

2nd October 2014

ASX Release

ASX Code: TSV

DRILLING AT WARRO GOING AHEAD

Transerv Energy (ASX Code: TSV) as operator of the Warro Joint Venture (WJV) is pleased to announce that it has received approval to proceed with the next phase of drilling at the Warro gas field. This phase will comprise the drilling of Warro-5 and Warro-6, including extended well testing.

This programme is being funded by Alcoa of Australia Limited (Alcoa) as part of an existing farm-in arrangement whereby Alcoa can earn up to a 65% interest in the gas field through expenditure of up to \$100 million.

The timing for drilling is dependent on the availability of drilling equipment and various Government approvals. As previously announced, the WJV is well advanced in its planning activities and has already lodged the Environmental Plan for the operations. In addition, work on identifying drilling long lead items and a rig procurement process is well advanced.

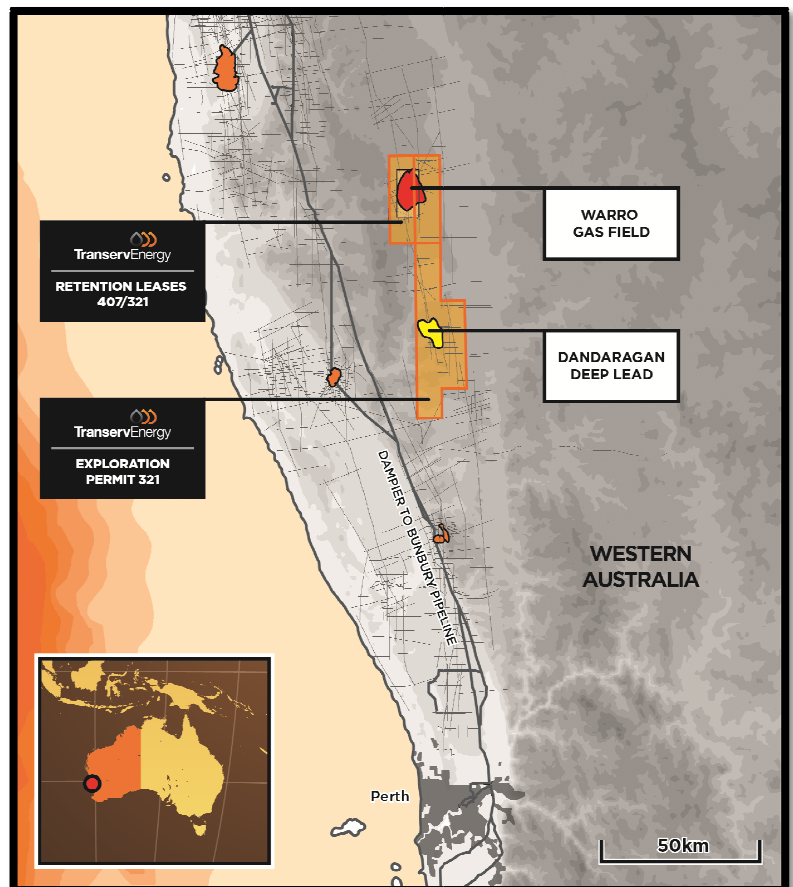
Transerv expects to commence drilling operations during the first half of 2015, subject to timely approvals.

Warro Project Background

The Warro gas field lies 200km north of Perth in the Perth Basin and is one of the largest undeveloped onshore gas fields in Australia. The Warro reservoir section is about 3,750m below surface and has a thickness of approximately 500m. The gas is held within low porosity and low permeability Jurassic sandstones. The field is located 31km east of both the Dampier-to-Bunbury Natural Gas Pipeline and the Dongara-to-Perth Parmelia Pipeline.

The Warro gas field is located in EP321 and 407 and covers an area of approximately 7,000ha. EP321 and EP407 are in the process of being renewed and/or partially converted to Retention Leases over the Warro gas field area. The interest holders in the WJV are Transerv Energy (57%) and Alcoa (43%).

Under the farm-in agreement, Alcoa can earn up to a 65% interest in the WJV assets by spending up to \$100 million on a staged programme comprising exploration and development activities. To date, the WJV have drilled two wells (Warro-3 and 4) and acquired 3D seismic.



During 2012-13 the Warro gas field was the subject of an exhaustive review by US-based, tight gas experts led by Dr Keith Shanley, who is recognised globally for his work in this industry. The Shanley review concluded:

- Warro gas field is a large gas accumulation with resource estimates of:
 - **8 - 10 TCF Gas In Place**
 - **3 - 4 TCF recoverable gas**
- Development wells should be capable of flowing at high rates and recovering 4 -10 BCF each (50 acre spacing).
- More wells and extended flow testing programmes are required to fully evaluate the full commercial potential of the gas field.

Chairman's comment

“Alcoa’s decision to proceed with the Warro project is excellent news and we are pleased to see this vote of confidence in the project. The decision comes after a lot of painstaking work by the Warro Joint Venture, work that has not only reviewed the previous well results but also identified the optimum locations to drill the next appraisal wells. We look forward to the next phase of drilling and testing, which aims to prove the commercial viability of a 3 Tcf gas field on Perth’s doorstep.”

For and on behalf of the Board