

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:

298,848,295 ordinary shares

Tellus Resources Ltd

ASX Code: TLU

T: +61 8 8100 9200

F: +61 8 8212 9291

Level 7, 28-30 Grenfell 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 31 December 2014

HIGHLIGHTS

Operations

- Tellus Resources Limited (TLU or the Company) participated in the first well drilled by the Covenant Mondo joint venture (CMJV) in Utah. The well was plugged and abandoned as a dry hole. TLU is currently in dispute with the Operator of the CMJV over certain matters.
- TLU executed an Agreement with Senex Energy Ltd (SXY) to be free carried in a 3D seismic program covering 42 square kilometres of its Cooper Basin assets. In return SXY will earn an additional 7% equity in the project.
- XRF sampling in the Company's Rockley Gold Project in NSW identified a significant surface copper anomaly. Subsequent to the reporting period, a small scale drilling program was undertaken in this Project, with assay results due shortly.

Corporate

- The Company's AGM was held on the 28th of November 2014. All resolutions were passed.
- The Company is currently raising funds via a fully underwritten 3 for 2 renounceable pro rata rights issue to raise approximately \$897,000.

OPERATIONS SUMMARY

THE COVENANT MONDO JOINT VENTURE (CMJV): UTAH, USA

The first well in the CMJV was recently drilled and was plugged and abandoned as a dry hole. A second well is expected to be drilled sometime in 2015. The Operator has yet to advise the date of this.

The Company is currently in dispute with the Operator of the CMJV over various matters. An arbitration process has commenced in the US to resolve the dispute.

BLOCK 3114: MORONDAVA BASIN, MADAGASCAR

In the quarter the Company had a formal meeting with the Madagascan regulator to discuss the 2015 work program for Block 3114.

Discussions with potential farminees to this very large acreage position are ongoing.

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

The Company currently has a 50% working interest in these three long term retention licences in the Cooper Basin.

In the quarter the Company recently executed an Agreement with the Operator of these licences, Senex Energy Ltd (SXY) which has the effect of amending the prior Farmin Agreement between the parties as follows;

1. Instead of drilling a carried well, SXY will instead fully fund the acquisition, processing and interpretation of a 3D seismic program covering 42 square kilometres of the PRLs (and additional "tails" extending into neighbouring licences).
2. In return SXY will earn an additional 7% equity in the PRLs and the Company will have a 43% interest.
3. SXY intends to commence the seismic program in the first quarter of 2015. The Agreement has mechanisms to encourage the timely performance of this farm-in work.

MINERAL PERMITS: QUEENSLAND AND NEW SOUTH WALES, AUSTRALIA

The Company owns a 100% interest in a number of mineral exploration tenements in New South Wales and Queensland.

During the quarter reconnaissance XRF sampling was conducted at the Rockley Project (EL7993 Triangle Flat and EL8004 Rockley) as part of an optimization and rationalisation review and identified a significant surface copper anomaly with the Byrnes Creek Prospect. Soil Cu (copper) values were continuous for 110m north-south and up to 30m wide at an average of 2,000 ppm Cu. The anomaly is truncated to the north and south due to shallow transported soil cover and should continue beneath the cover.

Subsequent to 31 December 2014 the Company conducted a quick look RC drilling program in the Byrne's Creek area within EL7993 (Triangle Flat). The drill program was targeting the significant surface base metal anomalism identified recently. The second of two holes (BCRC002) intersected a mineralized structure over 20m of intense chlorite altered sediments with varying amounts of pyrrhotite and chalcopyrite (copper sulphide) including 2m downhole width of massive pyrrhotite and lesser chalcopyrite.

Chip samples have been sent for analysis and more detail will follow once assay results are delivered, which the Company expects shortly.

CORPORATE

During the reporting period, the Company held its Annual General Meeting (AGM). All resolutions were passed.

On the 19th of December 2014, the Company announced a partially underwritten 3 for 2 renounceable pro-rata rights issue at an issue price of \$0.002 per new share to raise approximately \$897,000. Subsequent to the end of the quarter, the rights issue was amended to be fully underwritten by Wentworth Global Capital Finance Pty Limited.

Funds raised will be used to maintain all of the Company's assets in good standing and for general working capital purposes including pursuing commercial and legal solutions to the dispute with the Operator of the Company's Utah assets.

As resolved at the AGM, the Company's name is to be changed to Crestal Petroleum Limited. This will formally occur post the conclusion of the Rights Issue.

As reported to the ASX on the 2nd of December 2014, the Company changed its Registered Office and place of business.

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	31 December 2014

Consolidated statement of cash flows

	Current quarter \$A'000	Year to date (6 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	(239)	(1,160)
(b) development	-	-
(c) production	-	-
(d) administration	(372)	(851)
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	(79)	1,352
Net operating cash flows	(690)	(659)
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)	(690)	(659)

1.15	Total operating and investing cash flows (brought forward)	(690)	(659)
Cash flows related to financing activities			
1.16	Proceeds from issues of shares, options, etc.	30	690
1.17	Proceeds from sale of forfeited shares	-	-
1.18	Proceeds from borrowings	100	100
1.19	Repayment of borrowings	-	(250)
1.20	Dividends paid	-	-
1.21	Other – Capital Raising Costs For Prior Raisings	(47)	(105)
Net financing cash flows		83	435
Net increase (decrease) in cash held		(607)	(224)
1.22	Cash at beginning of quarter/year to date	777	394
1.23	Exchange rate adjustments to item 1.20	-	-
1.24	Cash at end of quarter	170	170

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	112
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	400	400
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	170	777
5.2 Deposits at call	-	-
5.3 Commercial Bills	-	-
5.4 Other: Term Deposit	-	-
Total: cash at end of quarter (item 1.22)	170	777

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	EPM 25233	Chillagoe Tenement	0%	100%
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	298,848,295	298,848,295		
7.4 Changes during quarter				
(a) Increases through issues	104,500,000	104,500,000		
(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	-	-		
7.11 Debentures (totals only)				
7.12 Performance Rights (totals only)	31,050,000	-		
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:



Date: 30 January 2015

George Yatzis

Company Secretary

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.