

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. The Company has oil interests in Utah, USA as well.

Directors:

Robert Kennedy

Chairman

Carl Dorsch

Managing Director

Neil Young

Non-Executive Director

Issued Shares:

168,099,767 ordinary shares

Tellus Resources Ltd

ASX Code: TLU

T: +61 8 8100 9208

F: +61 8 8227 0544

Level 5, 70 Pirie Street
(PO Box 190, RUNDLE MALL)
ADELAIDE SA 5000

Website:

www.tellusresources.com.au

Enquiries :

Carl Dorsch

+61 (0)400 508 088

carl.dorsch@tellusresources.com.au

Madagascan Project Acquisition

Tellus Resources Limited (TLU or the Company) is pleased to announce that it has agreed to acquire a 25% interest (with the right to acquire up to an 80% interest) in a drill-ready and large scale onshore oil exploration asset, located off the south-east coast of Africa on the Island of Madagascar.

The vendor of the asset is ASX listed company Caravel Energy Ltd (CRJ). The terms of the transaction are summarised in the attached Appendix.

Formal shareholder support will be required with respect to one aspect of the transaction and the Company will put the relevant resolution at an Extraordinary General Meeting to be called shortly.

The consideration for the asset is the issuance of 85M TLU shares.

The **Asset**, which comprises approximately 10,000 km² of onshore acreage, has recently been the subject of a seismic campaign which has identified large scale oil targets together with at least one drill-ready prospect. As such, a drilling campaign is planned to commence in the latter part of this year.

Contemporaneous with this transaction, TLU has entered into Agreements which provide it with debt facilities to borrow up to \$550k. The Company is expecting an R&D rebate from the ATO later this year which will more than cover any amounts drawn down from these facilities.

Commenting on the deal, the Company's Managing Director, Mr Carl Dorsch, said *"this on-shore oil prospective asset in Madagascar will add significantly to the Company's suite of high impact oil exploration assets. I have considerable experience in working in franchophone Africa and am looking forward to the opportunities in neighbouring Madagascar which is located off the south east coast in one of the most prospective exploration areas remaining in the world."*

Appendix - Key Terms of Sale Agreement

Under the Sale Agreement the Company has agreed to acquire:

- (i) CRJ's 25% shareholding interest in PetroMad (Mauritius) Limited (**PetroMad**) (being the company which owns a 100% interest in the Bezaha Oil Project concession located in Southern Madagascar – the **Asset**); and
- (ii) all of CRJ's rights and obligations under an agreement entered into with the owner of the remaining 75% interest in PetroMad (and under which CRJ is entitled, subject to successful completion of staged work programs, to earn up to an 80% ownership interest in PetroMad).

The consideration for the acquisition is the issue of 85 million TLU shares (of which 60 million are to be issued to CRJ and the other 25 million to certain nominated CRJ creditors). CRJ is required to distribute the 60M shares to its own shareholders. A parcel of shares will also be issued to TLU's corporate adviser upon completion.

Settlement of the acquisition is conditional, inter alia, on each of TLU and CRJ obtaining all shareholder approvals required under the ASX listing Rules and the Corporations Act to effect the transaction.