



Consolidated interim financial report  
for the six months ended

**31 December 2016**

## Directors' report

The Directors present their report together with the consolidated financial report for the half-year ended 31 December 2016 and the review report thereon.

### Directors

The Directors of the Consolidated Entity at any time during or since the end of the half-year to the date of this report are:

Charles Morgan	Chairman
David Messina	Managing Director
Stephen Keenihan	Executive Director

### Company Secretary

Jo-Ann Long (resigned 30 November 2016)

Kevin Hart (appointed 30 November 2016)

### Company Overview

The net loss after income tax for the half year was \$40,699,618 (31 December 2015: Profit \$7,752,184), included in this loss for the half-year period is an impairment of capitalised exploration expenditure of \$48,670,684 (31 December 2015: nil). Refer note 14.

In reviewing capitalised exploration expenditure carried forward and the appropriateness of continuing to carry forward costs in relation to the Warro project, the Company has taken into consideration current market conditions for junior mining exploration companies, results from the 2015/2016 exploration campaign and the company's market capitalisation. Based on presently available information, the Warro wells as currently drilled are not commercially feasible and additional investment will be required to move to the next phase. In the current circumstances it was considered prudent that an impairment charge be made against the carrying value of the Warro project in the current period.

At the end of the half-year the Company had \$954,779 (30 June 2016: \$3,321,814) in cash and at call deposits. Capitalised mineral exploration and evaluation expenditure is \$25,000 (30 June 2016: \$48,012,854).

The Company incurred exploration costs of \$690,660 during the six months ended 31 December 2016 (31 December 2015: \$674,402).

As at 31 December 2016, 835,264,337 ordinary shares were on issue with the Consolidated Entity. The number of unlisted options on issue was 1,675,000.

Cash on hand at 28 Feb 2017 is \$9.8m.

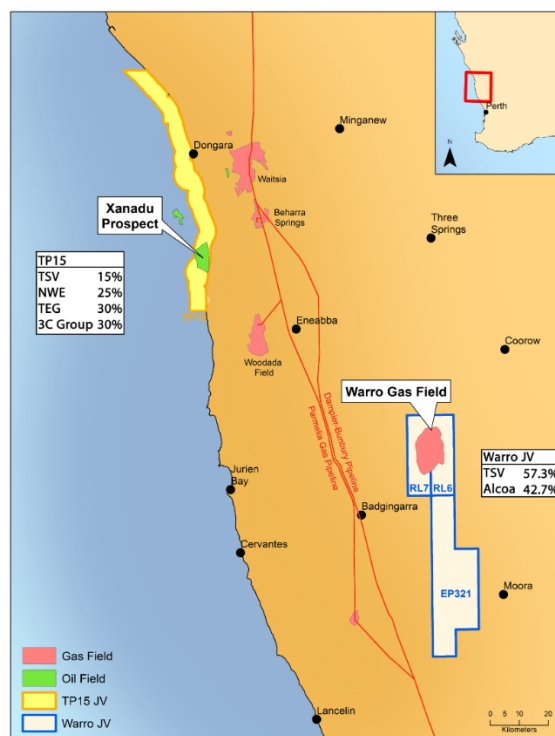
### Review of Operations

The previous six months operations have focussed on progressing new opportunities in the Perth basin and ongoing operations at Warro.

#### Perth Basin

##### Xanadu

- The farmout of the 160 million barrel Xanadu prospect in TP15 has been finalised and is now expected to be drilled in the second half of 2017 (refer ASX release dated 13 February 2017).
- TSV has committed to funding 20% of the costs of Xanadu-1 to earn a 15% interest in Xanadu prospect and TP15, conditional on the balance of the well costs being funded and the execution of a farmin agreement and JOA.
- It is anticipated TSV's contribution to the drilling of the well will be approximately \$1.25m to earn its 15% WI.
- TSV acquired 100,000,000 shares in NWE for \$200,000 giving TSV an additional indirect interest of presently ~3.7% in Xanadu/TP15.



## Directors' report

- The TP15 Joint Venture interests and contributions to the well costs will be made up as follows:

Company	TP-15 Equity Post Well	Contribution to Xanadu-1 Costs
NWE	25%	0
TSV	15%	20%
Triangle	30%	40%
3C Group	30%	40%

Xanadu is the first transaction for Transerv for 2017 and marks an expansion in the Perth Basin outside of the Warro field spreading both geological and commodity risk within the basin.

### Origin Asset Sale

While Transerv and its funding partners presented, in good faith, a competitive and fully funded bid for Origin Energy Limited's ('Origin') Perth Basin Assets as required by the sales process, on December 6<sup>th</sup>, 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.

### Warro Gas Project (TSV Working Interest = 57%)

#### Warro Gas 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.

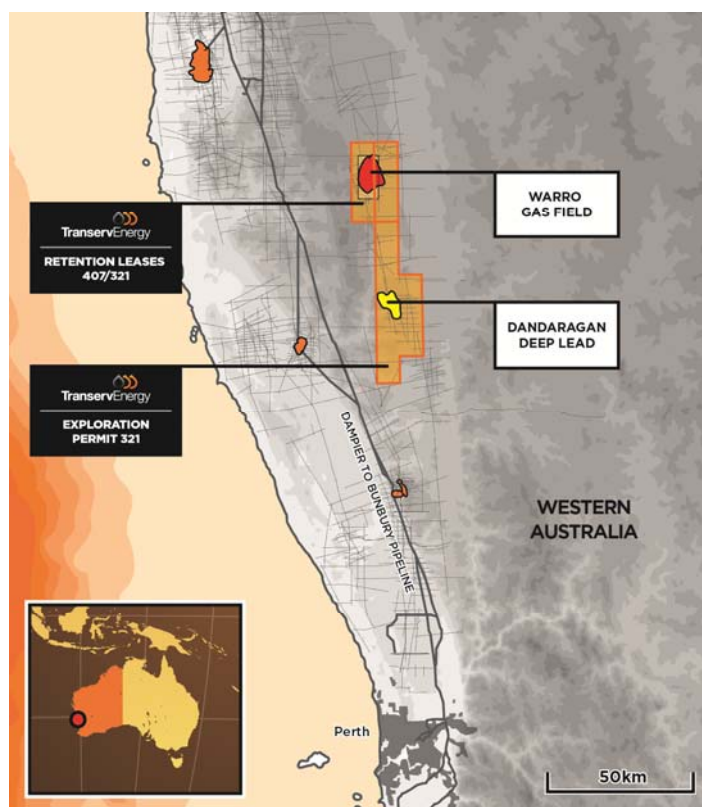
Transerv currently has a 57% stake in Warro and is the project operator. Alcoa is earning up to 65% under a farm-in agreement by spending up to \$100 million on exploration and development activities at Warro.

Alcoa has funded a staged evaluation program, which has included G&G, wells, and a 3D seismic survey.

Warro, which covers approximately 7,000ha is about 3,750m below the surface and is located just 31km east of both the Dampier-to-Bunbury Natural Gas Pipeline and the Dongara-to-Perth Parmelia Pipeline.

#### Key Events in the past six months included:

- Suspension of Warro 4, 5 and 6 to bring the current drilling and testing activities to a close.
- Rehabilitation of the Warro 3D seismic lines in the Watheroo National Park and Big Soak has been completed and the security bond held under Ministerial Statement 849 has been received.
- Continued environmental monitoring and community consultation.
- At the end of 2016, Alcoa Corporation announced via its Form 8-K lodged in the USA, that it had impaired its after tax and non-controlling interest in the Warro Project.



## Directors' report

### 2017 Program

- Approval of the 2017 Work Programme and Budget by Alcoa of Australia as part of the farmin project.
- Data gathered from the 2015/16 drilling and testing campaign is now being analysed to gain greater understanding of the complex nature of the Warro reservoir and to identify ways to increase gas production while keeping water production to manageable levels.
- As part of this program sand(s) that are likely to produce commercial flow rates from alternative drilling techniques will be identified.
- If the technical review supports the drilling of new wells, the JV will move forward to determine the most appropriate way to execute the program.

As at 31 December 2016, Transerv Energy Limited has an interest in the following tenements:

AUSTRALIAN LAND INTERESTES					
Lease or Project	Legal Description	Interest	Location	Rights	Change during the Quarter
Warro JV	EP321	57%	Western Australia	100%	No Change
Warro JV	RL6	57%	Western Australia	100%	No Change
Warro JV	RL7	57%	Western Australia	100%	No Change

### Corporate

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 has stepped 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.

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.

A 25% reduction in corporate overheads has been achieved moving into 2017.

### Events Subsequent to the Reporting Date

Other than the following matters, there has not arisen in the interval between the end of the reporting period and the date of this report, any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company to affect substantially the operations of the Company, the results of those operations or the state of affairs of the Company in subsequent financial periods;

- On 11 January 2017 the Company received \$9.3m by successfully qualifying its portion of the Warro Project under the Australian Government Research and Development Tax Incentive Programme.
- On 13 February 2017 the Company announced that Norwest Energy Ltd (NWE) had finalised its farmout of TP15 in February 2017. The drilling of the 160 million barrel Xanadu prospect in TP-15 is expected in the second half of 2017. TSV has committed to funding 20% of the costs of Xanadu-1 to earn a 15% interest in the prospect. It is anticipated TSV's contribution to the drilling of the well will be approximately \$1.25m.

## Directors' report

### The Auditor's Independence Declaration under section 308C of the Corporations Act 2001

The Auditor's Independence Declaration is set out on page 5 and forms part of the Directors' report for the half-year ended 31 December 2016.

Dated at Perth this 10<sup>th</sup> day of March, 2017

Signed in accordance with a resolution of the directors:



**David Messina**  
**Managing Director**

## Auditors Independence Declaration



Level 1  
10 Kings Park Road  
West Perth WA 6006

Correspondence to:  
PO Box 570  
West Perth WA 6872

T +61 8 9480 2000  
F +61 8 9322 7787  
E [info.wa@au.gt.com](mailto:info.wa@au.gt.com)  
W [www.granthornton.com.au](http://www.granthornton.com.au)

### **Auditor's Independence Declaration To The Directors of Transerv Energy Limited**

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Transerv Energy Limited for the half-year ended 31 December 2016, I declare that, to the best of my knowledge and belief, there have been:

- a No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and
- b No contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature in dark ink, appearing to read "Grant Thornton".

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

A handwritten signature in dark ink, appearing to read "P. Warr".

P W Warr  
Partner - Audit & Assurance

Perth, 10 March 2017

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# Independent Auditor's Review Report



Level 1  
10 Kings Park Road  
West Perth WA 6005

Correspondence to:  
PO Box 570  
West Perth WA 6872

T +61 8 9480 2000  
F +61 8 9322 7787  
E info.wa@au.gt.com  
W www.grantthornton.com.au

## INDEPENDENT AUDITOR'S REVIEW REPORT TO THE MEMBERS OF TRANSERV ENERGY LIMITED

We have reviewed the accompanying half-year financial report of Transerv Energy Limited (the Company), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2016, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

### Directors' Responsibility for the Half-year Financial Report

The Directors of Transerv Energy Limited are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the *Corporations Act 2001* and for such controls as the Directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the *Corporations Act 2001* including: giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*. As the auditor of Transerv Energy Limited, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

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## Independent Auditor's Review Report



A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

### Independence

In conducting our review, we complied with the independence requirements of the *Corporations Act 2001*.

### Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Transerv Energy Limited is not in accordance with the *Corporations Act 2001*, including:

- a giving a true and fair view of the consolidated entity's financial position as at 31 December 2016 and of its performance for the half-year ended on that date; and
- b complying with Accounting Standard AASB 134 *Interim Financial Reporting* and *Corporations Regulations 2001*.

A stylized signature of the Grant Thornton firm, written in a cursive script.

GRANT THORNTON AUDIT PTY LTD  
Chartered Accountants

A handwritten signature of P W Warr, written in a cursive script.

P W Warr  
Partner - Audit & Assurance

Perth, 10 March 2017



# Consolidated statement of profit or loss and other comprehensive income

For the six months ended 31 December 2016

	Notes	31-Dec-16 AUD	31-Dec-15 AUD
Other income	7	32,500	366,763
Loss on disposal of available for sale financial assets	8	-	(750,043)
Loss on disposal of assets		(31,223)	(1,281)
<b>Expenses</b>			
Administrative expenses	9	(923,882)	(703,636)
Finance costs	10	(68,550)	(15,124)
Impairment expense	14	(48,670,684)	-
Other expenses	11	(483,581)	(296,640)
<b>Loss before income tax expense from continuing operations</b>		<b>(50,145,420)</b>	<b>(1,399,961)</b>
Income tax benefit/(expense)		9,348,766	-
<b>Loss after income tax expense for the period</b>		<b>(40,796,654)</b>	<b>(1,399,961)</b>
<b>Discontinued operations</b>			
Profit/(loss) for the year from discontinued operations	12	-	8,730,301
Profit/(loss) for the year		(40,796,654)	7,330,340
<b>Loss attributable to:</b>			
<b>Members of the parent entity</b>		(40,789,783)	7,654,392
Non-controlling interests		(6,871)	(324,052)
		(40,796,654)	7,330,340
<b>Other comprehensive income, net of tax</b>			
Items reclassified through profit and loss:			
Unrealised gain on marketable securities		100,000	-
Foreign currency translation		(2,964)	421,844
Total other comprehensive income for the period		97,036	421,844
Total comprehensive income/(loss) for the period		(40,699,618)	7,752,184
Total comprehensive income/(loss) for the year attributable to:			
Members of the parent entity		(40,692,747)	8,076,236
Non-controlling interest		(6,871)	(324,052)
		(40,699,618)	7,752,184
Total comprehensive income/(loss) attributable to owners of the parent:			
Continuing operations		(40,699,618)	(978,117)
Discontinued operations		-	8,730,301
		(40,699,618)	7,752,184
<b>Earnings/(loss) per share</b>			
Basic (cents per share)			
Continuing operations		(4.8835)	(0.1721)
Discontinued operations		-	1.0734
Diluted (cents per share)			
Continuing operations		(4.8835)	(0.1721)
Discontinued operations		-	1.0729

*The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the consolidated interim financial report.*

## Consolidated statement of financial position

For the six months ended 31 December 2016

	Note	31-Dec-16 AUD	30-Jun-16 AUD
<b>Assets</b>			
<i>Current Assets</i>			
Cash and cash equivalents		954,779	3,321,814
Trade and other receivables	13	9,460,136	143,562
Other current assets		24,981	88,329
<b>Total current assets</b>		<b>10,439,896</b>	<b>3,553,705</b>
<i>Non-current Assets</i>			
Property, plant and equipment		56,474	100,004
Exploration and evaluation assets	14	25,000	48,012,854
Other financial assets		300,000	-
<b>Total non-current assets</b>		<b>381,474</b>	<b>48,112,858</b>
<b>Total assets</b>		<b>10,821,370</b>	<b>51,666,563</b>
<b>Liabilities</b>			
<i>Current Liabilities</i>			
Trade and other payables		480,256	554,036
Provisions		69,391	112,112
<b>Total current liabilities</b>		<b>549,647</b>	<b>666,148</b>
<i>Non-current liabilities</i>			
Provisions		10,868	39,944
<b>Total non-current liabilities</b>		<b>10,868</b>	<b>39,944</b>
<b>Total liabilities</b>		<b>560,515</b>	<b>706,092</b>
<b>Net assets</b>		<b>10,260,855</b>	<b>50,960,471</b>
<b>Equity</b>			
Issued capital	15	52,646,771	52,646,771
Reserves	16	1,546,020	1,448,984
Non-controlling interest		3,950,576	3,957,445
Accumulated losses		(47,882,512)	(7,092,729)
<b>Total equity attributable to equity holders of the Consolidated Entity</b>		<b>10,260,855</b>	<b>50,960,471</b>

*The consolidated statement of financial position is to be read in conjunction with the notes to the consolidated interim financial report.*

## Consolidated statement of changes in equity

As at 31 December 2016

<i>For the six months ended 31 December 2016</i>		Share Capital	Reserves	Accumulated Losses	Non-controlling interest	Total Equity
	Note	AUD	AUD	AUD	AUD	AUD
Balance at 1 July 2016		52,646,771	1,448,984	(7,092,729)	3,957,445	50,960,471
<b>Total comprehensive income for the period</b>						
Profit attributable to members of the parent entity		-	-	(40,789,783)	-	(40,789,783)
Profit attributable to non-controlling interests		-	-	-	(6,871)	(6,871)
Unrealised gain on marketable securities		-	100,000	-	-	100,000
Foreign currency translation differences		-	(2,964)	-	-	(2,964)
<b>Total other comprehensive income</b>		-	97,036	-	-	97,036
<b>Total comprehensive income for period</b>		-	97,036	(40,789,783)	(6,871)	(40,699,618)
<b>Transactions with owners, recorded directly in equity</b>						
<b>Contributions by and distributions to owners</b>						
<b>Total contributions by and distributions to owners</b>		-	-	-	-	-
Balance at 31 December 2016		52,646,771	1,546,020	(47,882,512)	3,950,576	10,260,855

<i>For the six months ended 31 December 2015</i>		Share Capital	Reserves	Accumulated Losses	Non-controlling interest	Total Equity
		AUD	AUD	AUD	AUD	AUD
Balance at 1 July 2015		66,952,804	1,412,938	(9,968,749)	2,706,585	61,103,578
<b>Total comprehensive income for the period</b>						
Profit attributable to members of the parent entity		-	-	7,654,392	-	7,654,392
Loss attributable to non-controlling interests		-	-	-	(324,052)	(324,052)
<b>Other comprehensive income</b>						
Foreign currency translation differences		-	421,844	-	-	421,844
<b>Total other comprehensive income</b>		-	421,844	-	-	421,844
<b>Total comprehensive income for period</b>		-	421,844	7,654,392	(324,052)	7,752,184
<b>Transactions with owners, recorded directly in equity</b>						
<b>Contributions by and distributions to owners</b>						
Demerger of Woma Energy Ltd share capital		(14,522,033)	-	-	-	(14,522,033)
Options exercised		196,000	-	-	-	196,000
Shares issued		20,000	-	-	-	20,000
Share options vested		-	67,367	-	-	67,367
Share options expired		-	(324,940)	324,940	-	-
<b>Total contributions by and distributions to owners</b>		(14,306,033)	(257,573)	324,940	-	(14,238,666)
Balance at 31 December 2015		52,646,771	1,577,209	(1,989,417)	2,382,533	54,617,096

*The consolidated statement of changes in equity is to be read in conjunction with the notes to the consolidated interim financial report.*

## Consolidated statement of cashflow

For the six months ended 31 December 2016

	Note	31-Dec-16 AUD	31-Dec-15 AUD
<b><i>Cash flows from operating activities</i></b>			
Receipts from customers		125,239	656,596
Interest received		2,801	379
Payment to suppliers and employees		(1,321,309)	(910,211)
<b>Net cash used in operating activities</b>		<b>(1,193,269)</b>	<b>(253,236)</b>
<b><i>Cash flows from investing activities</i></b>			
Payment for exploration and evaluation expenditure		(973,766)	(307,809)
Payment for purchase of prospects		-	(625,023)
<b>Net cash used in investing activities</b>		<b>(973,766)</b>	<b>(932,832)</b>
<b><i>Cash flows from financing activities</i></b>			
Proceeds from borrowings		-	461,133
Payment for purchase of shares		(200,000)	-
Proceeds from share issue and exercise of options		-	216,000
<b>Net cash (used in)/provided by financing activities</b>		<b>(200,000)</b>	<b>677,133</b>
Net decrease in cash and cash equivalents		(2,367,035)	(508,935)
Cash and cash equivalents at beginning of year		3,321,814	2,255,635
Effect of exchange rate fluctuations on cash held		-	9,773
<b>Cash and cash equivalents at 31 December 2016</b>		<b>954,779</b>	<b>1,756,473</b>

*The consolidated statement of cash flow is to be read in conjunction with the notes to the consolidated interim financial report.*

## Notes to the accounts

### 1. Reporting entity

Transerv Energy Limited (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is Level 2, 6 Thelma Street, West Perth, WA 6005. The consolidated interim financial report of the consolidated entity for the six months ended 31 December 2016 comprises the Company and its subsidiaries (together referred to as the consolidated entity). The consolidated entity is primarily involved in oil and gas exploration in Australia and Canada.

### 2. Statement of compliance

The consolidated interim financial report is a general purpose financial report prepared in accordance with the requirements of the Corporation Act 2001, Australian Accounting Standards AASB 134: Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Standards Board. Compliance with the Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2016.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in the annual financial report of the consolidated entity as at and for the year ended 30 June 2016.

### 3. Significant accounting policies

These consolidated interim financial statements have been prepared in accordance with the accounting policies adopted in the last annual financial statements for the year to 30 June 2016 in addition to the following:

Available for sale (AFS) financial assets are non-derivative financial assets that are either designated to this category or do not qualify for inclusion in any of the other categories of financial assets. The Group's AFS financial assets include listed securities. AFS financial assets are measured at fair value. Gains and losses are recognised in other comprehensive income and reported within the AFS reserve within equity. When the asset is disposed of or is determined to be impaired the cumulative gain or loss recognised in other comprehensive income is reclassified from the equity reserve to profit or loss and presented as a reclassification adjustment within other comprehensive income.

The accounting policies have been applied consistently throughout the Consolidated Entity for the purposes of preparation of these consolidated interim financial statements.

The Consolidated Entity has adopted the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current period.

Any new, revised or amending Accounting Standards or Interpretations that are not yet mandatory have not been early adopted.

### 4. Adoption of new and revised accounting standards

In the half year ended 31 December 2016, the Company has reviewed all of the new and revised Standards and Interpretations issued by the AASB that are relevant to its operations and effective for annual reporting periods beginning on or after 1 January 2016.

It has been determined by the Company that, there is no material impact of the new and revised standards and interpretations on its business and therefore no change is necessary to the Company's accounting policies.

The Company has also reviewed all new Standards and Interpretations that have been issued but are not yet effective for the half-year ended 31 December 2016. As a result of this review the Directors have determined that there is no impact, material or otherwise, of the new and revised Standards and Interpretations on its business and, and therefore, no change is necessary to Company accounting policies.

No retrospective change in accounting policy or material reclassification has occurred requiring the inclusion of a third Statement of Financial Position as at the beginning of the comparative financial period, as required under AASB 101.

The half-year financial statements were approved by the Board of Directors on 9th March 2017.

## Notes to the accounts

### 5. Estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this consolidated interim financial report, the significant judgements made by management in applying the consolidated entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2016.

## Notes to the accounts

### 6. Segment reporting

During the period the Consolidated Entity operated in two business segments – mineral exploration, development and production of oil and gas in two geographical areas – Australia and Canada.

The Consolidated Entity has identified its operating segment based on the internal report that is reviewed and used by the Board of Directors (chief operating decision maker) in assessing performance and determining the allocation of resources.

	Australia 31-Dec-16	Canada 31-Dec-16	Discontinued 31-Dec-16	Total Segment 31-Dec-16	USA 31-Dec-16	Consolidated 31-Dec-16
<b>Revenue</b>						
Sales to external customers	-	-	-	-	-	-
Total Sales Revenue	-	-	-	-	-	-
Financial income	23,047	2,406	-	25,453	-	25,453
Other income	12,605	-	-	12,605	-	12,605
<b>Total Revenue</b>	<b>35,652</b>	<b>2,406</b>	<b>-</b>	<b>38,058</b>	<b>-</b>	<b>38,058</b>
<b>Segment result</b>	<b>(1,436,483)</b>	<b>(20,388)</b>	<b>-</b>	<b>(1,456,871)</b>	<b>(3,245)</b>	<b>(1,460,116)</b>
Loss on disposal of available for sale financial assets	-	-	-	-	-	-
Depreciation and amortisation	(14,619)	-	-	(14,619)	-	(14,619)
Impairment of assets	(48,670,684)	-	-	(48,670,684)	-	(48,670,684)
Profit before income tax expense	(50,121,786)	(20,388)	-	(50,142,174)	(3,245)	(50,145,420)
Income tax	-	-	-	-	-	9,348,766
Profit after income tax expense	-	-	-	-	-	<b>40,796,654</b>
<b>Assets</b>						
Total current assets	10,294,657	145,239	-	10,439,896	-	10,439,896
Total non-current assets	381,474	-	-	381,474	-	381,474
<b>Total assets</b>	<b>10,676,131</b>	<b>145,239</b>	<b>-</b>	<b>10,821,370</b>	<b>-</b>	<b>10,821,370</b>
<b>Liabilities</b>						
Total current liabilities	(549,647)	-	-	(549,647)	-	(549,647)
Total non-current liabilities	(10,868)	-	-	(10,868)	-	(10,868)
<b>Total liabilities</b>	<b>(560,515)</b>	<b>-</b>	<b>-</b>	<b>(560,515)</b>	<b>-</b>	<b>(560,515)</b>

	Australia 31-Dec-15	Canada 31-Dec-15	Discontinued 31-Dec-15	Total Segment 31-Dec-15	USA 31-Dec-15	Consolidated 31-Dec-15
<b>Revenue</b>						
Sales to external customers	-	(9)	-	(9)	-	(9)
Total Sales Revenue	-	(9)	-	(9)	-	(9)
Financial income	351	2	27	380	-	380
Other income	366,393	-	-	366,393	-	366,393
<b>Total Revenue</b>	<b>366,744</b>	<b>(7)</b>	<b>27</b>	<b>366,763</b>	<b>-</b>	<b>366,763</b>
<b>Segment result</b>	<b>(443,142)</b>	<b>(208,054)</b>	<b>8,732,295</b>	<b>8,081,099</b>	<b>14,203</b>	<b>8,095,301</b>
Unrealised (loss) profit on marketable securities	-	(750,044)	-	(750,044)	-	(750,044)
Loss on disposal of marketable securities	-	(1,281)	-	(1,282)	-	(1,282)
Depreciation and amortisation	(9,792)	(2,202)	(1,885)	(13,880)	-	(13,880)
Impairment of assets	-	-	(135)	(135)	-	(135)
Interest revenue	351	2	27	380	-	380
Profit before income tax expense	(452,583)	(961,579)	8,730,302	7,316,138	14,203	7,330,340
Income tax	-	-	-	-	-	-
Profit after income tax expense	-	-	-	-	-	<b>7,330,340</b>
<b>Assets</b>						
Total current assets	2,047,845	1,823,401	-	3,871,246	-	3,871,246
Total non-current assets	51,950,080	61,760	-	52,011,840	-	52,011,840
<b>Total assets</b>	<b>53,997,925</b>	<b>1,885,162</b>	<b>-</b>	<b>55,883,086</b>	<b>-</b>	<b>55,883,086</b>
<b>Liabilities</b>						
Total current liabilities	(330,920)	(667,848)	-	(998,768)	-	(998,768)
Total non-current liabilities	-	(267,222)	-	(267,222)	-	(267,222)
<b>Total liabilities</b>	<b>(330,920)</b>	<b>(935,070)</b>	<b>-</b>	<b>(1,265,990)</b>	<b>-</b>	<b>(1,265,990)</b>

## Notes to the accounts

### 7. Other income

	31-Dec-16 AUD	31-Dec-15 AUD
Interest income	19,895	353
Other service income	12,605	366,410
	<u>32,500</u>	<u>366,763</u>

### 8. Loss on disposal of available for sale financial assets

	31-Dec-16 AUD	31-Dec-15 AUD
Loss from financial assets through profit and loss	-	(750,043)
	<u>-</u>	<u>(750,043)</u>

### 9. Administrative expenses

	31-Dec-16 AUD	31-Dec-15 AUD
Directors' fees	(74,684)	(65,105)
Administration and finance support	(306,439)	(125,078)
Share based payments expense	-	(67,367)
General and administration	(542,759)	(446,086)
	<u>(923,882)</u>	<u>(703,636)</u>

### 10. Financing costs

	31-Dec-16 AUD	31-Dec-15 AUD
Interest expense	(45)	-
Establishment fee - facility	(74,063)	-
Foreign currency loss	5,558	(15,124)
	<u>(68,550)</u>	<u>(15,124)</u>

### 11. Other operating expenses

	31-Dec-16 AUD	31-Dec-15 AUD
Depreciation and amortisation	(14,619)	(11,994)
Project expense	(264,419)	-
Legal fees	(12,327)	(24,434)
Bad debt expense	-	(104,948)
Tax advisory services	(103,550)	(33,250)
Accountancy services	-	(32,050)
Consultancy fees	(67,423)	(91,892)
Net operating expenditure	(21,243)	1,928
	<u>(483,581)</u>	<u>(296,640)</u>



## Notes to the accounts

### 12. Discontinued Operation

The demerger of Transerv's Canadian Assets was completed on 20 October 2015. To effect the demerger, Transerv incorporated a new Australian subsidiary, TSV Montney Limited. TSV Montney was transferred 100% of Woma Energy Ltd (Transerv's subsidiary which owns the Canadian assets). All the issued shares in TSV Montney (80,816,989 shares) have been distributed by Transerv to its shareholders on a 1 for 10 basis (an in-specie distribution).

The end result is Transerv shareholders will directly own TSV Montney, an unlisted Australian public company, which will own the Canadian assets through Woma Energy Ltd.

The results of the discontinued operations included in the statement of profit or loss and other comprehensive income are set out below. Results of the discontinued operations for the period:

	31-Dec-16 AUD	31-Dec-15 AUD
Revenue	-	239,343
Expenses	-	(174,796)
Profit before tax	-	64,547
Attributable income tax benefit	-	572,549
	-	637,096
Gain on sale of discontinued operations	-	8,093,205
Attributable income tax benefit	-	-
Gain on sale of discontinued operations	-	8,730,301
Cash flows from discontinued operations		
Net cash flows from operating activities	-	(372,878)
Net cash flows from investing activities	-	(625,023)
Net cash flows from financing activities	-	-
Net cash flows	-	(997,901)

#### Effects on disposal on the financial position of the group

##### Current assets

Cash and cash equivalents	(255,757)
Trade and other receivables	(1,062,501)
Other receivables	(31,706)

##### Non-current assets

Property, plant and equipment	-
Exploration and evaluation assets	(6,044,748)
Investments	(657,680)

##### Current Liabilities

Trade and other payables	209,085
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##### Non-current liabilities

Deferred tax liability	221,761
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##### Net assets and liabilities disposed of

Latent Investment in Woma disposed	(7,621,546)
Reduction of share capital	(14,112,910)
Disposal of ordinary share capital	14,522,033
Gain on sale of discontinued operation	15,305,628
	8,093,205

## Notes to the accounts

### 13. Trade and other receivables

	31-Dec-16 AUD	30-Jun-16 AUD
Trade receivables	94,276	143,562
Research and development grant	9,365,860	-
	<u>9,460,136</u>	<u>143,562</u>

### 14. Exploration and evaluation assets

	31-Dec-16 AUD	30-Jun-16 AUD
Exploration and evaluation assets	25,000	48,012,854

#### Movement in exploration and evaluation expenditure

Opening Balance	48,012,854	57,269,040
Demerger of Woma Energy Ltd	-	(6,044,880)
Expenditure incurred during the period	690,660	753,324
Depreciation/amortisation for exploration assets	(7,830)	(15,660)
Impairment for exploration and evaluation assets	(48,670,684)	(3,938,165)
Foreign currency movement	-	(10,805)
	<u>25,000</u>	<u>48,012,854</u>

The recoverability of the carrying amounts of exploration and evaluation assets is dependent on the successful development and commercial exploitation or sale of the respective areas of interest.

Where activities in the area of interest have, at the reporting date, reached a stage which permits a reasonable assessment of the existence or otherwise of economically recoverable reserves the exploration and evaluation assets are assessed for impairment. Impairment will occur if sufficient data exists to determine technical feasibility and commercial viability and the facts and circumstances suggest that the carrying amount exceeds the recoverable amount.

During the 6 months ended 31 December 2016 the 2017 Work Programme and Budget has been approved by Alcoa of Australia as part of the farmin project. Suspension of Warro 4, 5 and 6 brings the current drilling and testing activities to a close.

The coming 12 months will see the data gathered from the 2015/16 drilling and testing campaign undergo further analysis to gain greater understanding of the complex nature of the Warro reservoir and to identify ways to increase gas production while keeping water production to manageable levels. As part of this program sand(s) that are likely to produce commercial flow rates from alternative drilling techniques will be identified. If the technical review supports the drilling of new wells, the JV will move forward to determine the most appropriate way to execute the program. Based on presently available information the Warro wells as currently drilled are not commercially feasible and additional investment will be required to move to the next phase.

In determining our impairment position and the appropriateness of continuing to carry forward costs in relation to the Warro Project consideration has been given to the above, current market conditions for junior mining exploration companies, the company's market capitalisation along with the announcement made by the Company's JV partner, Alcoa Corporation in early January 2017 that it had recorded an impairment charge against the carrying value of the Warro project recorded in Alcoa's accounts.

As a result of this review of the Warro project, it is considered prudent that the company make an impairment charge of \$48,670,684 in the current period.

## Notes to the accounts

### 15. Issued capital

The Consolidated Entity recorded the following amounts within shareholder's equity as a result of the issuance of ordinary shares:

Issued capital - Shares	31 Dec 2016 #	30 June 2016 #	31 December 2016 \$	30 June 2016 \$
Ordinary shares	835,264,337	835,264,337	52,646,771	52,646,771

*Movement in share capital:*

Details	No. Shares	\$
At beginning of the period	835,264,337	52,646,771
Shares issued	-	-
Costs related to share issues	-	-
<b>Balance at 31 December 2016</b>	<b>835,264,337</b>	<b>52,646,771</b>

### 16. Reserves

	31-Dec-16 AUD	30-Jun-16 AUD
Share based payments reserve	67,367	67,367
Foreign currency translation reserve	1,378,653	1,381,617
Available for sale reserve	100,000	-
	<b>1,546,020</b>	<b>1,448,984</b>

	Share based payments reserve	Foreign currency translation reserve	Available for sale reserve
Balance at 1 July 2016	67,367	1,381,617	-
Exchange differences on translating foreign operations	-	(2,964)	-
Revaluation of available for sale financial asset	-	-	100,000
	<b>67,367</b>	<b>1,378,653</b>	<b>100,000</b>

### 17. Options

The outstanding balance of options over ordinary shares at 31 December 2016 represented by:

Grant date	Exercisable	Expiry date	Exercise price	Number of options
17-Nov-15	17-Nov-15	10-Jul-18	\$0.060	1,675,000

The outstanding balance of options over ordinary shares at 30 June 2016 represented by:

Grant date	Exercisable	Expiry date	Exercise price	Number of options
17-Nov-15	17-Nov-15	10-Jul-18	\$0.060	1,675,000

There were no options granted during the six months ended 31 December 2016.

## Notes to the accounts

### 18. Subsequent events

No matters or circumstances have arisen since the end of the financial period which significantly affect or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the Consolidated Entity in future financial years, other than as set out below.

#### Xanadu

Norwest Energy Ltd (NWE) finalised its farmout of TP15 in February 2017. The drilling of the 160 million barrel Xanadu prospect in TP-15 is expected in the second half of 2017. TSV has committed to funding 20% of the costs of Xanadu-1 to earn a 15% interest in the prospect. It is anticipated TSV's contribution to the drilling of the well will be approximately \$1.25m.

#### Funding

In January 2017 Transerv received \$9.3m by successfully qualifying its portion of the Warro Project under the Australian Government Research and Development Tax Incentive Programme.

### 19. Commitments

There has been no material change in operational or capital commitments since the signing of the audited 30 June 2016 financial statements.

### 20. Contingencies

There has been no material change in contingent assets or liabilities since the signing of the audited 30 June 2016 financial statements.

## Directors' Declaration

In the opinion of the Directors of Transerv Energy Limited and its subsidiaries ("Consolidated Entity"):

1. the financial statements and notes set out on pages 8 to 19, are in accordance with the Corporations Act 2001 including:
  - a. giving a true and fair view of the financial position of the consolidated entity as at 31 December 2016 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and
  - b. complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Consolidated Entity will be able to pay its debts as and when they become due and payable.

Dated in Perth this 10<sup>th</sup> day of March, 2017

Signed in accordance with a resolution of Directors:



**David Messina**

Managing Director