

Tellus Resources Limited is an Australian-based oil & gas and mineral exploration company with licences in South Australia, Queensland and New South Wales. The Company also has oil interests in Utah, USA in a well established oil province.

Directors:

Robert Kennedy - **Chairman**

Carl Dorsch - **Managing Director**

Neil Young - **Non-Executive Director**

Issued Shares:

194,348,295 ordinary shares

Tellus Resources Ltd

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Extraordinary General Meeting Madagascan Project Acquisition

Tellus Resources Limited (TLU or the Company) wishes to advise that an Extraordinary General Meeting of Shareholders will be held on the 26th of September 2014 in relation to the Madagascan Project announced on 11th June 2014.

The relevant Notice of Meeting is attached and will be posted out today.

NOTICE OF GENERAL MEETING AND EXPLANATORY STATEMENT

A PROXY FORM IS ENCLOSED

General Meeting to be held at
Level 9, 211 Victoria Square, Adelaide, SA 5000 on
Friday, 26th September 2014 at 11:00am ACST

IMPORTANT NOTICE

This Notice of General Meeting and Explanatory Statement require your immediate attention. It should be read in its entirety.

If you are in doubt as to the course of action you should take and how you should vote, you should seek advice from your accountant, solicitor or other professional adviser without delay.

NOTICE OF GENERAL MEETING

Notice is hereby given that a General Meeting of Shareholders of Tellus Resources Ltd (**Tellus Resources** or **the Company**) will be held at Level 9, 211 Victoria Square, Adelaide, SA 5000 on Friday 26th September 2014, at 11:00am ACST.

The Explanatory Statement that accompanies and forms part of this Notice of General Meeting sets out the background information on the various matters to be considered. This Notice of General Meeting and Explanatory Statement should be read in their entirety.

AGENDA

ORDINARY BUSINESS

1. Approval to allot up to 85,000,000 Shares to CRJ, CCPL and PGL

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

'That for the purposes of ASX Listing Rule 7.1 and for all other purposes, approval is given for the Company to allot and issue up to 85,000,000 shares to Caravel Energy Limited (CRJ), Celtic Capital Pty Ltd (CCPL) and Parimont Global Limited (PGL) for the purposes and on the terms set out in the Explanatory Statement.'

Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 1 by CRJ, CCPL and PGL and their associates and any person who might obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

2. Ratification of Prior Issue of Shares

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

'That, for the purpose of ASX Listing Rule 7.4 and for all other purposes, the Shareholders ratify the allotment and issue of 4,500,000 Shares on the terms and conditions set out in the Explanatory Statement.'

Voting Exclusion Statement

The prior issue of shares quoted above were issued to Wentworth Global Capital Finance Pty Ltd (ABN: 11 155 410 843). The Company will disregard any votes cast on Resolution 2 by a person who participated in the issue and any associates of those persons. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or, it is cast by the person chairing the meeting as proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as the proxy decides.

3. Ratification of Prior Issue of Shares

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

'That, for the purposes of Listing Rule 7.4 and for all other purposes, the Shareholders ratify the allotment and issue of 2,000,000 Shares on the terms and conditions set out in the Explanatory Statement.'

Voting Exclusion Statement

The prior issue of shares quoted above were issued to Taycol Nominees Pty. Ltd. The Company will disregard any votes cast on Resolution 3 by a person who participated in the issue and any associates of that person. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or it is cast by the person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as their proxy decides.

4. Ratification of Prior Issue of Options

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

'That, for the purposes of Listing Rule 7.4 and for all other purposes, the Shareholders ratify the allotment and issue of 1,500,000 Options on the terms and conditions set out in the Explanatory Statement.'

Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 4 by a person who participated in the issue and any associates of that person. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or it is cast by the person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as their proxy decides.

5. Ratification of Prior Issue of Options

To consider and, if thought fit, to pass, with or without amendment, the following resolution as an **ordinary resolution**:

'That, for the purposes of Listing Rule 7.4 and for all other purposes, the Shareholders ratify the allotment and issue of 6,666,666 Options on the terms and conditions set out in the Explanatory Statement be ratified.'

Voting Exclusion Statement

The Company will disregard any votes cast on Resolution 5 by a person who participated in the issue and any associates of that person. However, the Company need not disregard a vote if it is cast by a person as a proxy for a person who is entitled to vote, in accordance with the directions on the Proxy Form, or it is cast by the person chairing the Meeting as a proxy for a person who is entitled to vote, in accordance with a direction on the Proxy Form to vote as their proxy decides.

Other Business

To transact any other business which may be properly brought before the meeting in accordance with the Company's Constitution and the Corporations Act.

Please note defined terms used in this Notice have the same meanings set out in the Glossary of Explanatory Memorandum.

Explanatory Statement

Shareholders are referred to the Explanatory Statement accompanying and forming part of this Notice of General Meeting.

Voting Entitlement

Pursuant to regulation 7.11.37 of the Corporations Regulations 2001, the Directors have determined that the shareholding of each shareholder for the purposes of ascertaining the voting entitlements for the General Meeting will be as it appears in the Share Register at 11:00 am ACST on Wednesday 24th September 2014.

Proxies

To vote by proxy, please complete and sign the enclosed Proxy Form and return by the time and in accordance with the instructions set out on the Proxy Form.

New sections 250BB and 250BC of the Corporations Act came into effect on 1 August 2011 and apply to voting by proxy on or after that date. Shareholders and their proxies should be aware of these changes to the Corporations Act, as they will apply to this General Meeting. Broadly, the changes mean that:

- (a) if proxy holders vote, they must cast all directed proxies as directed; and
- (b) any directed proxies which are not voted will automatically default to the Chair, who must vote the proxies as directed.

Further details on these changes are set out below.

Proxy vote if appointment specifies way to vote

Section 250BB(1) of the Corporations Act provides that an appointment of a proxy may specify the way the proxy is to vote on a particular resolution and, if it does:

- (a) the proxy need not vote on a show of hands, but if the proxy does so, the proxy must vote that way (i.e. as directed); and
- (b) if the proxy has 2 or more appointments that specify different ways to vote on the resolution – the proxy must not vote on a show of hands; and
- (c) if the proxy is the chair of the meeting at which the resolution is voted on – the proxy must vote on a poll, and must vote that way (i.e. as directed); and
- (d) if the proxy is not the chair – the proxy need not vote on the poll, but if the proxy does so, the proxy must vote that way (i.e. as directed).

Transfer of non-chair proxy to chair in certain circumstances

Section 250BC of the Corporations Act provides that, if:

- (a) an appointment of a proxy specifies the way the proxy is to vote on a particular resolution at a meeting of the Company's members; and
- (b) the appointed proxy is not the chair of the meeting; and
- (c) at the meeting, a poll is duly demanded on the resolution; and
- (d) either of the following applies:
 - (i) the proxy is not recorded as attending the meeting;
 - (ii) the proxy does not vote on the resolution,

the chair of the meeting is taken, before voting on the resolution closes, to have been appointed as the proxy for the purposes of voting on the resolution at the meeting.

General

A member entitled to attend and vote at the General Meeting is entitled to appoint not more than two proxies to attend and vote at the General Meeting.

Where more than one proxy is appointed and the appointment does not specify the proportion or number of the member's votes, each proxy may exercise half of the votes. A proxy may, but need not be, a member of Tellus Resources.

Appointment of a proxy by a member who is a corporation must be executed in accordance with section 127 of the Corporations Act.

A Proxy Form accompanies this Notice of General Meeting.

To be effective, the completed proxy together with the power of attorney (if any) under which it is signed, must be received at the Company's corporate registry, Computershare Investor Services Pty Limited, at one of the addresses or the facsimile number below no later than 48 hours before the commencement of the meeting:

- (a) By Mail: Computershare Investor Services Pty Limited, GPO Box 242, Melbourne VIC 3001 Australia
- (b) By Facsimile: 1800 783 447 (within Australia), +61 3 9473 2555 (outside Australia)
- (c) Custodians: Intermediary Online subscribers only www.intermediaryonline.com.au

Any proxy form received later than 48 hours before the commencement of the meeting will not be valid for the meeting.

Corporate Representative

If a representative of a corporate shareholder is to attend the meeting you will need to provide the completed appropriate "Certificate of Appointment of Corporate Representative". A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

By order of the Board

A handwritten signature in black ink, appearing to read "Dorsch", is written over a faint, light blue rectangular background.

CARL DORSCH
Managing Director

Date: 26 August 2014

EXPLANATORY STATEMENT

Introduction

This Explanatory Statement has been prepared for the information of shareholders in relation to the business to be conducted at the General Meeting to be held at Level 9, 211 Victoria Square, Adelaide, SA, 5000 on Friday 26th September 2014 at 11:00 am ACST.

This Explanatory Statement should be read in conjunction with the accompanying Notice of Meeting. This Explanatory Statement is to provide shareholders with information that is reasonably required by them to decide how to vote upon the resolution.

A number of words or terms used in this Explanatory Statement have defined meanings, which are set out in the Glossary.

1. Approval to allot up to 85,000,000 Shares to CRJ, CCPL and PGL (Resolution 1)

1.1 General

As announced to the market on 11 June 2014, the Company has entered into a sale and purchase agreement (**SPA**) to acquire an interest and rights to acquire further interests in PetroMad, which owns Block 3114 in the Morondava basin in Southern Madagascar (**Block**), from CRJ (**Acquisition**) in return for the issue of Shares in the Company.

The passing of Resolution 1 will allow the Directors to issue all of the Shares agreed to be issued under the SPA during the 3 month period after the General Meeting (or a longer period, if allowed by ASX), without using the Company's annual 15% placement capacity imposed under Listing Rule 7.1.

In considering whether to vote in favour of Resolution 1, Shareholders should carefully consider the information below to this Explanatory Statement.

1.2 SPA

Rights to be Acquired by the Company

Under the SPA, the Company has (subject to the conditions referred to below) agreed to acquire:

- (a) 100 shares (**Sale Shares**) which CRJ beneficially owns in PetroMad;
 - (b) all of CRJ's right, title and interest in a share sale and shareholders agreement between CRJ, PetroMad and RER dated 10 April 2012 (**SSSA**); and
 - (c) all of CRJ's right, title and interest in certain petroleum information relating to the Project,
- (together, the **Sale Assets**).

PetroMad owns a 100% interest in the Block and is a party to a production sharing contract (**PSC**) in relation to the Block with OMNIS.

The Sale Shares comprise 25% of the issued ordinary shares in PetroMad as at the date of this Notice of Meeting. The remaining 75% of the issued ordinary shares in PetroMad as at the date of this Notice of Meeting are owned by RER. CRJ has provided warranties to the Company to the effect that the share capital structure of PetroMad will not change prior to Completion or after Completion as a result of any agreement or arrangement entered into prior to Completion.

Under the SSSA, CRJ has rights to acquire up to a further 55% of the issued ordinary shares in PetroMad from RER by successfully completing staged work programs in relation to the Block. Further details of these rights are set out below.

Consideration

The agreed consideration payable by the Company under the SPA for the Acquisition is:

- (a) the assumption of CRJ's obligations under the SSSA which arise on or after Completion;

- (b) the issue and allotment of 54,000,000 Shares to CRJ (**CRJ Consideration Shares**);
- (c) the issue and allotment of 20,000,000 Shares to a creditor of CRJ, Celtic Capital Pty Ltd (**CCPL**), pursuant to a debt conversion and release agreement to be entered into between CRJ and CCPL; and
- (d) the issue and allotment of 5,000,000 Shares to a second creditor of CRJ, Parimont Global Limited (**PGL**), pursuant to a debt conversion and release agreement to be entered into between CRJ and PGL.

In addition, the Company has agreed to issue and allot a further 6,000,000 Shares to CRJ (**Additional CRJ Consideration Shares**) if (and conditional upon) CRJ effecting the *in-specie* dividend distribution described in the next paragraph. Should CRJ not effect that *in-specie* dividend then the Company has no obligation to issue the Additional CRJ Consideration Shares.

Accordingly, under the SPA (and subject to Completion thereunder occurring), the minimum number of Shares to be issued in consideration of the Sale Assets is 79,000,000 Shares and the maximum number is 85,000,000.

Requirement for in specie dividend of CRJ Consideration Shares

Under the SPA, CRJ is required, subject to obtaining any required shareholder or regulatory approvals, to make an *in specie* dividend of the CRJ Consideration Shares, to CRJ's shareholders as soon as reasonably practicable and, in any event, within 3 months of Completion. If the Additional CRJ Consideration Shares are allotted to CRJ, there is no obligation imposed on CRJ to make an *in-specie* dividend in respect of these shares.

If CRJ does not make the *in specie* dividend within 3 months of Completion, then CRJ is required to pay the Company \$100,000 (without limiting CRJ's obligation to make the dividend).

A parcel of shares will also be issued to the company's corporate adviser (Taylor Collison) upon Completion being 3% (exclusive of GST) of the enterprise value of the acquired assets.

Conditions to Completion

Completion under the SPA is conditional upon:

- (a) RER consenting to the assignment of the Sale Assets to the Company and executing a deed of assignment and assumption to effect the assignment of CRJ's right, title and interest in the SSSA to, and the assumption of CRJ's obligations under the SSSA by, the Company;
- (b) each of the Company and CRJ obtaining all shareholder approvals required under its constitution, the ASX Listing Rules and/or the Corporations Act in order to enter into and complete the transactions contemplated by the SPA;
- (c) the debt conversion and release agreements referred to above being executed by CCPL and the Company and PGL and the Company respectively;
- (d) the SSSA being in force and effect as at Completion; and
- (e) each of the warranties given by CRJ in favour of the Company being true and correct as at Completion.

Conditions (a) and (c) have been satisfied.

Requirement for Madagascan authority consent

The Acquisition is subject to consent from OMNIS and the Minister of Mines.

Under the SPA, CRJ has agreed to give the Company all assistance that is reasonably required by the Company to obtain all consents and approvals from the Madagascan authorities which are necessary for the Company to acquire an ownership interest in PetroMad.

1.3 Rights to Acquire Further Interests in PetroMad

Subject to the conditions noted below, the SSSA allows CRJ to acquire from RER:

- (a) a further 26% of the issued ordinary shares of PetroMad (**Second Earn-In Interest**) by funding US\$5,000,000 of PetroMad expenditure.

- (b) a further 19% of the issued ordinary shares of PetroMad (**Third Earn-In Interest**) by funding US\$9,000,000 of PetroMad expenditure.
- (c) a further 10% of the issued ordinary shares of PetroMad (**Fourth Earn-In Interest**) by:
 - (i) identifying hydrocarbon reserves of at least 100 million barrels of oil on the Block, as independently verified by a suitably qualified independent person agreed between CRJ, PetroMad and RER; and
 - (ii) issuing to RER US\$20,000,000 in cash or fully paid ordinary shares in CRJ (at RER's election), where the issue price of the fully paid ordinary shares in CRJ will be determined by reference to the volume weighted average price of fully paid ordinary shares in CRJ as quoted on the ASX over the five trading days immediately after CRJ receiving the report from the independent person referred to in sub-paragraph (i) above.

Each of the requirements to obtain the Second Earn-In Interest and Third Earn-In Interest are intended to reflect the minimum work obligations in relation to the Block under the PSC. The acquisition of each of these interests is conditional on the applicable requirements being completed within the time required for the corresponding minimum work obligations under the PSC (as may be varied by OMNIS from time to time).

The Third Earn-In Interest is also conditional on the Second Earn-In Interest being obtained.

The acquisition of the Fourth Earn-In Interest is conditional on the requirements to obtain that interest being completed on or before 9 July 2015.

The Fourth Earn-In Interest is also conditional on both the Second Earn-In Interest and Third Earn-In Interest being obtained.

If CRJ does not spend the amounts required to earn the Second Earn-In Interest or Third Earn-In Interest by the time required to complete each of the applicable requirements to earn the relevant interest (each, a **Deadline Date**), then RER may, within 6 months of the applicable Deadline Date, buy back CRJ's then current interest in PetroMad by the repayment of the expenditure incurred by CRJ on the Block, except the amount paid to acquire the 25% of the issued ordinary shares in PetroMad which CRJ currently owns.

As noted above, the Sale Assets which the Company is proposing to acquire pursuant to the Acquisition include CRJ's rights under the SSSA. If Completion occurs, the shares required to be issued to RER under paragraph (c)(ii) above will be fully paid ordinary shares in the Company rather than CRJ.

1.4 Block 3114

Block 3114 is a 10,160 square kilometre block in the Morondava Basin in the south-west of Madagascar.

Expiry Date of Permit	As per Section 1.5 below
Basin	Morondava
Location	Southern Madagascar
Size	10,160 km ²
Play Type	Gas/Oil
Comments	Conventional play

1.5 Production Sharing Contract

The PSC regulates PetroMad's petroleum activities in relation to the Block.

The PSC provides for an exploration period of 8 years with minimum work obligations reflected in the SSSA, as summarised above.

If a commercial petroleum discovery is made within the exploration period, the PSC provides that the location of the discovery will be subject to a separate title to be obtained by OMNIS which authorises production of the petroleum the

subject of the discovery. If the discovery is of natural gas, the separate title will be for 35 years. If the discovery is of any other form of petroleum, the separate title will be for 25 years.

The PSC provides for the sharing of “profit petroleum” obtained from the Block between PetroMad and the OMNIS. Profit petroleum is, in essence, the difference between the total quantity of petroleum obtained from the Block and the quantity of petroleum obtained from the Block to cover PetroMad’s costs of extracting it and royalty payments to OMNIS. Profit petroleum is shared as follows, based on the daily mean volume produced calculated on a monthly basis. Where the discovery is of natural gas, the calorific equivalent of the below production rates is applied.

Daily mean volume calculated on a monthly basis (barrels per day)	Madagascan Government Portion	PetroMad’s Portion
Less than 20,000 bpd	10%	90%
Equal to or greater than 20,000 bpd and less than 40,000 bpd	20%	80%
Equal to or greater than 40,000 bpd and less than 60,000 bpd	30%	70%
Equal to or greater than 60,000 bpd and less than 80,000 bpd	40%	60%
Equal to or greater than 80,000 bpd and less than 100,000 bpd	50%	50%
Equal to or greater than 100,000 bpd	60%	40%

1.6 Advantages of the Acquisition

The Directors are of the view that the following non-exhaustive list of advantages may be relevant to a Shareholder’s decision on how to vote on Resolution 1:

- (a) The Acquisition represents a significant investment opportunity for the Company to acquire a large scale drill-ready onshore oil exploration asset at an attractive price.
- (b) The Acquisition represents a significant opportunity for the Company to increase the scale of its activities which would increase the number and size of potential investors in the Company and hence improve liquidity in the trading of its securities and increase the range of potential investors for future fund raising efforts.

1.7 Disadvantages of the Acquisition

The Directors are of the view that the following non-exhaustive list of disadvantages may be relevant to a Shareholder’s decision on how to vote on Resolution 1:

- (a) Existing shareholders will have their percentage ownership of the Company and its existing assets diluted by the issue of Shares to third parties.
- (b) Exploration efforts in Madagascar could be unsuccessful due to a number of factors ranging from geology to local politics.
- (c) The Company will require further funds to meet its share of the exploration costs and the commitments under the PSC. The ability of the Company to procure such funds will depend on a number of factors outside its control, such as the status of financial markets.

1.8 Balance of Advantages and Disadvantages of the Acquisition

The Directors consider that the advantages of the Acquisition clearly outweigh its disadvantages.

1.9 Additional Information for Shareholders

When the proposed issue of the Shares will occur

The Company will issue and allot a total of 79,000,000 Shares to CRJ, CCPL, and PGL on Completion. Subject to Shareholders approving Resolution 1, the Company anticipates that Completion will occur on or around 25 October 2014.

The Company will issue and allot the Additional CRJ Consideration Shares to CRJ within 5 business days after the date on which CRJ completes the *in-specie* dividend distribution referred to paragraph 1.2 above. If CRJ does not complete that *in-specie* dividend distribution, then the Company has no obligation to issue the Additional CRJ Consideration Shares to CRJ.

Reasons for the proposed issue of Shares.

The reasons for the proposed issue of Shares the subject of Resolution 1 is to provide consideration to CRJ for the sale and purchase of the Sale Assets under the SPA.

Information about CRJ and its associates

CRJ is a public Australian company incorporated in New South Wales on 30 March 2006 and listed on ASX.

The directors of CRJ are Matthew Wood, Brian McMaster and RER and the secretary of CRJ is Jonathan Hart.

CRJ not associated with CCPL or PGL

The Company has been advised that CRJ is not related or associated in any way with either CCPL or PGL, and there is no contract or arrangement existing between those parties (or proposed to be entered into) for them to act in concert in connection with matters relating to the Company.

Changes in Voting Power of CRJ and its associates as a result of the Acquisition

As at the date of this Notice, neither CRJ nor any of its associates have a relevant interest in any Shares in the Company or, therefore, any voting power in the Company.

As a result of the issue of CRJ Consideration Shares to CRJ under the SPA, CRJ will acquire a relevant interest in 54,000,000 Shares in the Company.

Assuming:

- (a) Resolution 1 in this Notice of Meeting is passed and implemented;
- (b) no Shares are issued other than the Shares issued pursuant to Resolution 1; and
- (c) neither CRJ nor any of its associates acquires any issued Shares in the Company other than the 54,000,000 Shares to be issued under the SPA,

then:

- (d) CRJ's relevant interest in the CRJ Consideration Shares will represent 19.76% of the issued ordinary Shares in the Company;
- (e) CRJ's voting power in the Company as a result of the Acquisition will increase from 0% to 19.76%; and
- (f) the voting power of CRJ's associates in the Company prior to the Acquisition (0%) will not change as a result of the Acquisition.

In specie dividend of CRJ Consideration Shares after the Acquisition

Under the SPA, CRJ is required, subject to it obtaining any required shareholder or regulatory approvals, to make an in specie dividend of all of the CRJ Consideration Shares to CRJ's shareholders as soon as reasonably practicable and, in any event, within 3 months of Completion.

If the in specie dividend is made, and neither CRJ nor any of its associates acquire any new or issued Shares in the Company after Completion of the Acquisition but prior to the dividend being made, then CRJ voting power in the Company will only arise in respect of the Additional CRJ Consideration Shares (which as noted above, are to be issued and allotted to CRJ within 5 business days of the *in-specie* dividend being completed).

If CRJ does not make the *in-specie* dividend within 3 months of Completion, then CRJ is required to pay the Company \$100,000 (without limiting CRJ's obligation to make the dividend).

Other relevant agreements

Aside from the SPA, there are no other contracts or proposed contracts between the Company and CRJ or any of their respective associates which are conditional upon, or directly or indirectly dependent on, the issue and allotment of the CRJ Consideration Shares to CRJ

1.10 Technical Information Required by ASX Listing Rule 7.3

Listing Rule 7.3 requires that the following information is provided when seeking an approval pursuant to Listing Rule 7.3:

- (a) The number of Shares to initially be issued to **CRJ** is 54,000,000 Shares (which it is then contractually required to distribute in-specie to its shareholders). A further 20,000,000 Shares are to be issued to **CCPL** and a further 5,000,000 Shares are to be issued to **PGL**. Both **CCPL** and **PGL** are unrelated parties to **CRJ**. Conditional upon and following the in specie distribution of the 54,000,000 CRJ Consideration Shares, the company will issue a further 6,000,000 shares to **CRJ**. Accordingly, the maximum number of shares to be issued to these three parties totals 85,000,000.
- (b) the Shares will be issued no later than 3 months after the date of the Extraordinary General Meeting (or such later date to the extent permitted by any ASX waiver or modification of the ASX Listing Rules) and it is intended that allotment of the CRJ Consideration Shares and the Shares to be issued to CCPL and PGL will occur on the same date. If the condition to the allotment of the Additional CRJ Consideration Shares is satisfied, then it is intended that those Shares will be allotted as soon as practicable after the satisfaction of that condition;
- (c) None of CRJ, CCPL and PGL is a related party of the Company;
- (d) the Shares will be fully paid ordinary shares in the capital of the Company and will rank equally with the Company's current issued Shares; and
- (e) the Shares will be issued for nil cash consideration as they are being issued in consideration for the Sale Assets.

1.11 Directors' interests and recommendations

Other than the interest they may have in their capacity as Shareholders (which interest is held in common with all other Shareholders), the Directors do not have any interests in the outcome of Resolution 1

The Directors unanimously recommend that shareholders vote in favour of Resolution 1.

The Chairman of the Meeting intends to vote undirected proxies in favour of Resolution 1.

Ratification of Prior Issue of Shares (Resolution 2)

General

The Company entered into an Agreement with Wentworth Global Capital Partners Pty. Ltd. on 1 November 2013 for the introduction to the Company of the Covenant Mondo Project. Part of the consideration due to Wentworth under that Agreement was the issue of 4,500,000 Shares for nil consideration.

Resolution 2 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of these placement Shares.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

Technical information required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to this Resolution 2:

- (a) 1,472 Shares were allotted and issued on 29 January 2014, 2,250,000 Shares were allotted and issued on 5 March 2014 and the remaining 2,248,528 shares were allotted and issued on 16 July 2014;
- (b) the issue price was \$0.00 per Share;
- (c) the Shares issued are fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;

If Resolution 2 is not passed

The Company was not required, under Listing Rule 7.1, to seek member approval prior to the issue of Shares described in Resolution 2.

If Shareholders do not approve Resolution 2, it will not invalidate the placement. However, the issue of Shares will be part of the Company's 15% limit and so will reduce the Company's ability to issue further equity securities in the 12 month period subsequent to the issue, unless member approval is obtained for the issue or the issue falls within another exception in the Listing Rules.

The Directors unanimously recommend that shareholders vote in favour of Resolution 2.

The Chairman of the Meeting intends to vote undirected proxies in favour of Resolution 2.

Ratification of Prior Issue of Shares (Resolution 3)

General

The Company entered into an Agreement with T.C. Corporate Pty. Ltd. (ABN : 31 075 963 352) on 6 June 2014 for corporate and financial advisory services, the consideration for which was the issue of 2,000,000 Shares to Taycol Nominees Pty Ltd for nil consideration.

Resolution 3 seeks Shareholder ratification pursuant to ASX Listing Rule 7.4 for the issue of these placement Shares.

ASX Listing Rule 7.1 provides that a company must not, subject to specified exceptions, issue or agree to issue more equity securities during any 12 month period than that amount which represents 15% of the number of fully paid ordinary securities on issue at the commencement of that 12 month period.

ASX Listing Rule 7.4 sets out an exception to ASX Listing Rule 7.1. It provides that where a company in general meeting ratifies the previous issue of securities made pursuant to ASX Listing Rule 7.1 (and provided that the previous issue did not breach ASX Listing Rule 7.1) those securities will be deemed to have been made with shareholder approval for the purpose of ASX Listing Rule 7.1.

By ratifying this issue, the Company will retain the flexibility to issue equity securities in the future up to the 15% annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

Technical information required by ASX Listing Rule 7.4

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to this Resolution 3:

- (a) 2,000,000 Shares were allotted and issued on 16 July 214;
- (b) the issue price was \$0.00 per Share;
- (c) the Shares issued are fully paid ordinary shares in the capital of the Company issued on the same terms and conditions as the Company's existing Shares;

If Resolution 3 is not passed

The Company was not required, under Listing Rule 7.1, to seek member approval prior to the issue of Shares described in Resolution 3.

If Shareholders do not approve Resolution 3, it will not invalidate the placement. However, the issue of Shares will be part of the Company's 15% limit and so will reduce the Company's ability to issue further equity securities in the 12 month period subsequent to the issue, unless member approval is obtained for the issue or the issue falls within another exception in the Listing Rules.

The Directors unanimously recommend that shareholders vote in favour of Resolution 3.

The Chairman of the Meeting intends to vote undirected proxies in favour of Resolution 3.

Ratification of Prior Issue of Options (Resolution 4)

Pursuant to Resolution 4, Shareholder approval is sought for the purposes of Listing Rule 7.4 and for all other purposes to ratify the grant 1,500,000 Options to Mr Robert Lord. The Options were granted under an Agreement with Mr Lord under which he supported the Company's capital raisings in 2013.

By ratifying the grant of these Options, the Company will retain the flexibility to issue equity securities in the future up to the annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

Prescribed information

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to this Resolution 4:

- (a) 1,500,000 Options were allotted and issued on 5 March 214 to Robert Lord;
- (b) no consideration was payable for the grant of the Options;
- (c) each of the Options have an exercise price of \$0.20 per Option with an expiry date of 17 December 2017. There are no vesting conditions attaching to the Options and the Shares to be issued upon the exercise of the Options will rank equally with all existing Shares then on issue. The Options are not be quoted, however the Company will apply to ASX for quotation of Shares issued on exercise of Options; and
- (d) no funds were raised from the grant of the Options and any proceeds raised from the exercise of the Options will be used to fund general working capital requirements.

If Resolution 4 is not passed

The Company was not required, under Listing Rule 7.1, to seek member approval prior to the issue of Options described in Resolution 4.

If Shareholders do not approve Resolution 4, it will not invalidate the placement. However, the issue of Options will be part of the Company's 15% limit and so will reduce the Company's ability to issue further equity securities in the 12 month period subsequent to the issue, unless member approval is obtained for the issue or the issue falls within another exception in the Listing Rules.

The Directors unanimously recommend that shareholders vote in favour of Resolution 4.

The Chairman of the Meeting intends to vote undirected proxies in favour of Resolution 4.

Ratification of Prior Issue of Options (Resolution 5)

Pursuant to Resolution 5, Shareholder approval is sought for the purposes of Listing Rule 7.4 and for all other purposes to ratify the grant of 6,666,666 Options to a number of sophisticated investors. The Options were granted as an agreed component of a recent capital raise in which options were attached to placement Shares. For every 2 Shares issued at 6c a bonus option was issued at a strike price of 10c, expiring on 31 December 2015.

By ratifying the grant of these Options, the Company will retain the flexibility to issue equity securities in the future up to the annual placement capacity set out in ASX Listing Rule 7.1 without the requirement to obtain prior Shareholder approval.

Prescribed information

Pursuant to and in accordance with ASX Listing Rule 7.5, the following information is provided in relation to this Resolution 5:

- (a) 6,666,666 Options were allotted and issued on 17 April 2014 to a number of sophisticated investors;
- (b) no consideration was payable for the grant of the Options;
- (c) each of the Options have an exercise price of \$0.10 per Option with an expiry date of 31 December 2015. There are no vesting conditions attaching to the Options and the Shares to be issued upon the exercise of the Options will rank equally with all existing Shares then on issue. The Options are not be quoted, however the Company will apply to ASX for quotation of Shares issued on exercise of Options; and
- (d) no funds were raised from the grant of the Options and any proceeds raised from the exercise of the Options will be used to fund general working capital requirements.

If Resolution 5 is not passed

The Company was not required, under Listing Rule 7.1, to seek member approval prior to the issue of Options described in Resolution 5.

If Shareholders do not approve Resolution 5, it will not invalidate the placement. However, the issue of Options will be part of the Company's 15% limit and so will reduce the Company's ability to issue further equity securities in the 12 month period subsequent to the issue, unless member approval is obtained for the issue or the issue falls within another exception in the Listing Rules.

The Directors unanimously recommend that shareholders vote in favour of Resolution 5.

The Chairman of the Meeting intends to vote undirected proxies in favour of Resolution 5.

GLOSSARY OF TERMS

In this Explanatory Statement the following expressions have the following meanings:

Acquisition is defined in section 1.1 of the part of the Explanatory Statement relating to Resolution 1.

Additional CRJ Consideration Shares means 6,000,000 Shares (being those Shares which the Company is obliged under the SPA to issue to CRJ within 5 business days of CRJ completing the in-specie dividend distribution referred to in section 1.1 of the part of the Explanatory Statement relating to Resolution 1).

ASIC means the Australian Securities and Investments Commission.

ASX means Australian Securities Exchange operated by ASX Ltd.

Block (or Block 3114) is defined in section 1.1 of the part of the Explanatory Statement relating to Resolution 1.

Board means the board of directors of the Company.

CCPL means Celtic Capital Pty Ltd

Company means Tellus Resources Ltd (ACN 144 733 595).

Completion means completion of the Acquisition under the SPA.

Constitution means the Constitution of the Company.

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

CRJ means Caravel Energy Limited (ABN 38 119 047 693).

CRJ Consideration Shares means 54,000,000 Shares.

Director means a director of the Company.

General Meeting or **Meeting** means the general meeting of shareholders of the Company, convened by this Notice.

Listing Rules means the listing rules of the ASX.

Notice or **Notice of Meeting** means the notice of general meeting which accompanies this Explanatory Statement.

OMNIS means Office des Mines Nationales et des Industries Strategiques.

Option means an option to acquire a Share.

PGL means Parimont Global Limited

PetroMad means PetroMad (Mauritius) Limited, an entity incorporated in Mauritius with registered number 093074 C2/GBL.

Purchaser Shares is defined in section 1.2 of the part of the Explanatory Statement relating to Resolution 1.

RER means Roseline Emma Rasolovoahangy.

Resolution means a resolution referred to in the Notice of Meeting.

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

Shareholder means a holder of a Share.

VWAP means the volume-weighted average price of Shares traded on ASX over a specified period.

Lodge your vote:



By Mail:

Computershare Investor Services Pty Limited
GPO Box 242 Melbourne
Victoria 3001 Australia

Alternatively you can fax your form to
(within Australia) 1800 783 447
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only
(custodians) www.intermediaryonline.com

For all enquiries call:

(within Australia) 1300 556 161
(outside Australia) +61 3 9415 4000

Proxy Form

For your vote to be effective it must be received by 11:00am (CST) Wednesday 24 September 2014

How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

Appointment of Proxy

Voting 100% of your holding: Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote or abstain as they choose (to the extent permitted by law). If you mark more than one box on an item your vote will be invalid on that item.

Voting a portion of your holding: Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

Appointing a second proxy: You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

A proxy need not be a securityholder of the Company.

Signing Instructions

Individual: Where the holding is in one name, the securityholder must sign.

Joint Holding: Where the holding is in more than one name, all of the securityholders should sign.

Power of Attorney: If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held. Delete titles as applicable.

Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at www.investorcentre.com under the help tab, "Printable Forms".

Comments & Questions: If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

Turn over to complete the form ➔



View your securityholder information, 24 hours a day, 7 days a week:

www.investorcentre.com



Review your securityholding



Update your securityholding

Your secure access information is:

SRN/HIN:



PLEASE NOTE: For security reasons it is important that you keep your SRN/HIN confidential.

☐

Change of address. If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.

Proxy Form

Please mark ☒ to indicate your directions

STEP 1 Appoint a Proxy to Vote on Your Behalf

I/We being a member/s of Tellus Resources Ltd hereby appoint

☐

the Chairman
of the Meeting **OR**



PLEASE NOTE: Leave this box blank if you have selected the Chairman of the Meeting. Do not insert your own name(s).

or failing the individual or body corporate named, or if no individual or body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the General Meeting of Tellus Resources Ltd to be held at the office of Johnson Winter Slattery Lawyers, Level 9, 211 Victoria Square, Adelaide SA 5000 on Friday, 26 September 2014 at 11:00am (CST) and at any adjournment or postponement of that meeting.

STEP 2 Items of Business



PLEASE NOTE: If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

ORDINARY BUSINESS

		For	Against	Abstain
1	Approval to allot up to 85,000,000 Shares to CRJ, CCPL and PGL	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	Ratification of Prior Issue of 4,500,000 Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Ratification of Prior Issue of 2,000,000 Shares	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Ratification of Prior Issue of 1,500,000 Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	Ratification of Prior Issue of 6,666,666 Options	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business. In exceptional circumstances, the Chairman of the Meeting may change his/her voting intention on any resolution, in which case an ASX announcement will be made.

SIGN

Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact
Name

Contact
Daytime
Telephone

Date / /



TLU

240914A

Computershare +