



## Prospectus

For the offer of up to 1,000 Shares at an issue price of \$0.03 per Share to raise up to \$30.

**This Prospectus has been prepared primarily for the purpose of Section 708A(11) of the Corporations Act to remove any trading restrictions on the sale of Shares issued by the Company prior to the Closing Date.**

### IMPORTANT NOTICE

This document is important and should be read in its entirety. If after reading this Prospectus you have any questions about the Shares being offered under this Prospectus or any other matter, then you should consult your stockbroker, accountant or other professional adviser. The Shares offered under this Prospectus should be considered speculative.

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## 1. Important Information

### 1.1 Timetable and Important Dates\*

Action	Date
Lodgement of Prospectus with ASIC and ASX	22 August 2014
Opening Date	29 August 2014
Closing Date	29 September 2014
Expected Date of Official Quotation	26 October 2014

\*The Company reserves the right to extend the Closing Date or close the Offer early without notice.

### 1.2 General

Shareholders should read this document in its entirety and, if in doubt, should consult their professional advisers. The Shares the subject of this Prospectus should be considered highly speculative.

This Prospectus is dated 22 August 2014 (**Prospectus**) and a copy of this Prospectus was lodged with ASIC on that date.

ASIC and the ASX take no responsibility for the content of this Prospectus. The expiry date of the Prospectus is 13 months after the date the Prospectus was lodged with ASIC (**Expiry Date**). No Shares will be allotted or issued on the basis of this Prospectus after the Expiry Date.

The Shares offered by this Prospectus should be considered speculative.

No person is authorised to give information or to make any representation in connection with this Prospectus which is not contained in the Prospectus. Any information or representation not so contained may not be relied on as having been authorised by the Company in connection with this Prospectus. Applications for Shares offered pursuant to this Prospectus can only be submitted on an original Application Form which accompanies this Prospectus.

The distribution of this Prospectus in jurisdictions outside Australia may be restricted by law and therefore persons into whose possession this document comes should seek advice on and observe any such restrictions. Any failure to comply with these restrictions constitutes a violation of those laws. This Prospectus does not constitute an offer in any place in which, or to any person to whom, it would not be lawful to make such an offer.

This Prospectus is a transaction specific prospectus for an offer of continuously quoted securities (as defined in the Corporations Act) and has been prepared in accordance with Section 713 of the Corporations Act. It does not contain the same level of disclosure as an initial public offering prospectus. In making representations in this Prospectus regard, has been had to the fact that the Company is a disclosing entity for the purposes of the Corporations Act and certain matters may reasonably be expected to be known to investors and to professional advisers whom potential investors may consult.

### 1.3 Electronic Prospectus

Pursuant to Class Order 00/044, ASIC has exempted compliance with certain provisions of the Corporations Act to allow distribution of an electronic prospectus and electronic application form on the basis of a paper prospectus lodged with ASIC, and the publication of notices referring to an electronic prospectus or electronic application form, subject to compliance with certain conditions.

If you have received this Prospectus as an electronic Prospectus, please ensure that you have

received the entire Prospectus accompanied by the Application Form. If you have not, please phone the Company on (08) 8100 9200 and the Company will send you, for free, either a hard copy or a further electronic copy of the Prospectus, or both.

The Company reserves the right not to accept an Application Form from a person if it has reason to believe that when that person was given access to the electronic Application Form, it was not provided together with the electronic Prospectus and any relevant supplementary or Prospectus or any of those documents were incomplete or altered.

## **2. Corporate Directory**

### **Directors**

Robert M Kennedy Non-Executive Chairman  
Carl Dorsch Managing Director  
Neil Young Non-Executive Director

### **Company Secretary**

George Yatzis

### **Registered Office and Principal Place of Business**

Level 5  
70 Pirie Street  
ADELAIDE SA 5000  
T: (08) 8100 9200  
F: (08) 8227 0544  
E: info@tellusresources.com.au

### **Securities Exchange Listing**

Australian Securities Exchange Code: TLU

## **3. Capital Raising**

The Company is seeking to undertake a capital raising by way of share placements to professional and/or sophisticated investors to raise up to \$660,000 (**Capital Raising**). The issue price per Placement Share will be \$0.03, however the exact number of Placement Shares to be issued will not be known until completion of the Capital Raising.

The Capital Raising will be structured to ensure that no single investor, together with its associates, acquires voting power in excess of 20% in the Company (on a fully diluted basis). No related party of the Company will, directly or indirectly, acquire Placement Shares.

## **4. Purpose of this Prospectus**

The primary purpose of this Prospectus is to remove any trading restrictions that may have attached to the Placement Shares issued by the Company prior to the Closing Date (including prior to the date of this Prospectus).

In particular, this Prospectus will ensure that the on-sale of the Placement Shares do not cause a breach of section 707(3) of the Corporations Act by relying on the exemption to the secondary trading provisions in section 708A(11) of the Corporations Act.

The Company does not seek to raise significant funds from the offer of Shares under this Prospectus, as the Offer is being made to ensure that this Prospectus complies with section 710, which contemplates an *offer* of securities.

#### 4. Risk Factors

Potential investors should consider that the investment in the Company is speculative and should consult their professional advisers before deciding whether to apply for Shares pursuant to this Prospectus.

The Board aims to manage these risks by carefully planning its activities and implementing risk control measures. Some of the risks are, however, highly unpredictable and the extent to which they can effectively manage them is limited.

In addition to the general risks applicable to all investments in listed securities, there are specific risks associated with an investment in the Company and its controlled entities. The Directors consider that the following summary, which is not exhaustive, represents some of the specific risk factors which investors need to be aware of in evaluating the Company's business and the risks of increasing their investment in the Company. Investors should carefully consider the following factors.

(a) Exploration and Development

The tenements held by the Company have had limited prior exploration, and potential investors should understand that oil and gas exploration and development are high-risk undertakings.

There can be no assurance that exploration of the tenements, or any other licences that may be acquired in the future will result in the discovery of an economic deposit. Even if an apparently viable deposit is identified, there is no guarantee that it can be economically exploited.

(b) Regulatory Risk

The Company's exploration and development activities are subject to extensive laws and regulations relating to numerous matters including resource licence consent, conditions including environmental compliance and rehabilitation, taxation, employee relations, health and worker safety, waste disposal, protection of the environment, native title and heritage matters, protection of endangered and protected species and other matters. The Company requires permits from regulatory authorities to authorise the Company's operations. These permits relate to exploration, development, production and rehabilitation activities. Obtaining necessary permits can be a time consuming process and there is a risk that the Company will not obtain these permits on acceptable terms, in a timely manner or at all. The costs and delays associated with obtaining necessary permits and complying with these permits and applicable laws and regulations could materially delay or restrict the Company from proceeding with the development of a project or the operation or development of a well or mine.

Any failure to comply with applicable laws and regulations or permits, even if inadvertent, could result in material fines, penalties or other liabilities. In extreme cases, failure could result in suspension of the Company's activities or forfeiture of one or more of the tenements.

(c) Failure to Satisfy Expenditure Commitments

Interests in tenements in Australia are governed by the respective state legislation and are evidenced by the granting of licences or permits. Each licence or permit is for a specific term and carries with it annual expenditure and reporting commitments, as well as other conditions requiring compliance. Consequently, the Company could lose title to or its interest in the tenements if licence conditions are not met or if insufficient funds are available to meet expenditure commitments.

(e) Oil and Gas Operations

The operations of the Company going forward may be affected by various factors, including failure to locate or identify oil and gas reserves at PRL108, PRL109, PRL110, and the Covenant Mondo Project, Utah, USA, failure to achieve predicted well production flow rates, operational and technical difficulties encountered in production, difficulties in commissioning and operating plant and equipment, mechanical failure or plant breakdown, unanticipated reservoir problems which may affect field production performance, adverse weather conditions, industrial and environmental accidents, industrial disputes and unexpected shortages or increases in the costs of consumables, spare parts, plant and equipment. No assurances can be given that the Company will achieve commercial viability through the successful exploration and/or production of its prospect interests.

(f) Oil and Gas Reserves and Commercial Flow

Oil and gas reserves are expressions of judgment based on knowledge, experience and industry practice. Estimates, which were valid when originally calculated, may change significantly when new information or techniques becomes available. In addition, by their nature, oil and gas reserves are imprecise and depend to some extent on interpretations which may prove to be inaccurate. As further information becomes available through additional fieldwork and analysis, the estimates are likely to change. This may result in alterations to development and commercial flow plans which may, in turn, either benefit or adversely affect the Company's operations.

(g) Oil and Gas Price Volatility and Exchange Rate

If the Company achieves success leading to oil and gas production, the revenue it will derive through the sale of oil and gas exposes the potential income of the Company to oil and gas price and exchange rate risks. Oil and gas prices fluctuate and are affected by many factors beyond the control of the Company. Such factors include supply and demand fluctuations, technological advancements, forward selling activities and other macro-economic factors.

Furthermore, international prices of oil and gas are denominated in United States dollars, whereas the income and expenditure of the Company are and will be taken into account in Australian currency, exposing the Company to the fluctuations and volatility of the rate of exchange between the United States dollar and the Australian dollar as determined in international markets.

(h) Contracts Risk

As part of the Company's commercial activities, the Company will be a party to, and enter into, various contracts with third parties for the supply of products and services, sales contracts and financial instruments, amongst other things. If counterparties to contracts with the Company or PNC fail to meet their commitments under such contracts, it may have an impact on the Company's financial position.

(i) Environmental

The operations and proposed activities of the Company are subject to laws and regulations concerning the environment applicable in the jurisdiction of those activities. As with most production operations, the Company's activities are expected to have an impact on the environment, particularly if advanced exploration or production proceeds. It is the Company's practice to conduct its activities to the highest standard of environmental obligation, including compliance with all environmental laws. Nevertheless, there are certain risks inherent in the Company's activities such as accidental leakages or spills, or other unforeseen circumstances which could subject the Company to extensive liability.

(j) Additional Requirements for Capital

The Company's capital requirements depend on numerous factors. Depending on the Company's ability to generate income from its operations, the Company may require further financing in addition to amounts raised under the Placement. Any additional equity financing will dilute shareholdings, and debt financing, if available, may involve restrictions on financing and operating activities. If the Company is unable to obtain additional financing as needed, it may be required to reduce the scope of its operations and scale back its exploration programmes as the case may be. There is however no guarantee that the Company will be able to secure any additional funding or be able to secure funding on terms favourable to the Company.

(l) Competition Risk

The industry in which the Company will be involved is subject to domestic and global competition. Although the Company will undertake all reasonable due diligence in its business decisions and operations, the Company will have no influence or control over the activities or actions of its competitors, which activities or actions may, positively or negatively, affect the operating and financial performance of the Company's projects and business.

(m) Investment Speculative

The above list of risk factors ought not to be taken as exhaustive of the risks faced by the Company or by investors in the Company. The above factors, and others not specifically referred to above may, in the future, materially affect the financial performance of the Company and the value of the Company's securities.

## **5. Details of the Offer**

### **5.1 Offer**

Under this Prospectus, the Company invites investors identified by the Directors to apply for up to 1,000 Shares at an issue price of \$0.03 per Share payable in full on application.

The Offer will only be extended to specific parties on invitation from the Directors. Application Forms will only be provided by the Company to these parties. All recipients of the Shares under the Offer will be sophisticated or professional investors (within the meaning of Sections 708(8) and 708(11) of the Corporations Act, respectively).

All of the Shares offered under this Prospectus will rank equally with Shares on issue at the date of this Prospectus.

### **5.2 Opening and Closing Dates of the Offer**

The Offer will be opened at 9am (AEST) on 29 August 2014 (**Opening Date**) and will remain open until 5.00pm (AEST) on 29 September 2014 (**Closing Date**), subject to the right of the Directors to either close the Offer at an earlier time and date or to extend the Closing Date without prior notice. These dates are indicative only and the Directors reserve the right to vary these dates.

### **5.3 Application for Shares**

To subscribe for Shares complete and return the Offer Application Form, which will be provided with a copy of this Prospectus by the Company at the Company's discretion, in accordance with the instructions set out in the Offer Application Form.

Completed Offer Application Forms and Application Monies must be received by the Company prior to 5.00pm (AEST) on the Closing Date. Cheques must be made payable to "Tellus Resources Limited

Share Application Account" and crossed "Not Negotiable". All cheques must be in Australian currency.

Offer Application Forms should be delivered to Level 5, 70 Pirie Street, Adelaide SA 5000.

#### **5.4 Minimum Subscription**

There is no minimum subscription in respect of the Offer.

#### **5.5 Allotment of Shares**

Subject to ASX granting Official Quotation of the Shares the Directors will proceed with the allotment of the Shares as soon as possible after the Closing Date. Application moneys will be held in a separate subscription account until allotment. This account will be established and kept by the Company in trust for each Applicant. Any interest earned on the application moneys will be for the benefit of the Company and will be retained by the Company irrespective of whether allotment takes place and each Applicant waives the right to claim any interest.

The Directors will determine the allottees of all the Shares. The Directors reserve the right to reject any application or to allocate any Applicant fewer Shares than the number applied for.

Where the number of Shares allotted is less than the number applied for, the surplus moneys will be returned by cheque as soon as practicable after the Closing Date. Where no allotment is made, the amount tendered on application will be returned in full by cheque as soon as practicable after the Closing Date. Interest will not be paid on moneys refunded.

Following allotment, statements of Share holdings will be despatched. It is the responsibility of Applicants to determine their allocation prior to trading in Shares. Applicants who sell their Shares before they receive their holding statements will do so at their own risk.

#### **5.6 Underwriter**

The Offer is not underwritten.

#### **5.7 ASX Quotations**

Application for Official Quotation of the Shares offered pursuant to this Prospectus will be made within 7 days after the date of this Prospectus. If approval is not obtained from ASX before the expiration of 3 months after the date of issue of the Prospectus (or such period as varied by the ASIC), the Company will not issue any Shares and will repay all application moneys for the Shares within the time prescribed under the Corporations Act, without interest. The fact that ASX may grant Official Quotation to the Shares is not to be taken in any way as an indication of the merits of the Company or the Shares now offered for subscription.

#### **5.8 Restrictions on the Distribution of the Prospectus**

The distribution of this Prospectus outside the Commonwealth of Australia may be restricted by law. This Offer does not, and is not intended to, constitute an offer in any place or jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or to issue this Prospectus.

Residents of countries outside Australia should consult their professional advisers as to whether any government or other consents are required, or whether any formalities need to be observed should they wish to make an application to take up Shares on the basis of this Prospectus. The return of a duly completed Application Form will be taken to constitute a representation and warranty that there has been no breach of such laws and that all approvals and consents have been obtained.

#### **5.9 Clearing House Electronic Sub-Register System (CHES) and Issuer Sponsorship**



The Company will not be issuing share certificates. The Company is a participant in CHESS for those investors who have a sponsoring stockbroker.

Investors who do not wish to participate through CHESS will be issuer sponsored by the Company. Because the sub-registers are electronic, ownership of securities can be transferred without having to rely upon paper documentation. Electronic registers mean that the Company will not be issuing certificates to investors. Instead, investors will be provided with separate statements (similar to a bank account statement) that set out the number of Shares allotted to them under this Prospectus. The notice will also advise holders of their Holder Identification Number or Security Holder Reference Number and explain, for future reference, the sale and purchase procedures under CHESS and issuer sponsorship. Further monthly statements will be provided to holders if there have been any changes in their security holding in the Company during the preceding month.

#### **5.10 Privacy Act**

If you complete an application for Shares, you will be providing personal information to the Company. The Company collects, holds and will use that information to assess your application, service your needs as a Shareholder, facilitate distribution payments and corporate communications to you as a Shareholder and carry out administration.

The information may also be used from time to time and disclosed to persons inspecting the register, bidders for your securities in the context of takeovers, regulatory bodies, including the Australian Taxation Office, authorised securities brokers, print service providers, mail houses and the Company's share registry. You can access, correct and update the personal information that we hold about you. Please contact the Company if you wish to do so at the relevant contact numbers set out in this Prospectus.

Collection, maintenance and disclosure of certain personal information is governed by legislation including the Privacy Act 1988 (Cth) (as amended), the Corporations Act and certain rules such as the ASX Settlement Operating Rules.

You should note that if you do not provide the information required on the application for Shares, the Company may not be able to accept or process your application.

#### **5.11 Taxation Implications**

The Directors do not consider it appropriate to give Applicants advice regarding the taxation consequences of subscribing for Shares under this Prospectus.

The Company, its advisers and its officers do not accept any responsibility or liability for any such taxation consequences to Applicants. As a result, Applicants should consult their professional tax adviser in connection with subscribing for Shares under this Prospectus.

#### **5.12 Major Activities and Financial Information**

A summary of activities relating to the Company are set out in the following documents:

- (a) ASX notified of change to the CRJ Sale Agreement 18 August 2014;
- (b) Notice received calling for EGM 8 August 2014;
- (c) Quarterly Activities and Cashflow Report, dated 30 June 2014, was lodged with the ASX on 29 July 2014;

- (d) An Independent Prospective Report on the Madagascar Project was lodged with the ASX on 25 July 2014;
- (e) Issue of shares reported to the ASX on 15 July 2014;
- (f) Madagascar Project acquisition was announced to the ASX 11 June 2014;
- (g) A PEL105 Update was lodged with the ASX 21 May 2014;
- (h) Quarterly Activities and Cashflow Report, dated 31 March 2014, was lodged with the ASX on 30 April 2014;
- (i) Covenant Mondo Project Update reported to the ASX on 17 April 2014 of ;
- (j) Half Year Statutory Accounts lodged with the ASX on 13 March 2014;

#### **5.14 Enquiries**

Any questions concerning the Offer should be directed to the Managing Director, Carl Dorsch on +61 (8) 8100 9200.

### **6. Effect of Offer on the Company**

#### **6.1 Principal Effect of the Offer**

The principal effect of the Offer, if fully subscribed, on the Company will be that:

- (a) the number of fully paid Shares on issue will increase by 1,000; and
- (b) cash reserves and contributed equity of the Company will increase by \$30 if the Offer is fully subscribed.

The funds raised under the Offer will be used for general working capital.

The issue of Shares pursuant to this Prospectus will not have a material impact on the Company's financial position and for this reason a pro forma balance sheet of the Company has not been included.

#### **6.2 Effect of the Offer on Capital Structure**

The capital structure of the Company on completion of the Offer and assuming it is fully subscribed is set out below.

<b>Shares Currently on Issue</b>	<b>Number of Shares</b>
Shares on issue prior to the Offer	194,348,295
Shares offered under this Prospectus	1,000
<b>Total Shares on issue on completion of the Offer and Placement</b>	<b>194,349,295</b>

#### **6.3 Financial Effect of the Offer**

If the Offer is fully subscribed, it will increase the Company's cash reserves by \$30.

### **7. Rights and Liabilities Attaching to Shares**

The following is a summary of the more significant rights and liabilities attaching to Shares to be issued pursuant to this Prospectus. This summary is not exhaustive and does not constitute a definitive statement of the rights and liabilities of Shareholders. To obtain such a statement, persons should seek independent legal advice. Full details of the rights and liabilities attaching to Shares are set out

in the Constitution, a copy of which is available for inspection at the Company's registered office during normal business hours.

The rights, privileges and restrictions attaching to Shares can be summarised as follows:

(a) Meetings and Notices

Each Shareholder is entitled to receive notices of meetings. The failure of a Shareholder to receive a notice of meeting does not invalidate the proceedings, or any resolution passed at, any such meeting. No business may be transacted at any meeting of Shareholders unless a quorum of Shareholders is present. Shareholders may attend a general meeting at which the Shareholder is entitled to be present in person, by proxy, by attorney or, in the case of a Shareholder which is a body corporate, by a corporate representative.

(b) Voting Rights

Subject to any rights or restrictions for the time being attached to any class or classes of Shares whether by the terms of their issue, the Constitution, the Corporations Act or the ASX Listing Rules, at a general meeting of the Company every Shareholder present in person or by a representative or attorney has one vote on a show of hands and every such Shareholder present in person or by a representative, proxy or attorney has one vote per fully paid Share on a poll.

Where there are two or more joint holders of the Shares and more than one of them is present at a meeting and tenders a vote in respect of the Share (whether in person or by proxy or attorney), the Company will count only the vote cast by the member whose name appears before the other(s) in the Company's register of Shareholders.

(c) Dividend Rights

Subject to any rights or restrictions attaching to a class of shares, the Company may pay dividends as the Directors resolve. The Directors may fix the time for payment and the method of distribution.

(d) Transfer of Shares

Subject to the Constitution, a member may transfer one or more Shares they hold by:

- (i) a proper ASTC transfer;
- (ii) an instrument of transfer in compliance with the Constitution; or
- (iii) any other method permitted by the Corporations Act, the ASX Listing Rules or the ASX Settlement Operating Rules.

The Company may decline to register a transfer of Shares were permitted to do so under the provisions of the Constitution, the Corporations Act and the ASX Listing Rules. If the Directors decline to register a transfer, the Company must, within 5 Business Days after the transfer is delivered to the Company, give the party lodging the transfer written notice of the refusal and the reason for refusal. The Directors must decline to register a transfer of shares when required by the Corporations Act, by the ASX Listing Rules or by the ASX Settlement Operating Rules.

(e) Future Issues

Subject to the Constitution, the applicable law and the ASX Listing Rules, the Directors may allot, issue or grant options over, or otherwise deal with the unissued shares in the Company at the times and on the terms and conditions that the Directors think proper and a share may be issued with preferential, deferred, qualified or special rights, privileges or conditions or

restrictions.

(f) Alteration of Constitution

The Constitution can only be amended by a special resolution (that is, a resolution that has been passed by at least three-quarters of the votes cast by shareholders entitled to vote on the resolution). While the Company is listed, at least 28 days written notice of the special resolution must be given.

(g) Variation of Rights

The Company may only modify or vary the rights attaching to any Shares with the prior approval by a special resolution passed at a separate meeting of the holders of shares of that class or with the written consent of the holders of at least three-quarters of the issued Shares of the affected class.

(h) Directors

The minimum number of Directors is three and the maximum is ten. Currently there are three Directors. Directors must retire on rotational basis so that one-third of Directors must retire at each annual general meeting. Any other Director who has been in office for three or more years must also retire. The Directors may appoint a director either in addition to existing Directors or to fill a casual vacancy, who then holds office until the next annual general meeting.

(k) Officers' Indemnity

To the extent permitted by the law, the Company must indemnify each officer (including a Director, auditor and agent of the Company) against any liability which that officer may incur by reason of being an officer or in carrying out the business or exercising the powers of the Company.

## 8. Additional Information

### 8.1 Corporate Status

The Company is a listed public company incorporated in Australia under the Corporations Act.

### 8.2 Share Capital Structure

1,000 Shares will be issued if the Offer is fully subscribed.

The following table shows the current share capital of the Company at the date of this Prospectus and the proposed share capital on the basis that the Company completes the Capital Raising and the Offer. This table assumes that the Offer is fully subscribed, 22,000,000 Placement Shares are issued under the Capital Raising, and no Options are exercised prior to completion of the Offer.

Shares	Number of Shares
Shares on issue as at the date of this Prospectus	172,348,295
Shares offered under this Prospectus	1,000
Shares (Aprox) issued pursuant to Capital Raising.	22,000,000
<b>Total Shares on issue on completion of the Offer and Capital Raising</b>	<b>194,349,295</b>

As at the date of this Prospectus, the Company's Options on issue are as set out below:

Options on Issue	Number of Options
Options exercisable at \$0.20 on or before 05 March 2018	2,000,000
Options exercisable at \$0.20 on or before 17 September 2017	6,500,000
Options exercisable at \$0.093 on or before 31 December 2016	7,500,000
Options exercisable at \$0.10 on or before 31 December 2015	6,666,666
Options exercisable at \$0.25 on or before 25 September 2014	5,000,000
Options exercisable if the 30 day VWAP reaches at least \$0.175 per Share	5,000,000
Options exercisable if the 30 day VWAP reaches at least \$0.200	5,000,000
Options exercisable if the 30 day VWAP reaches at least \$0.225 per Share	5,000,000
Options exercisable when production testing of PEL 105 in either open or closed hole that can demonstrate an immediate flow capacity for the well in excess of a sustained minimum of 100 BOEPD for a period in excess of 7 days. Such test must be certified by a relevant expert in the field being either an independent consulting reservoir engineer or the contracted testing company, provided that such threshold is achieved on or prior to 31 December 2014	15,000,000
Options exercisable where the Company has acquired a direct or indirect interest in the Wichita County Project and the production from the leases which form the Wichita County Project reaches an average of 50BOEPD over a three month period	15,000,000
<b>Total Options on issue on completion of the Offer</b>	<b>72,666,666</b>

As at the date of this Prospectus, the Company's performance rights on issue are as set out below:

Performance Rights	Number of Shares
Performance Rights, to convert if the 20 day VWAP for the Shares reaches 25 cents per Share, on or before 27 January 2017	300,000
Performance Rights, to convert if the 20 day VWAP for the Shares reaches 40 cents per Share, on or before 27 January 2017	400,000
Performance Rights, to vest if the Share price reaches 30 cents per Share and will lapse if not vested on 21 Sep 2016	350,000
<b>Total Performance Rights on issue on completion of the Offer</b>	<b>1,050,000</b>

### 8.3 Market Price of Shares

The highest and lowest market sale prices of the Company's securities on the ASX during the 3 months immediately preceding the date of lodgement of this Prospectus with ASIC and the most recent date of the respective sales were:

	Price	Date
Highest	\$0.06	21 May 2014

Lowest	\$0.032	24 July 2014
Most Recent	\$0.04	22 August 2014

#### 8.4 Dividend Policy

The Directors are not able to say when and if dividends will be paid in the future, as the payment of any dividends will depend on the future profitability, financial position and cash requirements of the Company.

#### 8.5 Directors' Interests in Company Securities

The Directors' and or their associates' relevant interests in the Company's securities as at the date of this Prospectus are set out below:

Name of Director	Number of Shares	Number of Options	Performance Rights
Robert M Kennedy	nil	7,500,000	nil
Carl Dorsch	17,931,078	45,000,000	nil
Neil Young	110,000	2,000,000	nil

\*Note: Carl Dorsch's shares are held by Dorsch Consultants Pty Ltd as Trustee for the Dorsch Family Trust and CNP Energy Pty Limited ACN 159 055 384. Carl Dorsch holds a relevant interest (23.88%) in CNP Energy Pty Limited ACN 159 055 384.

#### 8.6 Directors' Participation in the Offer

The Directors or their nominees will not participate in the Offer.

#### 8.7 Continuous Disclosure Obligations

The Company is a "disclosing entity" (as defined in Section 111 AC of the Corporations Act) for the purposes of Section 713 of the Corporations Act and, as such, is subject to regular reporting and disclosure obligations. Specifically, like all listed companies, the Company is required to continuously disclose any information it has to the market which a reasonable person would expect to have a material effect on the price or the value of the Company's securities.

This Prospectus is a "transaction specific prospectus". In general terms a "transaction specific prospectus" is only required to contain information in relation to the effect of the issue of securities on the Company and the rights attaching to the securities. It is not necessary to include general information in relation to all of the assets and liabilities, financial position, profits and losses or prospects of the issuing company.

This Prospectus is intended to be read in conjunction with the publicly available information in relation to the Company which has been notified to the ASX and does not include all of the information that would be included in a prospectus for an initial public offering of securities in an entity that is not already listed on a stock exchange. Investors should therefore have regard to the other publicly available information in relation to the Company before making a decision whether or not to invest.

Having taken such precautions and having made such enquires as are reasonable, the Company believes that it has complied with the general and specific requirements of the ASX as applicable from time to time throughout the 3 months before the issue of this Prospectus which required the Company to notify the ASX of information about specified events or matters as they arise for the purpose of the ASX making that information available to the stock market conducted by the ASX.

Information that is already in the public domain has not been reported in this Prospectus other than that which is considered necessary to make this Prospectus complete.

The Company, as a disclosing entity under the Corporations Act, states that:

- (a) it is subject to regular reporting and disclosure obligations;
- (b) copies of documents lodged with ASIC in relation to the Company (not being documents referred to in Section 1274(2)(a) of the Corporations Act) may be obtained from, or inspected at, the offices of ASIC; and
- (c) it will provide a copy of each of the following documents, free of charge, to any person on request between the date of issue of this Prospectus and the Closing Date:
  - (i) the annual financial report most recently lodged by the Company with ASIC;
  - (ii) any half-year financial report lodged by the Company with ASIC after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with ASIC; and
  - (iii) any continuous disclosure documents given by the Company to the ASX in accordance with the ASX Listing Rules as referred to in Section 674(1) of the Corporations Act after the lodgement of the annual financial report referred to in (i) and before the lodgement of this Prospectus with ASIC.

## 8.8 Copies of Documents

Copies of all documents lodged with ASIC in relation to the Company can be inspected at the registered office of the Company or an ASIC office during normal office hours.

The Company will provide free of charge to any person who requests it during the period of the Offer, a copy of:

- (a) the Full Year Statutory Accounts containing the financial statements of the Company for the financial year ended 30 June 2013, being the last financial year for which financial statements were lodged with ASIC in relation to the Company; and
- (b) the following continuous disclosure notices given by the Company to notify the ASX of information relating to the Company during the period from the date of lodgement of the Full Year Statutory Accounts referred to in paragraph (a) and before the date of issue of this Prospectus are as follows:

Date of Announcement	Headline
18/08/2014	Amendment to CRJ Sale Agreement
08/08/2014	Release of Escrowed Securities
08/08/2014	Notice Received Calling for EGM
04/08/2014	Change of Director's Interest Notice
29/07/2014	Quarterly Activities and Cashflow Report
25/07/2014	Independent Prospective Resources Report
16/07/2014	Covenant Mondo Project Update
15/07/2014	Appendix 3B
26/06/2014	Change of Provider of Share Registry Management Services
24/06/2014	Change of Director's Interest Notice
23/06/2014	Change of Director's Interest Notice

11/06/2014	Madagascan Oil Project Presentation
11/06/2014	CRL Divestment of Madagascan Oil Project
11/06/2014	Final Director's Interest Notice
11/06/2014	Madagascan project Acquisition
06/06/2014	Trading Halt
06/06/2014	Resignation of Director
02/06/2014	Progress report
21/05/2014	PEL 105 Update
07/05/2014	Expiry of Unlisted Options
30/04/2014	Quarterly Activities and Cashflow Report
24/04/2014	Appendix 3B
17/04/2014	Covenant Mondo Project Update
14/04/2014	Extension of Closing date for Prospectus
10/04/2014	Reinstatement of Official Quotation
09/04/2014	Extension to Voluntary Suspension
04/04/2014	Suspension from Official Quotation
02/04/2014	Expiry of Unlisted Options
02/04/2014	Trading Halt
13/03/2014	Half Yearly Accounts
07/03/2014	Prospectus
06/03/2014	Corporate Presentation – March 2014
06/03/2014	Appendix 3B
04/03/2014	Allotment of Securities
26/02/2014	Results of General Meeting
18/02/2014	Change in Substantial Holding
05/02/2014	ATP 904P Update on Status
30/01/2014	Quarterly Activities and Cashflow Report
30/01/2014	Appendix B3
28/01/2014	Notice of General Meeting and Proxy Form
21/01/2014	Revised Appendix 3B
06/01/2014	Appendix 3B
24/12/2013	Appendix 3B
24/12/2013	Issue of Shares
20/12/2013	Prospectus
17/12/2013	Clarification of Previous Announcement – Placement
17/12/2013	Reinstatement to Official Quotation
17/12/2013	Farmin to US Oil Play & Placement



13/12/2013	Suspension from Official Quotation
11/12/2013	Trading Halt
10/12/2013	Appendix 3B
10/12/2013	Initial Director's Interest Notice
06/12/2013	Final Director's Interest Notice
06/12/2013	Initial Director's Interest Notice
05/12/2013	Board Appointments/Resignation
03/12/2013	Final Director's Interest Notice
03/12/2013	Resignation of Director
29/11/2013	Results of Annual General Meeting
29/11/2013	Managing Director's Presentation
27/11/2013	Withdrawal of AGM Resolution
12/11/2013	Pirie 1 ST1 Weekly Drilling Report
06/11/2013	Pirie 1 ST1 Weekly Drilling Report
06/11/2013	SXY: Monthly Drilling Report – October 2013
30/10/2013	UPDATED QUARTERLY ACTIVITIES REPORT
30/10/2013	Quarterly Activities and Cashflow Report
29/10/2013	Pirie 1 ST1 Weekly Drilling Report
25/10/2013	Notice of Annual General Meeting/Proxy Form
25/10/2013	Annual Report to Shareholders
22/10/2013	Pirie 1 Weekly Drilling Report
21/10/2013	Final Director's Interest Notice
18/10/2013	Resignation of Director
16/10/2013	Appendix 3B
15/10/2013	Pirie 1 Weekly Drilling Report
09/10/2013	PEL 105 Acquisition of Remaining 50% Interest
09/10/2013	AKK: Completion of PEL 105
08/10/2013	Pirie 1 Weekly Drilling Report
01/10/2013	PEL 105 Pirie 1 Spudded
30/09/2013	Corporate Changes
24/09/2013	Appendix 3B

The ASX maintains files containing publicly available information for all listed companies. The Company's file is available for inspection at the ASX during normal office hours.

## 8.9 Information Excluded from Continuous Disclosure Notices

There is no information which has been excluded from a continuous disclosure notice in accordance with the ASX Listing Rules, and which is required to be set out in this Prospectus.

## 8.10 Determination by ASIC

ASIC has not made a determination which would prevent the Company from relying on section 713 of the Corporations Act in issuing the Shares under this Prospectus.

#### **8.11 Directors' Interests**

Except as disclosed in this Prospectus, no Director and no firm in which a Director or proposed director is a partner:

- (a) has any interest nor has had any interest in the last two years prior to the date of this Prospectus in the formation or promotion of the Company, the securities offered under this Prospectus or property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the securities offered under this Prospectus; or
- (b) has been paid or given or will be paid or given any amount or benefit to induce him or her to become, or to qualify as, a Director, or otherwise for services rendered by him or her in connection with the formation.

#### **8.12 Director Remuneration**

The Constitution of the Company provides that the non-executive Directors may be paid for their services as Directors, a sum not exceeding such fixed sum per annum as may be determined by the Company in general meeting. The current amount has been set at an amount not to exceed \$250,000.00 per annum.

The Directors acknowledge that as the Company grows, the demands on the Directors will increase and the Directors' fees will be increased commensurate with their responsibilities and workload, as determined by the Board and approved by the members.

The aggregate of the fees which the Company has agreed to pay the non-executive Directors as at the date of this Prospectus is \$98,550 per annum.

The Managing Director is remunerated pursuant to a services agreement which provides amongst other things that the fixed annual remuneration (including base salary and superannuation) payable to the Managing Director will be \$360,000, which will be subject to an annual review

A company controlled by Mr Neil Young, a non- executive Director, provided consultancy services to the Company prior to his appointment as a Director and was paid an aggregate of \$15,750 for those services. From the date of his appointment as Director, the same company controlled by Mr Neil Young, continued to provide consultancy services to the Company on an ad hoc at arms' length basis, and was paid, in the Financial Year ending 30 June 2014, an aggregate of \$21,125.

Directors, companies associated with the Directors or their associates are also reimbursed for all reasonable expenses properly incurred in the course of conducting their duties which include, but are not in any way limited to, out of pocket expenses, travelling expenses, disbursements made on behalf of the Company and other miscellaneous expenses.

#### **8.13 Interests of Experts and Advisers**

Other than as set out below or elsewhere in this Prospectus, no expert, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of the Prospectus, nor any firm in which any of those persons is or was a partner, nor any company with which any of those persons is or was associated, has or had within 2 years before the lodgement of this Prospectus with ASIC, any interest in:

- (a) the formation or promotion of the Company; or

- (b) property acquired or proposed to be acquired by the Company in connection with its formation or promotion or the Offer; or
- (c) the Offer,

and no amounts have been paid or agreed to be paid (in cash or Shares or otherwise) to any expert, promoter or any other person named in this Prospectus as performing a function in a professional advisory or other capacity in connection with the preparation or distribution of this Prospectus, or to any firm in which any of those persons is or was a partner, or to any company with which any of those persons is or was associated, for services rendered by that person, or by the firm or the company, in connection with the formation or promotion of the Company or the Offer.

#### **8.14 Consents**

No Third party consents are required for the purposes of this Prospectus.

#### **8.15 Directors' Authorisation**

This Prospectus is issued by the Company and its issue has been authorised by a resolution of the Directors.

In accordance with Section 720 of the Corporations Act, each Director has consented to the lodgement of this Prospectus with ASIC.

Dated 22 August 2014

Signed for and on behalf of Tellus Resources Limited:

A handwritten signature in black ink, appearing to read 'C. Dorsch', is written over a faint horizontal line.

**Carl Dorsch**  
Managing Director

## 9. DEFINITIONS

**\$** means Australian dollars.

**AEST** means Australian eastern standard time as observed in Sydney, Australia.

**Applicant** means an investor who applies for Shares pursuant to the Offer.

**Application Form** means an application form either attached to or accompanying this Prospectus.

**ASIC** means the Australian Securities and Investments Commission.

**ASX Settlement Operating Rules** means the settlement rules of the securities clearing house which operates CHESS.

**ASX** means ASX Limited (ACN 008 624 691) or the stock market operated by it, as the context requires.

**ASX Listing Rules** means the listing rules of the ASX.

**ASX Settlement Operating Rules** means the settlement rules of the securities clearing house which operates CHESS.

**Board** means the board of Directors unless the context indicates otherwise.

**Business Day** means a day on which trading takes place on the stock market operated by the ASX.

**Capital Raising** means the proposed capital raising described in section 2 of this Prospectus which involves the issue of the Placement Shares.

**Class Order 00/044** means ASIC Class Order 00/044.

**Closing Date** means 29 September 2014 (unless extended).

**Company** means Tellus Resources Limited (ACN 144 733 595).

**Constitution** means the constitution of the Company as at the date of this Prospectus.

**Corporations Act** means the Corporations Act 2001 (Cth).

**Directors** means the directors of the Company as at the date of this Prospectus.

**Expiry Date** means 22 September 2015, being the date which is 13 months after the date the Prospectus was lodged with ASIC.

**Offer** means the offer of Shares referred to in the "Details of the Offer" section of this Prospectus. Official Quotation means official quotation on ASX.

**Opening Date** means 29 August 2014.

**Option** means an option to acquire a Share.

**PRL 108, PRL109 and PRL110** means Petroleum Retention Licences 108, 109 and 110 issued under the Petroleum and Geothermal Energy Act 2000 (SA).

**Placement Shares** means the Shares issued under the Capital Raising.

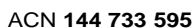
**PNC** means PNC Aust Pty Ltd (ACN 161 896 117), a wholly owned subsidiary of the Company.

**Prospectus** means this prospectus.

**Share** means a fully paid ordinary share in the capital of the Company.

**Shareholder** means a shareholder of the Company.

**VWAP** means volume weighted average price.



Broker Reference – Stamp Only

Fill out this Application form if you wish to apply for Shares in Tellus Resources Ltd

- Please read the Prospectus dated 22 August 2014.
- Follow the instructions to complete this Application form (see reverse)
- Print clearly in capital letters using black or blue pen.

Broker Code

Advisor Code

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<b>A</b> Number of shares you are applying for <div style="border: 1px solid black; height: 30px; width: 100%; margin-top: 5px;"></div>	X \$0.07 per share =	<b>B</b> Total amount payable <div style="border: 1px solid black; height: 30px; width: 100%; margin-top: 5px;"></div>
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[illegible]

**D** Write your postal address here

Number / Street







Suburb / Town



State



Postcode

<b>E</b>	<b>CHESS participant – Holder Identification Number (HIN)</b>	<p><i>Important please note if the name &amp; address details above in sections C &amp; D do not match exactly with your registration details held at CHESS, any Shares issued as a result of your application will be held on the Issuer Sponsored subregister.</i></p>										
	<table border="1" style="display: inline-table; border-collapse: collapse;"> <tr> <td style="width: 20px; height: 20px; text-align: center;">X</td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> <td style="width: 20px; height: 20px;"></td> </tr> </table>	X										
X												

**F** Enter your Tax File Number(s), ABN, or exemption category

<p>Applicant #1</p> <table border="1" style="width: 100%; height: 25px;"></table> <p>Applicant #3</p> <table border="1" style="width: 100%; height: 25px;"></table>	<p>Applicant #2</p> <table border="1" style="width: 100%; height: 25px;"></table>
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**G Cheque payment details – PIN CHEQUE(S) HERE**

Please enter details of the cheque(s) that accompany this application

Name of drawer of cheque	Cheque No.	BSB No.	Account No.	Cheque Amount A\$

<b>H</b> Contact telephone number (daytime/work/mobile) <input type="text"/> <input type="text"/>	<b>I</b> Email address) <input type="text"/>
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# Guide to the Application Form

## YOU SHOULD READ THE PROSPECTUS CAREFULLY BEFORE COMPLETING THIS APPLICATION FORM.

Please complete all relevant sections of the appropriate Application Form using BLOCK LETTERS.

These instructions are cross-referenced to each section of the Application Form.

### Instructions

- A. If applying for Shares insert the **number** of Shares for which you wish to subscribe at Item **A** (not less than 1,000 shares and then in multiples of 1,000 shares). Multiply by **\$0.03** AUD to calculate the total for Shares and enter the **\$amount** at B.
- B. Write your full name. Initials are not acceptable for first names.
- C. Enter your postal address for all correspondence. All communications to you from the Company will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered.
- D. If you are sponsored in CHESS by a stockbroker or other CHESS participant, you may enter your CHESS HIN if you would like the allocation to be directed to your HIN.  
**NB: your registration details provided must match your CHESS account exactly.**
- F. Enter your Australian tax file number ("TFN") or ABN or exemption category, if you are an Australian resident. Where applicable, please enter the TFN/ABN of each joint Applicant. Collection of TFN's is authorised by taxation laws. Quotation of your TFN is not compulsory and will not affect your Application Form.
- G. Complete cheque details as requested. Make your cheque payable to Tellus Resources Ltd Offer Account, cross it and mark it "Not Negotiable". Cheques must be made in Australian currency, and cheques must be drawn on an Australian Bank.
- H. Enter your contact details so we may contact you regarding your Application Form or Application Monies.
- I. Enter your email address so we may contact you regarding your Application Form or Application Monies or other correspondence.

### Correct Forms of Registrable Title

Note that ONLY legal entities can hold the Shares. The Application must be in the name of a natural person(s), companies or other legal entities acceptable to the Company. At least one full given name and surname is required for each natural person.

Examples of the correct form of registrable title are set out below.

Type of Investor	Correct Form of Registrable Title	Incorrect Form of Registrable Title
Individual	Mr John David Smith	J D Smith
Company	ABC Pty Ltd	ABC P/L or ABC Co
Joint Holdings	Mr John David Smith & Mrs Mary Jane Smith	John David & Mary Jane Smith
Trusts	Mr John David Smith <J D Smith_Family A/C>	John Smith Family Trust
Deceased Estates	Mr Michael Peter Smith <Est Lte John Smith A/C>	John Smith (deceased)
Partnerships	Mr John David Smith & Mr Ian Lee Smith	John Smith & Son
Clubs/Unincorporated Bodies	Mr John David Smith <Smith Investment A/C>	Smith Investment Club
Superannuation Funds	John Smith Pty Limited <J Smith Super Fund A/C>	John Smith Superannuation Fund

### Lodgement

Mail your completed Application Form with cheque(s) attached to the following address:

#### Mailing address:

Tellus Resources Ltd  
PO Box 190,  
Rundle Mall,  
ADELAIDE SA 5000

#### Delivery address:

Tellus Resources Ltd  
Level 5, 70 Pirie Street  
ADELAIDE SA 5000

It is not necessary to sign or otherwise execute the Application Form.

**If you have any questions as to how to complete the Application Form, contact Computershare Limited on +61 (0)8 8236 2300**

#### Privacy Statement:

Computershare Limited advises that Chapter 2C of the Corporations Act 2001 (Cth) requires information about you as a shareholder (including your name, address and details of the shares you hold) to be included in the public register of the entity in which you hold shares. Information is collected to administer your share holding and if some or all of the information is not collected then it might not be possible to administer your share holding. Your personal information may be disclosed to the entity in which you hold shares. You can obtain access to your personal information by contacting us at the address or telephone number shown on the Application Form.

Our privacy policy is available on our website <http://www.computershare.com/au/help/Pages/privacy-policies.aspx#6>