

ASX RELEASE

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

Directors:

Robert Kennedy - *Chairman*

Carl Dorsch - *Managing Director*

Neil Young - *Non-Executive Director*

Issued Shares:

283,848,295 ordinary shares

Tellus Resources Ltd

ASX Code: TLU

T: +61 8 8100 9200

F: +61 8 8227 0544

Level 5, 70 Pirie Street

(PO Box 190, Rundle Mall)

ADELAIDE 5000

SOUTH AUSTRALIA

Website:

www.tellusresources.com.au

Enquiries :

Carl Dorsch,

+61(0)400 508 088

carl.dorsch@tellusresources.com.au

Appendix 5B QUARTERLY ACTIVITY REPORT 30 September 2014

HIGHLIGHTS

Operations

- Drill pad preparation work completed at the Covenant Mondo Joint Venture (CMJV) drill site – spud scheduled for early November.
- Shareholder meeting secures Madagascar asset (TLU 25% with the right to acquire up to 80% interest).
- Denver based MHA Petroleum Consultants LLC (MHA) confirms a significant prospective resource in Madagascar (Block 3114).
- Subsequent to the end of the reporting period, the Company and Senex Energy Ltd (JV partner and Operator in the Cooper Basin), agreed to conduct further 3D seismic (approximately 50 km²) and 3D seismic reprocessing; with the potential to complete and production test the Pirie 1 exploration well previously cased and suspended.
- Queensland and New South Wales mineral tenements were maintained and progress continues regarding rationalisation of these assets.

Corporate

- General Meeting was held in September with all resolutions passed including the completion of the purchase of the interest in Madagascar, Block 3114.
- \$1.28M R&D refund from AusIndustry received.
- Private placement to sophisticated investors raised \$660,000.

OPERATIONS SUMMARY

THE COVENANT MONDO JOINT VENTURE: UTAH, USA

Work on the drilling pad for the first well in the Covenant Mondo Joint Venture (CMJV) has been completed. The Application for Permit to Drill (APD) the Trans Western Petroleum USG #1 well (TWP USG #1) was approved by the State of Utah, Division of Oil, Gas and Mining.

The Operator reported significant delays in securing a suitable drilling unit but subsequent to the reporting period signed a rig contract. Commencement of drilling operations ("spud") is now expected in early November.

The well will be drilled to a total vertical depth (TVD) of 7400 feet (2255m) with a minor horizontal displacement of some 150m to land at a distance of the regulated 400 feet from the northern tenement boundary. The measured depth at TD will be 7439 feet (2270m).

Tellus has a participating interest in the CMJV of 25% following completion of the farm in phase.

MADAGASCAR, MORONDAVA BASIN, BLOCK 3114

Following a General Meeting of Shareholders on 26 September 2014, the Company acquired a 25% interest (with the right to acquire up to an 80% interest) in Petromad (Mauritius) Limited (Petromad) which owns a 100% interest in Block 3114. Petromad is a party to a production sharing contract with respect to petroleum exploration and production in the block.

Block 3114 is located onshore Madagascar and is approximately 10,000 km² in area.

The consideration for the acquisition of the Petromad interest was the issue of 89.5M ordinary shares in the Company. The shares were issued to the Vendor, Caravel Energy Ltd (CRJ), an ASX listed company with approximately 1600 shareholders (54M shares), a Vendor creditor (25M shares) and the Corporate Advisor to the transaction (4.5M shares). A further 6M shares was issued to CRJ following the in specie distribution of 54M TLU shares to their shareholders.

MHA Petroleum Consultants in Denver, USA were engaged by the Company to quantify the prospective resources (risked and recoverable) of the two prospects identified in a small area of Block 3114 (the Ambatry area). The results are tabulated below and the full reports are available on the ASX and Company websites.

Prospect	Type	Total Risked Recoverable Oil Resources ¹ (millions of barrels)		
		Low	Best	High
Betioky Prospect	Anticlinal	10.5	38.9	108.6
Caravel Prospect	Fault Trap	3.8	16.3	51.4
TOTAL		14.3	55.2	160.0
Tellus Interest				
25%		3.6	13.8	40.0
51%		7.3	28.2	81.6
80%		11.4	44.2	128.0

Note 1. "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".

COOPER BASIN, SOUTH AUSTRALIA : PRLs 108, 109 and 110

As advised previously, the Company's Cooper Basin interest (the former PEL 105) has now been converted to three Petroleum Retention Licences PRL 108, 109 and 110. The Company's interest in the PRLs is presently 50% with the other 50% being held by the Operator (Senex).

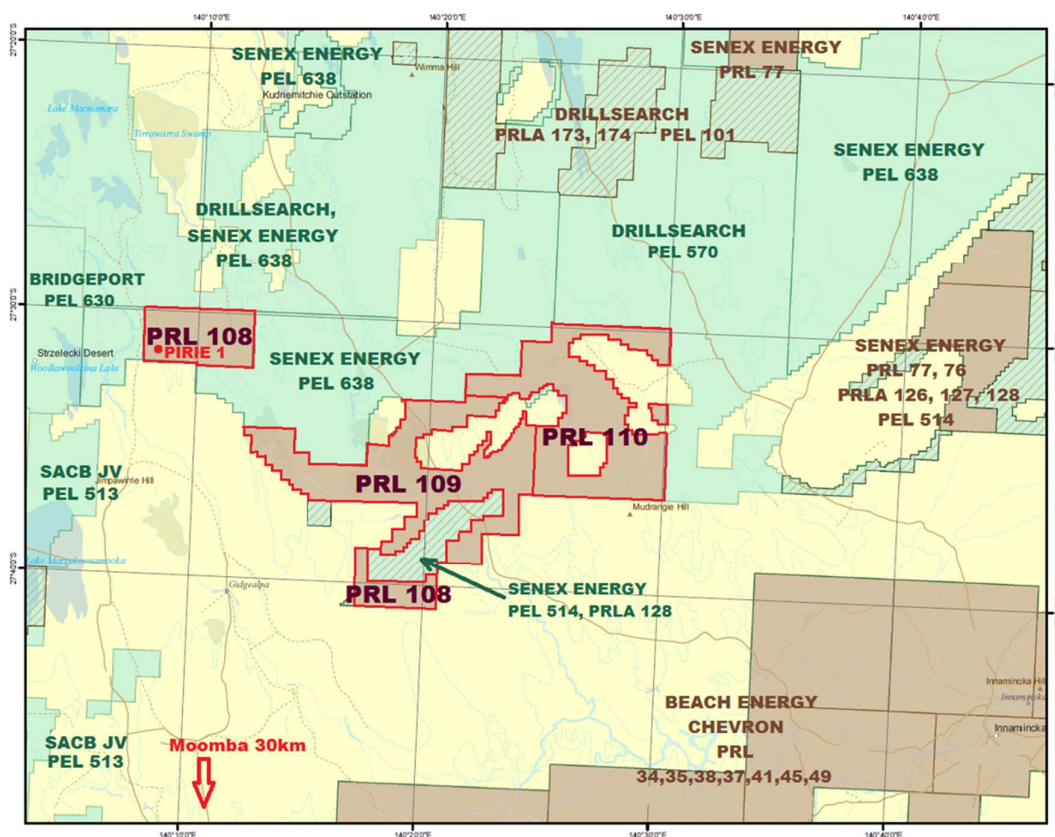
The Operator of the JV, Senex Energy Ltd (Senex) was to drill a well in the Permit by 30 September 2014 as part of an amended farmin agreement.

Subsequent to the end of the reporting quarter, the Company and Senex have agreed that the expenditure be used in extra 3D seismic (approximately 50 km²) and 3D seismic reprocessing, as well as the potential to complete and production test the Pirie 1 exploration well previously cased and suspended.

In the Company's view, this program will add significantly more value to the PRLs than a well alone.

This seismic will be tied in with a survey by the Operator which is commencing late 2014 or early 2015 and the appropriate budgets and work plans are being put in place now.

Following the completion of the agreed work, TLU will have an interest of 30% with Senex at 70% as Operator.



PRLs 108, 109 and 110

MINERAL PERMITS

During the Quarter, the Company maintained its various minerals permits in Queensland and New South Wales in good standing.

Discussions and negotiations with various parties on the optimization and rationalisation of these assets is well advanced and Tellus intends to make an announcement in the near future.

CORPORATE

During the quarter the Company announced that it raised AUD\$660,000 through the placement of 22,000,000 new shares to sophisticated investors. The price paid was \$0.03 per share and the funds will be used for working capital.

During the quarter the Company received a Research and Development refund from the Federal Government's AusIndustry for eligible work done during the 2014 fiscal year. The total net funds received was approximately \$1.28M.

APPENDIX 5B

Mining exploration entity quarterly report

Introduced 01/07/96 Origin Appendix 8 Amended 01/07/97, 01/07/98, 30/09/01, 01/06/10, 17/12/10

Name of entity	
Tellus Resources Ltd	
ABN	Quarter ended ("current quarter")
35 144 733 595	30 September 2014

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (3 months) \$A'000
Cash flows related to operating activities		
1.1 Receipts from product sales and related debtors	-	-
1.2 Payments for (a) exploration and evaluation	(921)	(921)
(b) development	-	-
(c) production	-	-
(d) administration	(479)	(479)
1.3 Dividends received	-	-
1.4 Interest and other items of a similar nature received	-	-
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Other (provide details if material)		
(a) 2013/14 R&D Refund Received	1,431	1,431
Net operating cash flows	31	31
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.9 Proceeds from sale of: (a) prospects	-	-
(b) equity investments	-	-
(c) other fixed assets	-	-
1.10 Loans to other entities	-	-
1.11 Loans repaid by other entities	-	-
1.12 Other	-	-
Net investing cash flows	-	-
1.15 Total operating and investing cash flows (carried forward)	31	31

1.15	Total operating and investing cash flows (brought forward)	31	31
Cash flows related to financing activities			
1.16	Proceeds from issues of shares, options, etc.	660	660
1.17	Proceeds from sale of forfeited shares	-	-
1.18	Proceeds from borrowings	-	-
1.19	Repayment of borrowings	(250)	(250)
1.20	Dividends paid	-	-
1.21	Other – Capital Raising Costs	(58)	(58)
Net financing cash flows		352	352
Net increase (decrease) in cash held		383	383
1.22	Cash at beginning of quarter/year to date	394	394
1.23	Exchange rate adjustments to item 1.20	-	-
1.24	Cash at end of quarter	777	777

Payments to directors of the entity and associates of the directors
Payments to related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.25	Aggregate amount of payments to the parties included in item 1.2	115
1.26	Aggregate amount of loans to the parties included in item 1.10	-
1.27	Explanation necessary for an understanding of the transactions	
	1.25 - Directors fees / salary for the period and consultants fees paid to director related entities	

Non-cash financing and investing activities

2.1	Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows
	Nil
2.2	Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest
	Nil

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	300	300
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	50
4.2 Development	-
4.3 Production	-
4.4 Administration	250
Total	300

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.

	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	777	394
5.2 Deposits at call	-	-
5.3 Commercial Bills	-	-
5.4 Other: Term Deposit	-	-
Total: cash at end of quarter (item 1.22)	777	394

Changes in interests in mining tenements

	Tenement reference	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
6.1 Interests in mining tenements relinquished, reduced or lapsed	American Gypsum & U.S. Gypsum Oil & Gas Leases	JV – Covenant Mondo	41.67%	25%
6.2 Interests in mining tenements acquired or increased				

Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

	Total number	Number quoted	Issue price per security see note 3)	Amount paid up per security (see note 3)
7.1 Preference +securities (description)				
7.2 Changes during quarter				
(a) Increases through issues				
(b) Decreases through returns of capital, buy-backs, redemptions				
7.3 +Ordinary securities	194,348,295	194,348,295		
7.4 Changes during quarter				
(a) Increases through issues	26,248,528	26,248,528		
(b) Decreases through returns of capital, buy-back				
7.5 Convertible debt securities (description)				
7.6 Changes during quarter				
(a) Increases through issues				
(b) Decreases through securities matured, converted				
7.7 Options			<i>Exercise price</i>	<i>Expiry date</i>
Unlisted	2,000,000	-	20 cents	5 Mar 2018
Unlisted	6,666,666	-	10 cents	31 Dec 2015
Unlisted	6,500,000	-	20 cents	17 Sep 2017
Unlisted	7,500,000	-	0.093 cents	31 Dec 2016
7.8 Issued during quarter	-		-	-
7.9 Exercised during quarter	-	-		
7.10 Expired during quarter	5,000,000	-	25 cents	25 Sep 2014
7.11 Debentures (totals only)				
7.12 Performance Rights (totals only)	46,050,000	-		
7.13 Unsecured notes (totals only)				

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.

Sign here:



George Yatzis

Company Secretary

Date: 31 October 2014

Notes

- 1 The quarterly report provides a basis for informing the market how the entity's activities have been financed for the past quarter and the effect on its cash position. An entity wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities.** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 The definitions in, and provisions of, *AASB 6: Exploration for and Evaluation of Mineral Resources* and *AASB 107: Statement of Cash Flows* apply to this report.
- 5 Accounting Standards ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.