenopyrite veining is flanked by zones of weak disseminated sphalerite.

The geology intersected in the Tellus drilling at Wandoo is consistent with the upper parts of an Intrusive Related Gold system. All samples have been submitted to the laboratory and results are expected in the September 2012 quarter.

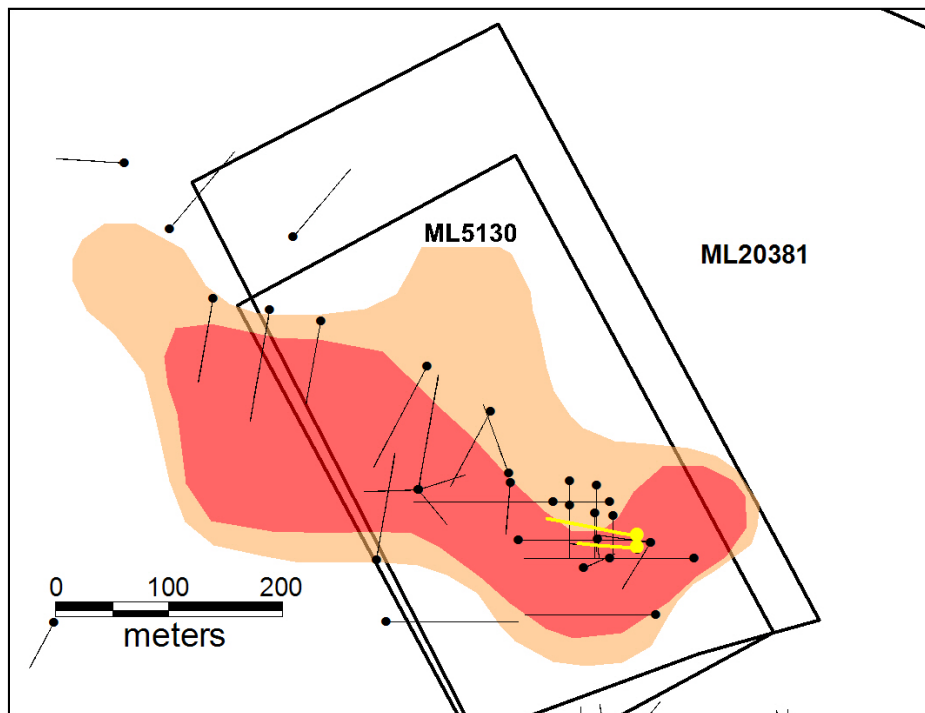


Figure 4 – Wandoo ML5130/ML20381. Bayley's Drillholes completed in the June quarter in yellow overlaid with gold soil anomalism. All previous drilling in black.

Wandoo Reconnaissance Work

Reconnaissance mapping around Wandoo increased the understanding of the mineralisation.

Structure plays an important role in the location, width and strike of the mineralisation. Hardman's Lode is reasonably well defined running east-west where as the broader soil gold anomalism displays a more north-west south-east strike.



Mapping of the workings and the known structures suggests that the mineralisation at Hardman's is a dilational structure near perpendicular to the main north-south to north-west orientation for the main mineralised structure.

Interpretation of the mapping suggests this mineralised structure links all the historic workings from Reid's to Bayley's and has a potential strike length of at least 350m (Figure 5).

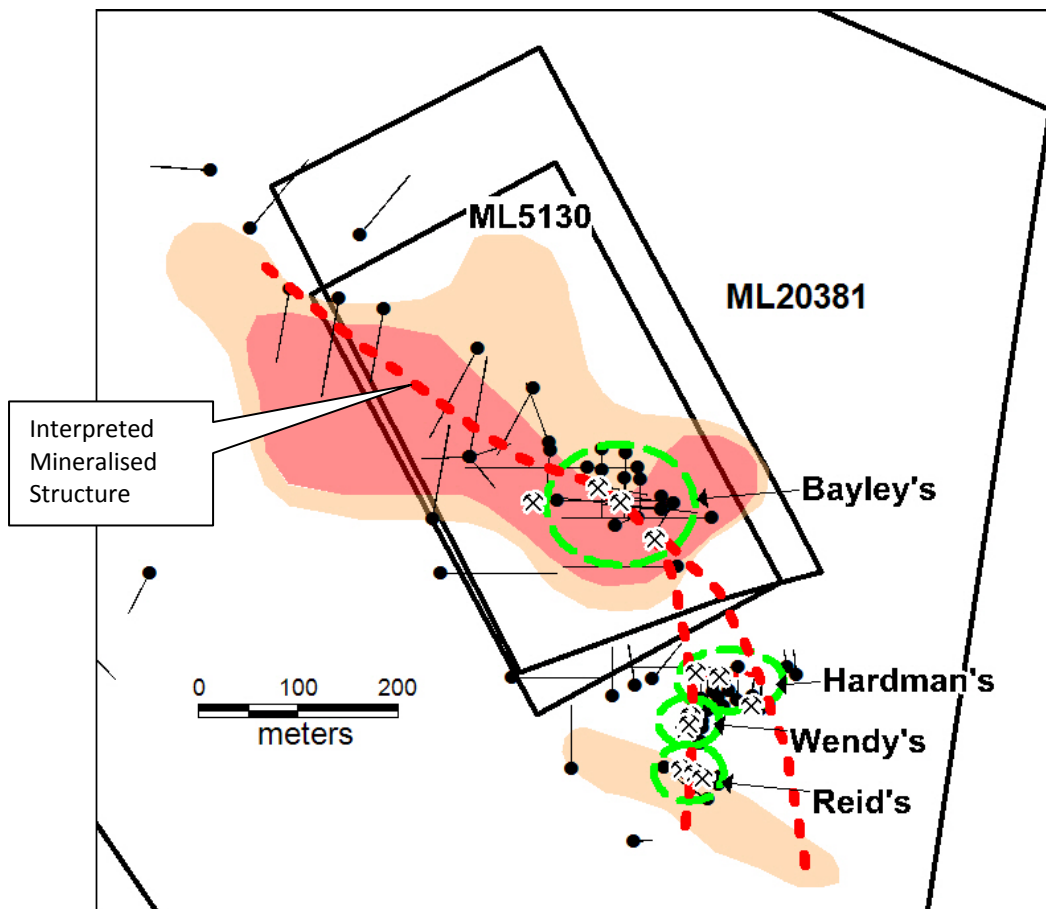


Figure 5 – Wandoo ML5130/ML20381. Interpreted Mineralised Structure linking the historic workings.



Geophysics

During the quarter an open file detailed airborne magnetics dataset was obtained and processed. The data was collected over previous EPMs which have since lapsed and also cover the area outside of the EPMs to the east near Mungana and Red Dome.

The magnetic highs appear in correlation with the Late Carboniferous intrusives from the government geological mapping. The driving intrusions at Red Dome and Mungana have been dated as Late Carboniferous. Interpretation of the results of the detailed magnetics suggest that the deep seated magnetic features below Wandoo is likely to be related to one or more Late Carboniferous intrusive(s).

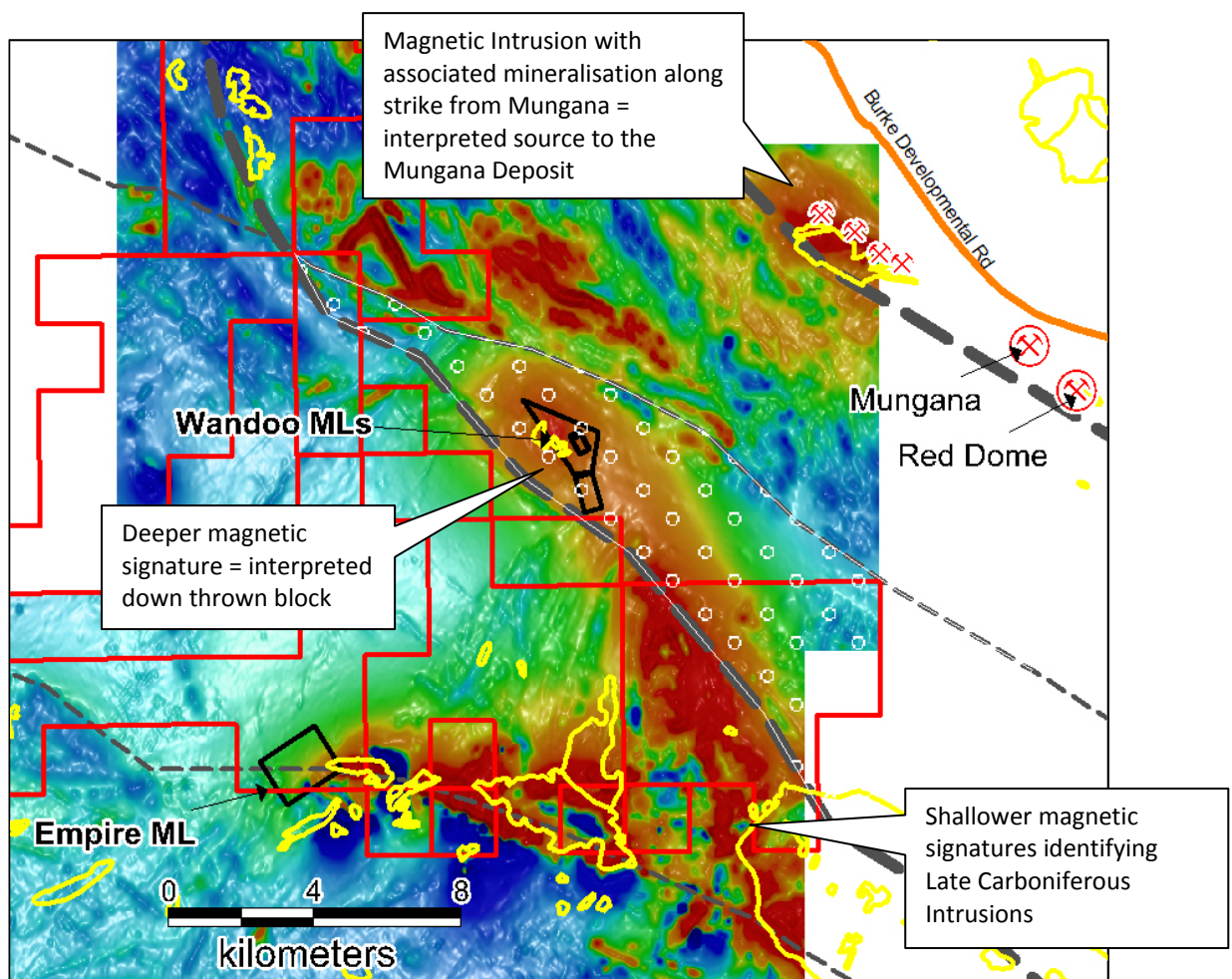


Figure 6 – Detailed aeromagnetics (RTP). Government geological mapping Late Carboniferous intrusives in yellow.



Available Funds

- At 30 June 2012 the Company had available cash totalling \$3.629M.
- Exploration and evaluation expenditure for the quarter was \$142,000.

Shareholder Information

As at 30 June 2012, the issued capital comprised of 44,380,555 ordinary fully paid shares (ASX code: TLU) held by 411 holders with the top 20 shareholders holding 57.19% of the total issued capital.

Outlook

The near term focus for the Company is the receipt and interpretation of the assay results from its maiden drilling program at the Chillagoe Gold Project. These results will determine the next stage in the Chillagoe Project exploration program.

In the coming quarter the Company will continue to assess the opportunities within its NSW assets with a view to maximising value from those holdings. In addition the Company is pursuing an active program to identify and evaluate new opportunities to enhance its portfolio of assets.

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

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Competent Person's Statement

The information in this report that relates to Exploration Results is based on information provided by Mr D Ward, Member of Australasian Institute of Mining and Metallurgy and the Senior Exploration Consultant to Tellus Resources Limited. Mr Ward has sufficient experience that is relevant to the style of mineralisation and type of deposit under consideration and to the activity which he is undertaking to qualify as a Competent Person as defined in the 2004 Edition of the Australasian Code for Reporting of Exploration Results, Mineral Resources and Ore Reserves. Mr Ward consents to the inclusion in the report of the matters based on his information in the form and context in which it appears.

Disclaimer

This document has been prepared by Tellus Resources Limited ("Tellus") and may contain some references to forecasts, estimates, assumptions and other forward looking statements. These forward-looking statements reflect the current internal projections, expectations or beliefs of Tellus based on information currently available to Tellus. Although the company believes that its expectations, estimates and forecast outcomes are based on reasonable assumptions, it can give no assurance that they will be achieved. They may be affected by a variety of variables and changes in underlying assumptions that are subject to risk factors associated with the nature of the business, which could cause actual results to differ materially from those expressed herein. Statements concerning reserves and/or resources may also be deemed to be forward looking statements in that they involve elements based on specific assumptions.

Tellus Resources Limited has taken all reasonable care in producing the text and images contained in this report but do not warrant that the information contained herein is accurate or up to date. The information in this report is based on publicly available information, internal data and information from other sources. It is not intended to give investment or other advice to any party or individual(s) and the information is not a substitute for detailed investigation or analysis. Tellus Resources Limited will not be responsible for any loss or damage (direct or indirect, consequential or otherwise) resulting from the use of information provided in this report.

APPENDIX 5B

Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity	
Tellus Resources Ltd	
ABN	Quarter ended ("current quarter")
35 144 733 595	30 June 2012

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (12 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(142)	(473)
(b) development	-	-
(c) production	-	-
(d) administration	(320)	(953)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	30	160
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)	-	16
Net operating cash flows	(432)	(1,250)
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	(32)	(48)
(b) equity investments	-	-
(c) other fixed assets	(1)	(60)
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other – Payment for acquisition of Premier Mining Pty Ltd	(981)	(1,031)
Net investing cash flows	(1,014)	(1,139)
1.15 Total operating and investing cash flows (carried forward)	(1,446)	(2,389)

1.15	Total operating and investing cash flows (brought forward)	(1,446)	(2,389)
Cash flows related to financing activities			
1.16	Proceeds from issues of shares, options, etc.	1,725	2,475
1.17	Proceeds from sale of forfeited shares	-	-
1.18	Proceeds from borrowings	-	-
1.19	Repayment of borrowings	-	-
1.20	Dividends paid	-	-
1.21	Other – Capital raising costs	(116)	(161)
Net financing cash flows		1,609	2,314
Net increase (decrease) in cash held		163	(75)
1.22	Cash at beginning of quarter/year to date	3,466	3,704
1.23	Exchange rate adjustments to item 1.20	-	-
1.24	Cash at end of quarter	3,629	3,629

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.25	Aggregate amount of payments to the parties included in item 1.2	90
1.26	Aggregate amount of loans to the parties included in item 1.10	-
1.27	Explanation necessary for an understanding of the transactions	
Directors fees /salary for the period: \$90,000		

Non-cash financing and investing activities

- 2.1 Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows

On 16 May 2012, Tellus Resources Ltd ("Tellus") announced that a formal Share Sale Agreement (the Agreement) to acquire 100% of the issued capital of Premier Mining Pty Ltd (Premier) was executed. In accordance with the Agreement, Tellus paid \$981,000 (which included reimbursing Premier \$31,000 for security deposits) and allotted 5,555,555 shares to Premier Minerals Ltd (PML), the vendor of the Premier shares. The Tellus shares issued to PML are subject to a voluntary escrow period of 24 months.

- 2.2 Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest

Nil

Financing facilities available

Add notes as necessary for an understanding of the position.

		Amount available \$A'000	Amount used \$A'000
3.1	Loan facilities	-	-
3.2	Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	150
4.2 Development	-
4.3 Production	-
4.4 Administration	414
Total	564

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	37	18
5.2 Deposits at call	3,552	3,408
5.3 Commercial Bills	-	-
5.4 Other: Term Deposit	40	40
Total: cash at end of quarter (item 1.22)	3,629	3,466

Changes in interests in mining tenements

	Tenement reference	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	None			
6.2 Interests in mining tenements acquired or increased	ML20234	100%	0%	100%
	ML20380	100%	0%	100%
	ML20381	100%	0%	100%
	ML5130	100%	0%	100%
	EPM10780	100%	0%	100%


Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security (see note 3)	Amount paid up per security (see note 3)
7.1 Preference securities (description)				
7.2 Changes during quarter				
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs, redemptions				
7.3 *Ordinary securities	44,380,555	34,683,000		
7.4 Changes during quarter				
(a) Increases through issues	8,625,000	8,625,000	\$0.20	\$0.20
	5,555,555	5,555,555	\$0.18	\$0.18
	300,000	300,000	\$0.14	\$0.14
(b) Decreases through returns of capital, buy-backs				
7.5 Convertible debt securities (description)				
7.6 Changes during quarter				
(a) Increases through issues				
(b) Decreases through securities matured, converted				
7.7 Options			<i>Exercise price</i>	<i>Expiry date</i>
Unlisted	4,800,000	-	30 cents	31 March 2014
Unlisted	1,200,000	-	30 cents	30 April 2014
7.8 Issued during quarter				
7.9 Exercised during quarter				
7.10 Expired during quarter				
7.11 Debentures (totals only)				
7.12 Performance Rights (totals only)	700,000	-		
7.13 Unsecured notes (totals only)				

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here: 
Company Secretary

Date: 31 July 2012

Print name: Anne Adaley

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities.** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 Accounting Standards ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.