

ASX RELEASE

Tellus Resources Ltd is an Australian-based oil, gas and mineral exploration company with licences in Utah, Madagascar, 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

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COVENANT MONDO JV UPDATE

Tellus Resources Limited ("TLU" or "the Company") wishes to provide an update on its Covenant Mondo Joint Venture (CMJV), located in Utah, USA.

As announced on 20th November 2014, TLU and the Operator of the CMJV are in formal dispute over various items in connection with the first well of the farmin, TWP – USG#1. This includes but is not limited to, the timely provision of data and cost allocation. In parallel to this process, TLU and the Operator are also discussing an amicable commercial solution over their disagreements. The possible outcomes from these processes include partial or complete divestment of TLU's interests in the CMJV.

The Company believes that TWP – USG#1 has been plugged and abandoned as a dry hole but has yet to receive formal advice from the Operator to that effect.

The Operator has advised TLU that an additional ~US\$340k is currently owed by TLU for the TWP – USG#1 well. Final determination of any final amount owed will be determined through the arbitration or negotiation processes noted above.

The second well in the CMJV, located to the South of this first CMJV well is expected to cost a further ~\$US1.2M net to TLU and is provisionally planned for February 2015.

Commenting on these developments, the Company's Managing Director, Mr Carl Dorsch, said *"although we are disappointed with the first well in the CMJV, the second well still has tremendous upside. In the view of the CMJV parties, the first well does not diminish the prospectivity of the second target. We are working hard to resolve outstanding differences with the Operator and are looking forward to providing the market with a clearer path forward as soon as we can."*