

ASX RELEASE

Tellus Resources Ltd is an Australian-based oil, gas and mineral exploration company with licences in Utah, Madagascar, South Australia, Queensland and New South Wales.

Directors:

Robert Kennedy (*Chairman*)
Carl Dorsch (*Managing Director*)
Neil Young (*Non-Executive Director*)

Issued Shares:

283,848,295 ordinary shares

Tellus Resources Ltd

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CAPITAL RAISING & STRATEGIC REVIEW

KEY POINTS

- Renounceable pro-rata rights issue to raise up to \$0.85M at 0.2cps
- Strategic review undertaken with focus on progressing achievable oil and gas exploration activity

RIGHTS ISSUE

Tellus Resources Limited ("TLU" or the "Company") is pleased to announce a partially underwritten 3-for-2 renounceable pro-rata rights issue ("Rights Issue") at an issue price of \$0.002 per new share to raise gross proceeds of up to approximately \$0.85 million. The issue price for the Rights Issue represents a significant discount of 50% to the last trading price.

The Rights Issue is partially underwritten by the Company's Managing Director, Mr Carl Dorsch, for up to \$200,000 of any shortfall.

Funds raised will be used to maintain all of the Company's assets in good standing and for general working capital purposes.

STRATEGIC REVIEW

To focus the forward direction of the Company on achievable oil and gas exploration activity, TLU has conducted a strategic review and is now focused on implementing the following:

- Raising equity to support the near term funding requirements of the Company;
- Pursuing parallel commercial and legal solutions to the dispute with the Operator of the Company's Utah assets;
- Reducing operating costs; and
- Pursuing non-core asset disposals.

RIGHTS ISSUE DETAILS

Shareholders with an address in Australia or New Zealand on the Company's register at the close of business on 13 January 2015 will be eligible to participate in the Rights Issue ("Eligible Shareholders").

Existing optionholders will need to exercise their options and be a registered holder of shares on the Record Date if they wish to participate in the Rights Issue.

The Company has decided that it is unreasonable to make the offer to shareholders who have a registered address in a country outside of Australia or New Zealand, having regard to the number of shareholders in such places, the number and value of the new shares they would be offered and the substantial costs of complying with the legal and regulatory requirements in those jurisdictions.

The Directors reserve the right to place the remaining shortfall at their discretion after the close of the Rights Issue.

Full details of the Rights Issue will be set out in a Prospectus which will be lodged by the Company with ASIC and ASX on 7 January 2015.

The proposed timetable for the Rights Issue is as follows:

EVENT	DATE
Prospectus Lodged with ASIC and ASX	7 January 2015
Ex Date Rights Trading Commences	9 January 2015
Record Date to identify Shareholders entitled to participate in the Offer	13 January 2015
Prospectus and Entitlement and Acceptance Forms dispatched to Shareholders	16 January 2015
Rights Trading ends	20 January 2015
Deferred Settlement Trading of Securities Begins	21 January 2015
Closing Date for Acceptances	28 January 2015
Notification to ASX of Under Subscriptions	2 February 2015
Issue Date – Allotment of New Shares Deferred Settlement Trading ends	4 February 2015

This timetable is indicative only. Subject to ASX Listing Rules, the Directors reserve the right to withdraw the Offer at any time, close the Rights Issue early or extend the Closing Date for the Offer at their discretion. Should the Offer be closed early or extended, there will be a consequential effect on the anticipated date of the issue for the new shares.