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SAMPLEVILLE VIC 3030

7 January 2015

Dear Optionholder

RENOUNCEABLE RIGHTS ISSUE

Tellus Resources Limited (TLU or the Company) today announces a capital raising by way of a three (3) for two (2) pro-rata renounceable rights issue at a price of 0.2 cents per share.

The Rights Issue seeks to raise up to approximately \$897,000. The funds to be raised from the Rights Issue will be used to fund the Company's ongoing working capital requirements, meet expenses associated with the Covenant Mondo joint venture and maintain its various tenements and other assets in good standing.

TLU invites shareholders who were registered as such at 7.00 pm (Sydney time) on 13 January 2015 (Record Date), and who have a registered address in Australia or New Zealand, to participate in the Rights Issue.

New Shares will rank equally with all fully paid ordinary shares in the capital of the Company already on issue.

Assuming the Offer is fully subscribed, following completion of the Offer the Company will have issued approximately 448,272,443 New Shares resulting in total Shares on issue of approximately 747,120,738.

Shareholders are also invited to consider applying for Additional Shares in addition to their rights, particularly if they have small or unmarketable parcels of Company Shares.

Full details of the Rights Issue are contained in the Prospectus which will be mailed to shareholders shortly. A copy of the Prospectus will also be made available on the ASX and Company websites.

Optionholders

The terms and conditions of the options you currently hold do not entitle you to participate in the Rights Issue unless you exercise your options in time for Shares to be allotted and to be entered on the Company's register of members on or before 5.00pm (Adelaide Time) on 13 January 2015 (Record Date).

To exercise your options and thereby participate in the Rights Issue, you will need to deliver the following to the Company at Level 7, 28 Grenfell Street, ADELAIDE SA 5000:

- a) A notice of exercise of options;
- b) An option certificate (where the options are certificated) or a copy of a holding statement (where the options are uncertificated) in respect of those options to be exercised; and
- c) Payment for the exercise price in respect of those options to be exercised by way of a cheque made payable to "Tellus Resources Limited".

To ensure that your new shares are allotted prior to the Record Date, the above must be received by Tellus Resources Limited no later than 9 January 2015. If received after this date, allotment of Shares prior to the Record Date cannot be assured.

Before deciding whether to exercise any or all of your options, you should read the Prospectus in its entirety.

This notice is important and requires immediate attention. If you have any queries concerning the Rights Issue, or the action you are required to take to subscribe for New Shares, please contact your financial adviser or George Yatzis, the Company's Company Secretary, on +61 8 8100 9200.

Yours faithfully



Bob Kennedy
Chairman

Level 7, 28 Grenfell Street, Adelaide, South Australia 5034

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