

DECEMBER 2016 QUARTER ACTIVITY REPORT

HIGHLIGHTS OF THE QUARTER

- **\$9.3m in cash received**
- **Warro 2017 budget approved by Alcoa**
- **David Messina appointed new Managing Director**
- **Kevin Hart appointed Company Secretary**
- **Reduction in corporate overheads**

FUNDING

On January 11th Transerv received \$9.3 million by successfully qualifying its portion of the Warro Project under the Australian Government Research and Development Tax Incentive Programme.

This provides the company with funding with which to continue work on the Warro Project and progress other oil and gas opportunities which will be the focus of the company in 2017.

WARRO GAS PROJECT UPDATE

The 2017 Work Programme and Budget for the Warro project has been approved by Alcoa of Australia as part of the farmin project.

Data gathered from the 2015/16 drilling and testing 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.

At the end of 2016, Alcoa Corporation announced via their Form 8-K lodged in the USA, that it would impair its after tax and non-controlling interest in the Warro Project. Transerv is presently reviewing its carrying value for these assets in the normal course of preparing the Company's half year results.

The final items regarding the rehabilitation of the Warro 3D seismic lines in the Watheroo National Park and Big Soak have now been completed and the JV security bond of \$119,000 held under Ministerial Statement 849 has been released.

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



TranservEnergy

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Directors:
Charles Morgan (Chairman)
David Messina (Managing Director)
Stephen Keenihan

Company Secretary
Kevin Hart

Website:
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PERTH BASIN

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

Xanadu

Farmout efforts to drill the 160 million barrel Xanadu Prospect in TP-15 during 2017 are progressing. Transerv has previously agreed to an extension of the completion of this farmout given that Triangle Energy (Global) Limited has agreed to fund 40% of the well to earn 30% and that Transerv would fund 20% to earn 15% conditional on the balance of the well being funded by February 15, 2017.

Origin Asset Sale

While Transerv and its funding partners presented in good faith a competitive, fully funded bid for the Origin Energy Limited's ('Origin') Perth Basin Assets as required by the sales process, on December 6th Origin announced without warning that all the assets had been withdrawn and the sale cancelled.

Transerv was able to attract strong financial support during the course of the Origin process and is well placed to leverage this into new opportunities in 2017.

CORPORATE

Reduction in Corporate Overheads

Once one off costs for redundancies and the costs incurred in the Origin process have been paid corporate overheads have been reduced by approximately 25% per annum.

Appointment of Managing Director

On 7 December 2016, the company announced the appointment of Mr David Messina as Transerv's new Managing Director. Mr Messina was most recently the Managing Director of Hutton Energy Ltd, a London-based E&P company with assets in the UK and Poland. Since returning from London in 2016 he joined the board of Transerv in May 2016 and has been advising Transerv on its M&A activities. Transerv Co-Founder Stephen Keenihan will step back from his day-to-day duties with the company and has resigned from his position as Managing Director, but will continue on as a director and adviser.

Appointment of Company Secretary

On 30 November 2016, the company announced the appointment of Kevin Hart as Company Secretary. Mr Hart is a Chartered Accountant with over 30 years' experience in accounting and the management and administration of public listed entities in the mining and exploration industry. He is currently a partner in Endeavour Corporate an advisory firm which specialises in the provision of company secretarial services to ASX listed entities.

FINANCIAL

Cash position

At the end of the December 2016 quarter, the Transerv Energy consolidated group had a closing balance of \$949,000 as set out in the Appendix 5B.

As at 31 Jan 2017 Transerv Energy consolidated group had a closing balance of \$9,922,294.

For and on Behalf of the Board

As at 31 December 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")

31 December 2016

Consolidated statement of cash flows	Current quarter \$A'000	Year to date (6 months) \$A'000
1. Cash flows from operating activities		
1.1 Receipts from customers	31	153
1.2 Payments for		
(a) exploration & evaluation	(151)	(916)
(b) development	-	-
(c) production	(23)	(23)
(d) staff costs	(177)	(281)
(e) administration and corporate costs	(323)	(1,109)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	1	3
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	(642)	(2,173)

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

Consolidated statement of cash flows		Current quarter \$A'000	Year to date (6 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)

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	1,591	3,322
4.2	Net cash from / (used in) operating activities (item 1.9 above)	(642)	(2,173)
4.3	Net cash from / (used in) investing activities (item 2.6 above)	-	(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	949	949

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	929	1,571
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)	949	1,591

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
199
-

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
-
-

Mining exploration entity and oil and gas exploration entity quarterly report

8.	Financing facilities available	Total facility amount at quarter end \$A'000	Amount drawn at quarter end \$A'000
	Add notes as necessary for an understanding of the position		
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	91
9.2	Development	-
9.3	Production	-
9.4	Staff costs (includes net redundancy of \$82k)	130
9.5	Administration and corporate costs	117
9.6	Other – Transaction costs Origin Asset Sale process	187
9.7	Total estimated cash outflows	525

Subsequent to the end of the quarter the Company received \$9.3m under the Australian Government Research and Development Tax Incentive Program.

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: 31 January 2017

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.