

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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Website:

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Attention: Carl Dorsch

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Carl.Dorsch@tellusresources.com.au

Further Resource Report on Madagascar

Tellus Resources Limited ("TLU" or "the Company") is pleased to announce that it has received a further report from Denver based MHA Petroleum Consultants LLC ("MHA") following on from the announcement on 25 July 2014.

This follows a request from the Company to MHA to provide a report on the prospective resources for the Caravel Fault Block Prospect as well as the report on the previously provided Betioky drill ready play. The report is attached and available also on the Company's website through the following link: www.tellusresources.com.au

MHA have estimated the risked prospective recoverable resources in the Caravel Prospect – the results are summarized below.

Interest	Low (mmstb)	Best (mmstb)	High (mmstb)
25%	1.0	4.1	12.9
80%	3.0	13.0	41.1
100%	3.8	16.3	51.4
TOTAL (Betioky + Caravel)			
25%	3.6	13.8	40.1
80%	11.4	44.1	128.0
100%	14.3	55.2	160.0

The estimated quantities of petroleum (million standard barrels of oil – mmstb) that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons. The basis of risking is discussed in the MHA report.

As advised to the market on 11 June 2014, TLU has entered into a binding Agreement to acquire a 25% interest (with the right to acquire up to an 80% interest) in this block for the issuance of 85M TLU shares, subject to shareholder approval. A General Meeting of Shareholders will be held on 26 September to seek that approval.

The Company further advises that a report on its prospective resources across the Utah, Cooper Basin and Madagascan assets is being prepared and will be lodged shortly.

Carl Dorsch, the Company's Managing Director, said that *"MHA's report provides the Company with further encouragement on its material prospective resource base in onshore Madagascar. Importantly, these numbers are being added to the other resources in the Tellus portfolio and we are looking forward to announcing these shortly."*

Note: the Competent Person's Statement is set out in the attached MHA report.

29 August 2014

Mr. Carl Dorsch
Managing Director
Tellus Resources Ltd
Level 5
70 Pirie Street
Adelaide, SA, 5000
ABN: 35 144 733 595
Email: carl.dorsch@tellusresources.com.au



Dear Mr. Dorsch:

Per your request, MHA has estimated prospective oil resources in the Caravel lead located in Block 3114 Madagascar. These prospective resources, compliant with the PRMS Guidelines (November 2011) which are attached, were calculated volumetrically in a series of Monte Carlo realizations driven by data provided by Caravel Energy Ltd (CRJ), PetroMad Mauritius Ltd, (PetroMad), Tellus Resources Ltd (TLU) and augmented with public domain information where necessary. The best estimate of prospective resources for the Caravel lead is the P50 value of 16.3 mmstb.

Geoscience, engineering, and Monte Carlo details of our work are discussed below.

The Caravel lead is a high-side fault trap in the block immediately east of the Betioky Prospect. Several seismic lines identify east dip away from a large down-to-the-west trapping normal fault (Figure 1). Because the reflection character in this block is not sufficiently distinct, an additional strike line is proposed for this lead. This strike line will be located to identify the culmination of the closure and the optimal location for the drill-site.

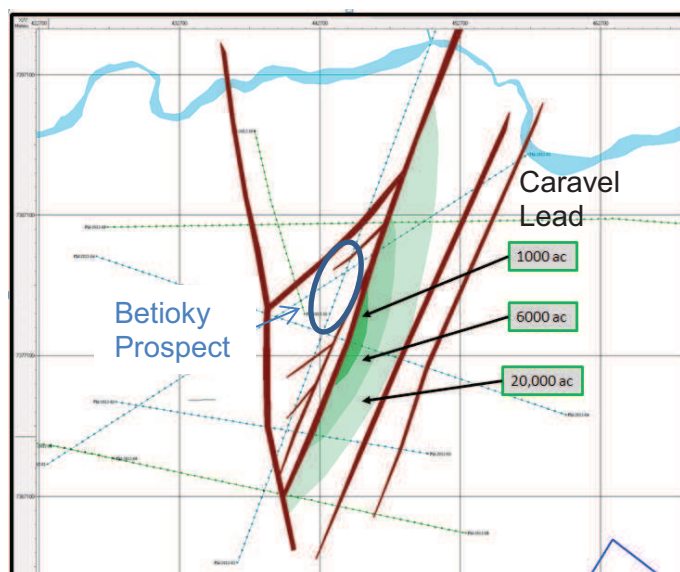


Figure 1 Location of the Caravel Lead

As with the Betioky Prospect, it appears that a vertical well will be able to test a very thick interval of prospective section in a crestal or near crestal position (Figure 2). As currently mapped, the lead area is about 40 square km (approximately 10,000 acres), although once the proposed delineation line is acquired, the new data and new mapping will require a revision in that areal size.

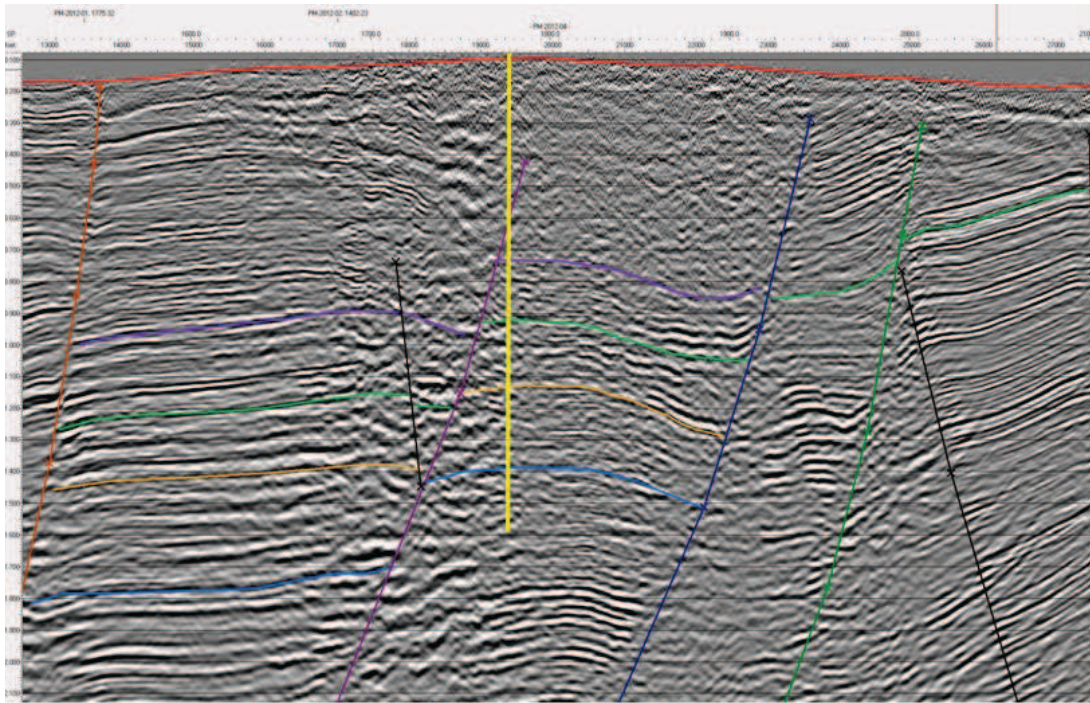


Figure 2 Caravel lead type line

Prospective resources in the Caravel lead prospect were estimated from a series of Monte Carlo realizations similar to the work done for the Betioky prospect. The same Crystal Ball input distributions were used with the exception of the area distribution. Per discussions with MHA geoscientists, the Caravel area distribution was triangular with minimum, most likely, and maximum values of 1,000 acres, 6,000 acres, and 20,000 acres (4 km², 24 km², and 81 km²), respectively. Details of the net thickness, porosity, water saturation, geometric factor, hydrocarbon risk factor, and oil formation volume factor distributions are provided in our letter to you dated 11 August 2014.

The risk of discovery captures the chance that an exploration well will encounter hydrocarbons. Data for the Caravel lead are sparser than for the Betioky prospect. Based on discussions with MHA geoscientists, risk of discovery for the Caravel lead was assumed to be 30%.

As the Caravel lead is located close to the Betioky prospect, it is believed to host similar hydrocarbons, and is subject to the same regulatory and commercial environment, risk of development for the Caravel lead was assumed to be 90%, the same as that of the Betioky prospect.

The gross prospective resource distribution for the Caravel lead, based on a series of 10,000 Crystal Ball realizations, is shown in Figure 3. The P90 value of 3.8 mmstb was taken as the low estimate, the P50 of 16.3 mmstb was used for the best estimate, and the P10 value of 51.4 mmstb provided the high estimate. The estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered

accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons. The effective date of these prospective resources is 4 August 2014.

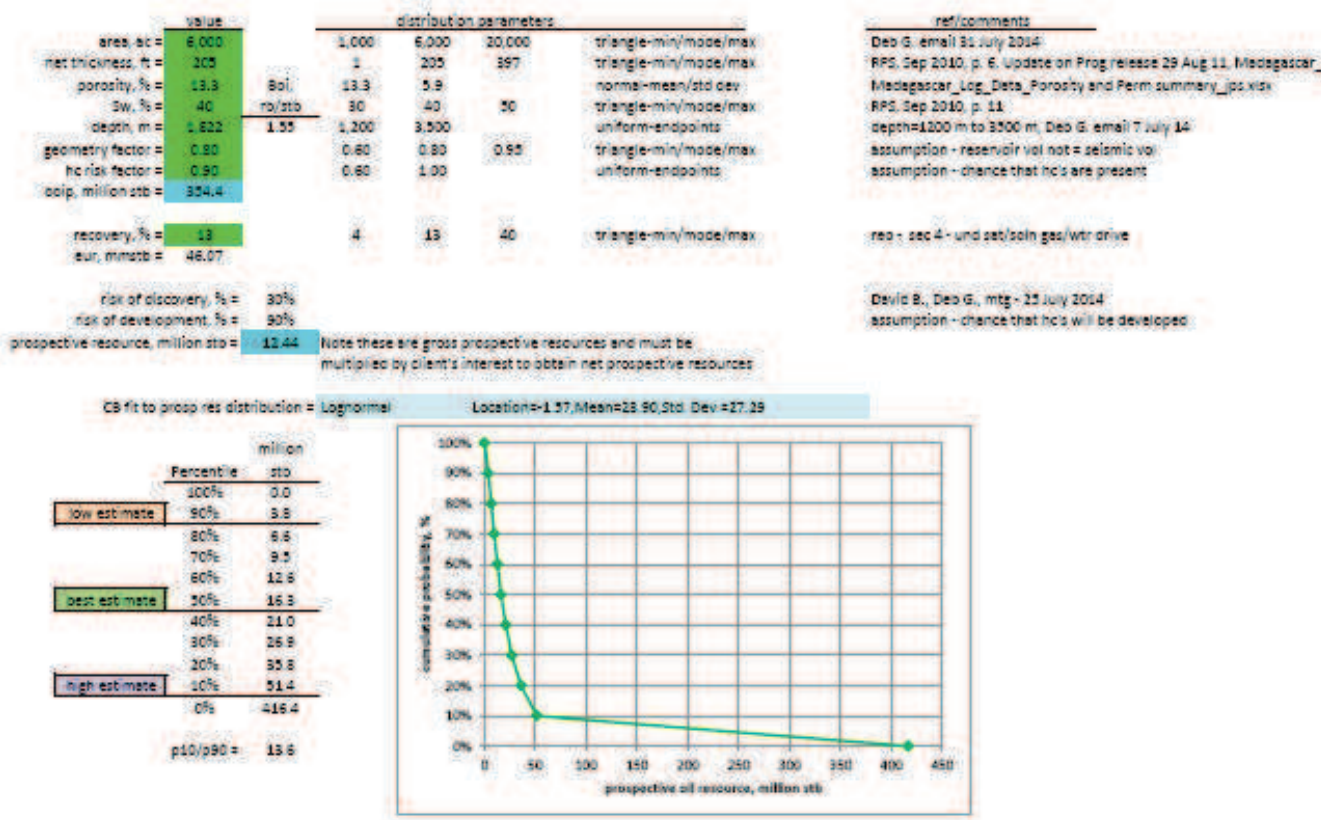


Figure 3 Caravel lead prospective oil resource distribution

Tellus Resources currently has a 25% working interest in Caravel, consequently, low, best, and high estimates of net prospective resources (Table 1) are 1.0 mmstb, 4.1 mmstb, and 12.9 mmstb, respectively.

In the future, Tellus Resources' working interest could rise as high as 80%, thus low, best, and high estimates of future net prospective resources are 3.0 mmstb, 13.0 mmstb, and 41.1 mmstb, respectively. This estimate of prospective petroleum resources must be read in conjunction with the cautionary statement on pages 2 and 3 that the estimated quantities of petroleum that may potentially be recovered by the application of a future development project(s) relate to undiscovered accumulations. These estimates have both an associated risk of discovery and a risk of development. Further exploration appraisal and evaluation is required to determine the existence of a significant quantity of potentially moveable hydrocarbons. The effective date of these prospective resources is 4 August 2014.

gross prospective resources

low	best	high
3.8	16.3	51.4

current WI = 25%

current net prospective resources

low	best	high
1.0	4.1	12.9

future WI = 80%

future net prospective resources

low	best	high
3.0	13.0	41.1

Table 1 Caravel lead prospective resource estimate summary (mmstb)

MHA Disclosure and Statement of Risk

The accuracy of resource, reserve, and economic evaluations is always subject to uncertainty. The magnitude of this uncertainty is generally proportional to the quantity and quality of data available for analysis. As a prospect, project, or well matures and new information becomes available, revisions may be required which may either increase or decrease the previous resource or reserve assignments. Sometimes these revisions may result not only in a significant change to the resources, reserves, and value assigned to a property, but also may impact the total company resources and reserves and economic status. The resources contained in this report were based upon a technical analysis of the available data using accepted engineering principles. However, they must be accepted with the understanding that further information and future reservoir performance subsequent to the date of the estimate may justify their revision. It is MHA's opinion that the estimated resources and other information as specified in this report are reasonable, and have been prepared in accordance with generally accepted petroleum engineering and evaluation principles. Notwithstanding the aforementioned opinion, MHA makes no warranties concerning the data and interpretations of such data. In no event shall MHA be liable for any special or consequential damages arising from Tellus Resources' use of MHA's interpretation, reports, or services produced as a result of its work for Tellus Resources Ltd Company.

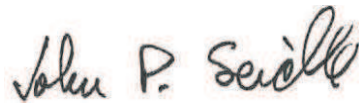
Neither MHA, nor any of our employees have any interest in the subject properties and neither the employment to do this work, nor the compensation, is contingent on our estimates of resources or reserves for the properties in this report.

This report was prepared for the exclusive use of Tellus Resources Ltd and will not be released by MHA to any other parties without Tellus Resources' written permission. The data and work papers used in the preparation of this report are available for examination by authorized parties in our offices.

Sincerely,



Debra Gomez
Vice President



John Seidle
Vice President

Certificates

Debra K. Gomez, M. Sc., P. G.

I, Debra K. Gomez, Vice President of MHA Petroleum Consultants LLC, 730 17th Street, Suite 410, Denver, Colorado 80202, declare the following:

1. I hold the following degrees:
 - a. B. Sc., Geology, 1976, University of Southern California
 - b. M. Sc., Geology, 1979, Northern Arizona University
2. I am a registered professional geologist:
 - a. Licensed Professional Geologist, Wyoming PG-448
 - b. Certified Professional Geologist, AIPG8135
 - c. Certified Petroleum Geologist, AAPG 6156
3. I am a member of the following professional organization:
 - a. American Association of Professional Geologists
4. My contribution to the technical specialist's report pertaining to the Madagascar-based petroleum exploration assets of Tellus Resources Ltd is based on my geologic knowledge and the data provided to me by Tellus Resources Ltd, Caravel Energy Ltd, PetroMad Mauritius Ltd, from public sources, and from the non-confidential files of MHA Petroleum Consultants LLC. I did not undertake a field inspection of the properties.
6. I have no interest, direct or indirect, nor do I expect to receive any interest, direct or indirect, in the properties described in the above-named report or in the securities of Tellus Resources Ltd.



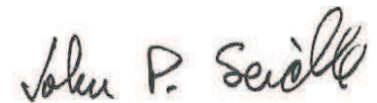
Debra K. Gomez, M Sc., P. G.
Vice President

Certificate

John P. Seidle, Ph. D., P. E.

I, John P. Seidle, Vice President of MHA Petroleum Consultants LLC, 730 17th Street, Suite 410, Denver, Colorado 80202, declare the following:

1. I hold the following degrees:
 - a. B. S., Aeronautical Engineering, 1972, University of Colorado
 - b. M. S., Aeronautical Engineering, 1973, Stanford University
 - c. Ph. D., Mechanical Engineering, 1981, University of Colorado
2. I am a registered professional engineer:
 - a. Licensed Professional Engineer, Colorado PE 35603
 - b. Licensed Professional Engineer, Wyoming PE 9506
 - c. Licensed Professional Engineer, Oklahoma PE 16656
3. I am a member of the following professional organization:
 - a. Society of Petroleum Engineers (SPE)
 - b. Society of Petroleum Evaluation Engineers (SPEE)
 - c. American Association of Petroleum Geologists (AAPG)
4. I am a qualified oil and gas reserves evaluator and auditor
5. My contribution to the technical specialist's report pertaining to the Madagascar-based petroleum exploration assets of Tellus Resources Ltd is based on my engineering knowledge and the data provided to me by Tellus Resources Ltd, Caravel Energy Ltd, PetroMad Mauritius Ltd, from public sources, and from the non-confidential files of MHA Petroleum Consultants LLC. I did not undertake a field inspection of the properties.
6. I have no interest, direct or indirect, nor do I expect to receive any interest, direct or indirect, in the properties described in the above-named report or in the securities of Tellus Resources Ltd.



John P. Seidle, Ph. D., P. E.
Vice President





29 August 2014

Mr. Carl Dorsch
Managing Director
Tellus Resources Ltd
Level 5
70 Pirie Street
Adelaide, SA, 5000
ABN: 35 144 733 595
Email: carl.dorsch@tellusresources.com.au

Dear Mr. Dorsch:

MHA Petroleum Consultants LLC ("MHA") has prepared a technical review and estimated prospective oil resources for Tellus Resources Ltd assets located in Block 3114, Madagascar. The MHA report was submitted to Tellus Resources Ltd on 29 August 2014. MHA hereby consents that Tellus Resources Ltd may rely on the aforementioned report for the purposes of including it in a press release that will be made available in the public domain.

Please do not hesitate to contact me should you have any questions or should you require further information.

Regards,

A handwritten signature in black ink that reads 'Debra K. Gomez'. The signature is written in a cursive, flowing style.

Debra K. Gomez
Vice President