

ASX RELEASE

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

Directors:

Robert Kennedy
(Chairman)

Carl Dorsch **(Managing Director)**

Ben Salmon **(Non-Executive Director)**

Neil Young **(Non-Executive Director)**

Issued Shares:

132,614,942 ordinary shares

Tellus Resources Ltd

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Farmin to US Oil Play & Placement

- **Tellus farms in to highly prospective conventional US Oil Play**
- **Tellus appointed as Operator**
- **Relatively low risk exploration with massive upside oil potential**
- **Placement at a premium to sophisticated investors**

Tellus Resources Limited (TLU or the Company) is pleased to announce that it has signed a Participation Agreement with a private US company whereby it has the rights to acquire up to an 83% participating interest and Operatorship in an exciting conventional oil-play located in Sevier County, Utah, named the Covenant Mondo Project ("CMP").

CMP consists of two leases with a total area of approximately 3,900 acres held over private lands. The leases are located on the well known "hingeline" overthrust structure in the Rocky Mountains which trends in a North Easterly direction from Arizona in the South right up into Canada. The overthrust belt has hosted a number of major oil discoveries including the massive Anschutz Ranch East field discovered by Amoco in 1979 as well as the recent (2004) discovery of the Covenant field located some 4 kms immediately to the South West of CMP.

The Covenant field, one of the largest US onshore discoveries in recent years, is reported to have some 150 million barrels of **recoverable** oil (150 MMBO rec) and is producing approximately 6,400 barrels of oil per day at present (with production only constrained by multi-owner private company issues rather than technically). Further information on Utah's oil reserves and resources and its ranking with other US States can be found below.

The farm-in terms of the CMP involve:

- A payment for past costs to the owner.
- Drilling two conventional wells at no cost to the owner, drilled to the lesser of 2,900m or 150m into the prolific Navajo sandstone, the top of which is expected at +/- 2590m.
- The owner will retain a 17% participating interest in the leases after the 2 wells have been drilled.

The Company's in house engineering team has estimated the success case potential of the CMP to be between approximately 7 MMBO rec (downside or low case) and **160 MM BO** rec (upside or high case scenario).

The Company plans to farm down its acquired interest, receiving a cash injection therefrom, and has been negotiating to that end with a number of interested parties both locally and in the US, with very favourable responses to date.

The Company's view is that the opportunity presented to it is outstanding and completely in line with its business model of investing into exploration projects with high upside potential, an opportunity to get its own free carried interest through farming down and control by securing Operatorship.

Commenting on the farm in to the Covenant Mondo Project, the Company's Managing Director Carl Dorsch said "*The CMP is one of the most outstanding that I have come across in more than 30 years in the oil business and whilst there are risks as in any exploration project, the upside potential that exists presents a rare opportunity for a company of our size.*

The CMP has all the other attributes required in an investment of this type including a seasoned and reputable promoter, technically genuine "nearology", the favourable economics of conventional oil-fields over tight oil plays, structural trending, access and a myriad of others including an open and efficient regulatory environment operated on private lands.

We appreciate the patience and understanding afforded the Company by the owner during our negotiations with him and look forward to a successful drilling campaign planned to commence in March 2014."

PLACEMENT

The Company wishes to advise also that it has reached agreement to place 14.285M shares at 7 cents per share, raising \$1M from sophisticated investors. This represents a premium over the last traded price of TLU and reflects strong investor support for the CMP.

FUTHER INFORMATION

The so called Mountain States of Utah, Colorado and Wyoming have the following reserves and resources according to an official report to the US Department of Energy ¹ :

Original Oil in Place (billion barrels) :	33.6
Remaining Oil in Place (billion barrels) :	22.6

% of Original Oil in Place (OOIP) : 67%
Recoverability as a fraction of OOIP : 32%

According to a report in USA Today ², the 2011 proved oil reserves in Utah were 504 MBO. With five oil refineries in the State, local daily production of 72,000 barrels of oil per day (BOPD) is easily managed by this refinery capacity of some 180,000 BOPD. Utah ranks number 8 amongst the top 10 States with Texas at number 1, Wyoming and Colorado at numbers 7 and 9 respectively.

References

1. Table 3, P12 "Storing CO2 with Next Generation ..." prepared by Advanced International Resources Inc. for the National Energy Technology laboratory of the US Department of Energy, DOE/NETL- 2009/1350, January 9,2009.
2. USA Today; Paul Ausick, Michael B Sauter, August 3, 2013

Competent Persons Statement

The information in this statement that relates to Hydrocarbon Resources is based on information compiled by Mr Carl Dorsch (Managing Director elect) of the Company who is leading the Company's operations efforts with the help of various professional consultants who are experts in their fields.

Mr Dorsch has been a member of the Society of Petroleum Engineers since 1981. He holds Bachelor of Science and Bachelor of Chemical Engineering degrees from the University of Adelaide, South Australia and is a Chartered Engineer as well as a Fellow of the Institute of Chemical Engineers.

Mr Dorsch has over 35 years experience in the oil and gas exploration and production business both in Australia and on the international stage. Although specialising in drilling and completion operations, his career has included reservoir and production operations.

Mr Dorsch has sufficient expertise in the activities undertaken to qualify as a Competent Person as defined in the 2004 Edition of the Joint Ore Reserves Committee (JORC) Australasian Code for Reporting of Exploration Results. Mr Dorsch hereby consents to the inclusion of the information in this release and the form and context in which it appears.

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

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