

31 October 2016

September 2016 Quarter Activity Report

HIGHLIGHTS OF THE QUARTER AND SUBSEQUENTLY

Warro Gas Project

The suspension of Warro-4, 5 and 6 during the quarter has now been completed. This brings the current phase of operations to an end.

All the wells delivered sustained gas flows with substantial amounts of water. However, the wells will not be economic with the current combination of gas rates, water rates and well costs.

The Joint Venture will continue to assess all the well and production data acquired during this and previous campaigns to identify ways to increase gas production, by targeting sweet spots, while keeping water production to manageable levels.

Xanadu Prospect Drilling a Step Closer

Farmout efforts to drill the Xanadu Prospect in TP-15 during 2017 are progressing. It was announced on 23rd September 2016 that Triangle Energy would pay 40% to earn 30% and Transerv would pay 20% to earn 15%.

Warro Gas Project Update

During the quarter, the Warro Joint Venture (WJV) suspended Warro-4, 5 and 6 bringing the current work phase to a close. Data gathered from this campaign are now being analysed to gain greater understanding of the complex nature of the Warro reservoir and identify ways to increase gas production while keeping water production to manageable levels. This process will assist the Joint Venture to determine the next steps required to demonstrate the potential commercial viability of the Warro Project.

Environmental Monitoring and Community Consultation continued throughout the quarter as per the commitments of the Environmental Plans approved by the DMP.

Warro Project

Background

The Warro field lies 200km north of Perth in the Perth Basin and is one of the largest undeveloped onshore gas fields in Australia.

Transerv currently has a 57 per cent stake in Warro and is the project operator. Alcoa is earning up to 65 per cent under a farm-in agreement, by funding \$100 million of exploration and development work at Warro. Warro 5 and 6 have been drilled and tested as part of the Alcoa farm-in arrangement. Based on expenditure to date, Alcoa have the right to an interest of approximately 63.5%.

Warro is located 31km east of both the Dampier-to-Bunbury Natural Gas Pipeline and the Dongara-to-Perth Parmelia Pipeline. Alcoa has substantial capacity reserved in the Dampier line.

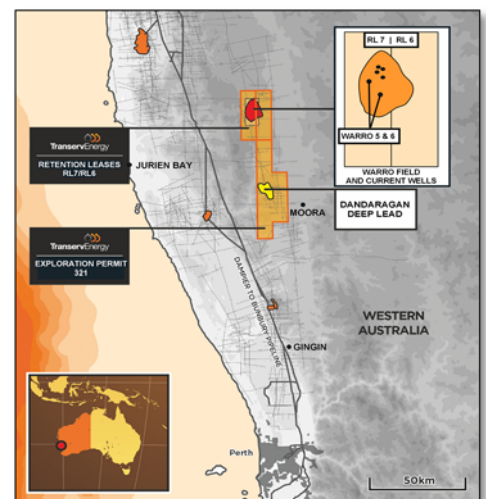


Figure 1: The Warro Gas Field is located close to key pipelines and is approximately 200km North of Perth

Perth Basin Growth

Transerv has continued to seek new opportunities in the Perth Basin.

The Company previously announced that it has agreed a conditional farm-in arrangement with Norwest Energy and formed a Strategic Alliance. Joint work with Norwest Energy Ltd (NWE) to facilitate the farmout and drilling of the 160 million barrel Xanadu Prospect in TP-15 during 2017 is progressing well as confirmed by the recent announced by NWE (23rd September 2016) stating that Triangle Energy (Global) Limited had agreed to find 40% of the well to earn 30% and confirming that Transerv would fund 20% to earn 15% conditional on the balance of the well as funded by December 31 2016.

Cash position as at 30 September 2016

At the end of the September 2016 quarter, the Transerv Energy consolidated group had a closing balance of \$1.591m as set out in the Appendix 5B.

For and on behalf of the Board

As at 30 September 2016, Transerv Energy Limited has an interest in the following tenements:

AUSTRALIAN LAND INTERESTS						
Lease or Project	Legal Description	Interest	Location	Rights	Change during the quarter	
Warro JV	EP321	57.30%	Western Australia	100%	No change	
Warro JV	RL6	57.30%	Western Australia	100%	No change	
Warro JV	RL7	57.30%	Western Australia	100%	No change	

Appendix 5B

Mining exploration entity and oil and gas 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, 01/05/13, 01/09/16

Name of entity

TRANSERV ENERGY LIMITED

ABN

68 079 432 796

Quarter ended ("current quarter")

30 September 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (3 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	122	122
1.2 Payments for		
(a) exploration & evaluation	(765)	(765)
(b) development	-	-
(c) production	-	-
(d) staff costs	(104)	(104)
(e) administration and corporate costs	(786)	(786)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	2	2
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	-	-
1.7 Research and development refunds	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	(1,531)	(1,531)

2. Cash flows from investing activities		
2.1 Payments to acquire:		
(a) property, plant and equipment	-	-
(b) tenements (see item 10)	-	-
(c) investments	(200)	(200)
(d) other non-current assets	-	-

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (3 months) \$A'000
2.2	Proceeds from the disposal of:		
	(a) property, plant and equipment	-	-
	(b) tenements (see item 10)	-	-
	(c) investments	-	-
	(d) other non-current assets	-	-
2.3	Cash flows from loans to other entities	-	-
2.4	Dividends received (see note 3)	-	-
2.5	Other (provide details if material)	-	-
2.6	Net cash from / (used in) investing activities	(200)	(200)

3.	Cash flows from financing activities		
3.1	Proceeds from issues of shares	-	-
3.2	Proceeds from issue of convertible notes	-	-
3.3	Proceeds from exercise of share options	-	-
3.4	Transaction costs related to issues of shares, convertible notes or options	-	-
3.5	Proceeds from borrowings	-	-
3.6	Repayment of borrowings	-	-
3.7	Transaction costs related to loans and borrowings	-	-
3.8	Dividends paid	-	-
3.9	Other (provide details if material)	-	-
3.10	Net cash from / (used in) financing activities	-	-

4.	Net increase / (decrease) in cash and cash equivalents for the period		
4.1	Cash and cash equivalents at beginning of period	3,322	3,322
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(1,531)	(1,531)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(200)	(200)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	-	-
4.5	Effect of movement in exchange rates on cash held	-	-
4.6	Cash and cash equivalents at end of period	1,591	1,591

5. Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter \$A'000	Previous quarter \$A'000
5.1 Bank balances	1,571	3,302
5.2 Call deposits	20	20
5.3 Bank overdrafts	-	-
5.4 Other (provide details)	-	-
5.5 Cash and cash equivalents at end of quarter (should equal item 4.6 above)	1,591	3,322

6. Payments to directors of the entity and their associates

- 6.1 Aggregate amount of payments to these parties included in item 1.2
- 6.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 6.3 Include below any explanation necessary to understand the transactions included in items 6.1 and 6.2

Current quarter \$A'000
219
-

7. Payments to related entities of the entity and their associates

- 7.1 Aggregate amount of payments to these parties included in item 1.2
- 7.2 Aggregate amount of cash flow from loans to these parties included in item 2.3
- 7.3 Include below any explanation necessary to understand the transactions included in items 7.1 and 7.2

Current quarter \$A'000
-
-

8. Financing facilities available <i>Add notes as necessary for an understanding of the position</i>	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
8.1 Loan facilities		
8.2 Credit standby arrangements		
8.3 Other (please specify)		
8.4 Include below a description of each facility above, including the lender, interest rate and whether it is secured or unsecured. If any additional facilities have been entered into or are proposed to be entered into after quarter end, include details of those facilities as well.		

9. Estimated cash outflows for next quarter	\$A'000
9.1 Exploration and evaluation	-
9.2 Development	-
9.3 Production	-
9.4 Staff costs	154
9.5 Administration and corporate costs	449
9.6 Other (provide details if material)	-
9.7 Total estimated cash outflows	603

10. Changes in tenements (items 2.1(b) and 2.2(b) above)	Tenement reference and location	Nature of interest	Interest at beginning of quarter	Interest at end of quarter
10.1 Interests in mining tenements and petroleum tenements lapsed, relinquished or reduced				
10.2 Interests in mining tenements and petroleum tenements acquired or increased				

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Sign here:



Date: 6 December 2016

Print name: Kevin Hart

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 that wishes to disclose additional information is encouraged to do so, in a note or notes included in or attached to this report.
2. If this quarterly report has been prepared in accordance with Australian Accounting Standards, 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. If this quarterly report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standards apply to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.