

29 January 2016

December 2015 Quarter Activity Report

HIGHLIGHTS

Warro Gas Project

- Warros-6 stimulation completed.
- Warro-5 stimulation due for completion in January 2016.
- Completions and Extended Well Testing to follow during-January 2016 currently taking place.
- Upgrade of field GIIP to 13.6 Tcf.
- WA gas prices set by isolated supply-demand fundamentals, not linked to global oil prices.

Canadian Operations

- Demerger of Canadian Assets completed and certificates in TSV Montney issued to shareholders.

SUBSEQUENT EVENTS

Warro Gas Project

- Warro-5 stimulation completed in early January 2016.
- Completion of Warro-6 in place and well testing to commence.
- Warro-5 completion underway to be followed by well testing.

Warro Gas Project Update

During the quarter the Warro Joint Venture (WJV) has completed the stimulation of Warro-6 and is moving to Warro-6 location to complete the stimulation programme suspended in November 2015.

Work carried out or underway during the past quarter included:

Drilling

- Warro-6, which is located approximately 3km to the Northwest of Warro-5ST, commenced drilling in the first week of October. Warro-6 reached total depth of 4520m RT and ran wireline logs prior to setting 5 ½" casing.
- Warro-5 Stage 1 stimulation was completed during the quarter but these operations were suspended when proppant from the initial stimulation phase back filled into the borehole.
- Warro-6 completed three stages of reservoir stimulation resulting in the successful emplacement of over 715,000 pounds (325,000kg) of proppant. Only the deeper 50% of the gross reservoir section was targeted by these three stages. Initial flow back operations commenced at Warro-6 on December 17 and resulted in the recovery of a substantial portion of the stimulation fluids.

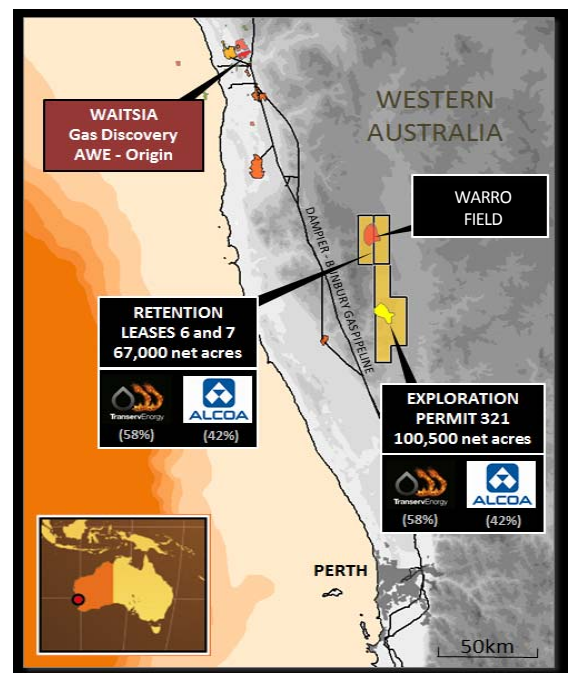


Figure 1: The Warro Gas Field is located close to key pipelines and AWE's recent Waitsia gas discovery

- Preliminary interpretation of the Warro-6 logs shows the presence of a 315.5m gas interval from 4147m to 4462.5m RT in the main reservoir unit. Additional hydrocarbon bearing sands are also present between 4483m – 4520m (well TD). The table below presents a summary of Warro-5 and Warro-6:

	Warro-5	Warro-6
Well Total Depth TVD	4327m	4520m
Top Gas Pay	4152m	4147m
Gross Pay	161m	315.5m
Net Pay	95m	210m
Average Porosity	9.80%	9.50%

- An independent review by RISC Advisory increased the total Resource estimate to 13.6 trillion cubic feet (Tcf) of gas in place which is an addition of over 30 per cent to the upside GIIP figure of approximately 10 Tcf provided by the Shanley Review.

Warro Field Gas-in-Place Tcf			
	P90	P50	P10
Contingent	2.4	3.2	4.3
Prospective	2.0	4.1	7.3
GIIP	4.4	7.3	13.6

- This includes a Contingent P90 estimate of 2.4Tcf which is approximately 220% more than previously assessed by Gaffney, Cline & Associates prior to the Alcoa farmin work. This category is deemed to be the lowest-risk portion of the Resource and would be the basis of any project development.
- Although accurate estimates for well deliverability will not be available until testing of Warro-5 and 6 is completed, previous estimates done as part of the Shanley Review indicate that wells drilled on a 20-hectare spacing could be expected to yield between 4 - 10 Bcf per well. The following estimate of field recoverable resources has been done assuming 4.4 Bcf per well with a spacing of 20 hectares. The P90 Contingent outcome would result in the drilling of approximately 300 wells.

Warro Field Potential Recoverable Tcf			
4.4 Bcf per 20Ha	P90	P50	P10
Contingent Resources	1.3	1.5	1.8
Prospective Resources	1.3	2.3	3.6
Total	2.6	3.8	5.4

- Recent work, published in October 2015, by Strachan Corporate indicated an NPV8 value for Warro gas of 0.69 cents/Gj. Based on this valuation, the potential value of the recoverable resources at Warro is between \$900 million - \$3.7 billion (gross). Another valuation by Breakaway Research using current gas prices of ~\$7/GJ, calculated the un-risked gross value of the Potential Recoverable Resources ranges from \$910 million to \$3.78 billion, or \$320 million to \$1.32 billion net to Transerv.

Environmental Monitoring and Community Consultation

- Water and soil samples are ongoing during operations and as part of the agreement to participate in a water and soil/atmospheric gas project with CSIRO and other Perth Basin Operators. CSIRO and UWA visited site during the quarter and seismic monitoring arrays were installed by ESS in October.
- The local community, surrounding shires and stakeholders were invited to tour site in December. Opportunities to view the stimulation equipment, learn more about the project and view the footprint of the wells sites was well regarded and received by those that attended.

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, in which Alcoa is spending up to \$100 million on exploration and development at Warro. Alcoa is funding a staged program which includes the drilling of further wells and constructing production infrastructure. Warro 5 and 6 have been drilled and will be tested as part of the Alcoa farmin arrangement

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.

Canadian Demerger

The demerger of Transerv’s Canadian Assets was completed on 20 October 2015 and share certificates in TSV Montney have been issued to all shareholders. Transerv will no longer report on TSV Montney to its shareholders.

Corporate

Cash position as at 31 December 2015

At the end of the December 2015 quarter, the Transerv Energy consolidated group had a closing balance of \$1.756 m as set out in the Appendix 5B.

For and on behalf of the Board

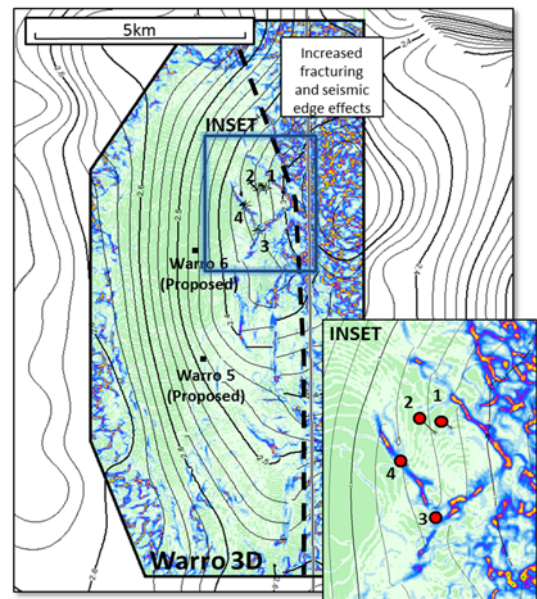


Figure 2: Seismic Fault Attributes. The location of faulting (the blue linear features near Warro-3 and 4) is believed to be the source of the water

Due to the demerger of TSV Montney, Transerv's interests in the licences listed below became nil as at 20 October 2015 and all interests in these licences are now held by the TSV Montney Group.

CANADIAN LAND INTERESTS						
Lease or Project	Hectares	Legal Description	Interest	Location	Rights	Change during the quarter
511080053	87.04	T40-R5W5: 15*	0.00%	Alberta, Canada	b.b. Mann.	Disposed of during the quarter
511080054	87.04	T40-R5W5: 22*	0.00%	Alberta, Canada	b.b. Mann.	Disposed of during the quarter
511020095	21.76	T40-R6W5:NE12*	0.00%	Alberta, Canada	b.b. Mann.	Disposed of during the quarter
511080055	87.04	T41-R5W5: 7*	0.00%	Alberta, Canada	b.b. Mann.	Disposed of during the quarter
510120361	87.04	T41-R7W5: 14	0.00%	Alberta, Canada	b.b. Vik. excl. Duvernay	Disposed of during the quarter
511020101	21.76	T41-R7W5: NE26	0.00%	Alberta, Canada	b.b. Mann. excl. Duvernay	Disposed of during the quarter
511020102	65.28	T41-R7W5: S&NW 28	0.00%	Alberta, Canada	b.b. Mann. excl. Duvernay	Disposed of during the quarter
511020145		T46-R10W5:21	0.00%	Alberta, Canada	b.b. Mann.	Disposed of during the quarter
511020147		T46-R10W5:22	0.00%	Alberta, Canada	b.b. Mann.	Disposed of during the quarter
511020148		T46-R10W5:28	0.00%	Alberta, Canada	b.b. Mann.	Disposed of during the quarter
511020150		T46-R10W5:33	0.00%	Alberta, Canada	b.b. Mann.	Disposed of during the quarter
511020166		T47-R10W5: 3	0.00%	Alberta, Canada	b.b. Mann.	Disposed of during the quarter
511020167		T47-R10W5: 4	0.00%	Alberta, Canada	b.b. Mann.	Disposed of during the quarter
511020168		T47-R10W5: 10	0.00%	Alberta, Canada	b.b. Mann.	Disposed of during the quarter
511020169		T47-R10W5: 15	0.00%	Alberta, Canada	b.b. Mann.	Disposed of during the quarter
511020175		T47-R10W5: W25	0.00%	Alberta, Canada	b.b. Mann.	Disposed of during the quarter
511020176		T47-R11W5: 13	0.00%	Alberta, Canada	b.b. Mann.	Disposed of during the quarter
511100144		T49-R9W5:22	0.00%	Alberta, Canada	b.b. Mann. to b. Nordegg	Disposed of during the quarter
511100145		T49-R9W5:23	0.00%	Alberta, Canada	b.b. Mann. to b. Nordegg	Disposed of during the quarter
510120376		T49-R11W5:N&SW16	0.00%	Alberta, Canada	b.b. Mann. to b. Banff	Disposed of during the quarter
510120378		T49-R11W5:N&SW16, SE21	0.00%	Alberta, Canada	b. b. Banff	Disposed of during the quarter
510120379		T49-R11W5:SE21	0.00%	Alberta, Canada	b.b. Mann. to b. Banff	Disposed of during the quarter
511120453		T51-R9W5:N&SE17	0.00%	Alberta, Canada	all P&NG	Disposed of during the quarter
510120389		T53-R12W5:24	0.00%	Alberta, Canada	all P&NG	Disposed of during the quarter
510120390		T53-R12W5:35	0.00%	Alberta, Canada	b.b. Edmt.	Disposed of during the quarter

CANADIAN LAND INTERESTS						
Lease or Project	Hectares	Legal Description	Interest	Location	Rights	Change during the quarter
510120393		T54-R11W5:N6	0.00%	Alberta, Canada	b.b. Edmt.	Disposed of during the quarter
511080092		T54-R11W5:7	0.00%	Alberta, Canada	b.b. Mann.	Disposed of during the quarter
511080093		T54-R12W5:12	0.00%	Alberta, Canada	b.b. Mann.	Disposed of during the quarter
65101		086-15W6:1	0.00%	British Columbia, Canada	All PNG in charlie lake	Disposed of during the quarter
65089	507	082-17W6:3, 33	0.00%	British Columbia, Canada	Petroleum only below base charlie lake NG below base basal montney LAG-belloy-taylor flat	Disposed of during the quarter
65159	521	083-17W6:17,20	0.00%	British Columbia, Canada	All PNG	Disposed of during the quarter
65201	261	083-18W6:21	0.00%	British Columbia, Canada	All PNG	Disposed of during the quarter
65091	781	083-18W6:E24(Tract 1) W24(Tract 2) 25,26(Tract 3)	0.00%	British Columbia, Canada	Tract 1 All PNG	Disposed of during the quarter
					Tract 2 PNG below base charlie lake	Disposed of during the quarter
					Tract 3 PNG below base artex-halfway-Doig	Disposed of during the quarter
65036	777	Tract 1:083-18W6:34	0.00%	British Columbia, Canada	All PNG excl NG to base	Disposed of during the quarter
		Tract 1:084-18W6:3	0.00%	British Columbia, Canada	All PNG excl NG to base	Disposed of during the quarter
		Tract 2:083-18W6:27	0.00%	British Columbia, Canada	All PNG excl NG to base	Disposed of during the quarter
65065	777	084-17W6:17(Tract 1) 18, 19(Tract 2)	0.00%	British Columbia, Canada	Tract 1 PNG below base cadomin-dunlevy-nikanassin	Disposed of during the quarter
					Tract 2 PNG below base charlie lake	Disposed of during the quarter
65283	792	086-22W6: 33	0.00%	British Columbia, Canada	All PNG	Disposed of during the quarter
	525	086-21W6: 33,34			Tract 1 All PNG Tract 2 PNG below base charlie lake	Disposed of during the quarter
65270	528	Tract 1: 087-22W6:9	0.00%	British Columbia, Canada	Tract 1: PNG b.b. Baldonell	Disposed of during the quarter
		Tract 2: 087-22W6:17			Tract 2: PNG b.b. Artex-halfway-doig	Disposed of during the quarter
65283	792	087-22W6:2,3	0.00%	British Columbia, Canada	All PNG	Disposed of during the quarter
65276	556	094-G-10 BLK A Units 18, 19, 28, 29, 38, 39, 48, 49	0.00%	British Columbia, Canada	All PNG	Disposed of during the quarter
65277	554	094-G-10 BLK G Units 56, 57, 66, 67, 76, 77, 86, 87	0.00%	British Columbia, Canada	All PNG	Disposed of during the quarter
65450	563	094-G-9 BLK C Units 38, 39, 48, 49 (Tract 1) 094-G-9 BLK Units 36, 37, 46, 47 (Tract 2)	0.00%	British Columbia, Canada	Tract 1: All PNG	Disposed of during the quarter
					Tract 2: PNG below base artex-halfway-doig	Disposed of during the quarter

CANADIAN LAND INTERESTS						
Lease or Project	Hectares	Legal Description	Interest	Location	Rights	Change during the quarter
65452	843	094-G-9 BLK D Units 92, 93, 94, 95 094-G-9 BLK E Units 2, 3, 4, 5, 12, 13, 22, 23	0.00%	British Columbia, Canada	All PNG	Disposed of during the quarter
65446	534	Tract 1: 087-21W6M:18 Tract 2: 087-21W6M:17	0.00%	British Columbia, Canada	Tract 1: All PNG Tract 2: All PNG excl PNG in cadomin-Dunley-Nikinassin and PNG in Artex-Halfway-Doig	Disposed of during the quarter
65456	800	086-21W6M:32, 087-21W6M:3, 4	0.00%	British Columbia, Canada	All PNG	Disposed of during the quarter
65454	841	094-G-10 BLK G Units 74, 75, 84, 85, 94, 95, 96, 97 094-G-10 BLK J Units 4, 5, 6, 7	0.00%	British Columbia, Canada	All PNG	Disposed of during the quarter
65346	801	087-21W6M:6, 087-22W6M:1, 2	0.00%	British Columbia, Canada	All PNG	Disposed of during the quarter
65350	1126	094-G-08 BLK J Units 96, 97, 98, 99 094-G-9 BLK B Units 6, 7, 8, 9, 16, 17, 18, 19, 26, 27, 28, 29	0.00%	British Columbia, Canada		Disposed of during the quarter
65355	562	094-G-10 BLK G Units 34, 35, 44, 45, 54, 55, 64, 65	0.00%	British Columbia, Canada	All PNG	Disposed of during the quarter
65381	801	087-21W6M:5, 7 (Tract 1) 087-21W6M:8 (Tract 2)	0.00%	British Columbia, Canada	Tract 1: All PNG, Tract 2: All PNG excl PNG in Cadomin-Dunley-Nikanassin & PNG in Artex-Halfway-Doig	Disposed of during the quarter
65391	844	094-G-9 BLK C Units 54-57, 64-67 (Tract 1), 094-G-9 BLK C Units 58, 59, 68, 69 (Tract 2)	0.00%	British Columbia, Canada	Tract 1: All PNG, Tract 2: All PNG BB Artex-Halfway-Doig	Disposed of during the quarter
65393	563	094-G-10 BLK A Units 20, 30, 40, 50, 094-G-10 BLK B Units 11, 21, 31, 41	0.00%	British Columbia, Canada	All PNG	Disposed of during the quarter
	833	94-G-9 BLK C Unit 76, 77, 86, 87 (Tract 1), 94-G-9 BLK C Unit 74, 75, 78, 79, 84, 85, 88, 89 (Tract 2)	0.00%	British Columbia	All PNG (Tract 1), PNG below base Artex-Halfway-Doig (Tract 2)	Disposed of during the quarter
	556	94-G-9 BLK B Unit 56, 57, 58, 59, 66, 67, 68, 69	0.00%	British Columbia	All PNG	Disposed of during the quarter
	833	94-G-9 BLK B Unit 98, 99, 100, 94-G-9 BLK C Unit 91, 92, 93, 94-G-9 BLK F Unit 1, 2, 3, 94-G-9 BLK G Unit 8, 9, 10	0.00%	British Columbia	PNG below base Artex-Halfway-Doig	Disposed of during the quarter
	1110	94-G-9 BLK F Unit 16, 17, 26, 27 (Tract 1), '94-G-9 BLK F Unit 14, 15, 24, 25, 34, 35, 36, 37, 44, 45, 46, 47 (Tract 2)	0.00%	British Columbia	All PNG (tract 1), PNG below base Artex-Halfway-Doig (Tract 2)	Disposed of during the quarter
	555	94-G-9 BLK C Unit 100, 94-G-9 BLK D Unit 91, 94-G-9 BLK E Unit 1, 11, 21, 94-G-9 BLK F Unit 10, 20, 30	0.00%	British Columbia	All PNG	Disposed of during the quarter

CANADIAN LAND INTERESTS						
Lease or Project	Hectares	Legal Description	Interest	Location	Rights	Change during the quarter
	554	94-G-10 BLK J Unit 14, 15, 24, 25, 34, 35, 44, 45	0.00%	British Columbia	All PNG	Disposed of during the quarter
	556	94-G-9 BLK C Unit 38, 39, 48, 49 (Tract 1), 94-G-9 BLK C Unit 36, 37, 46, 47 (Tract 2)	0.00%	British Columbia	All PNG (Tract 1), PNG below base Artex-Halfway-Doig (Tract 2)	Disposed of during the quarter
	556	94-G-9 BLK C Unit 52, 53, 62, 63, 72, 73, 82, 83	0.00%	British Columbia	PNG below base Artex-Halfway-Doig	Disposed of during the quarter
	555	94-G-9 BLK C Unit 98,99, 94-G-9 BLK F Unit 8,9,18,19,28,29	0.00%	British Columbia	All PNG	Disposed of during the quarter
65733	563	94-G-09 BLK B Unit 20,30 (Tract 1) 94-G-09 BLK C Unit 11, 12, 13, 21, 22, 23	0.00%	British Columbia	All PNG	Disposed of during the quarter
65733	281	94-G-09 BLK C Unit 14, 15, 24, 25 (Tract 2)	0.00%	British Columbia	PNG below base Artex-Halfway-Doig	Disposed of during the quarter
65691	563	94-G-09 BLK B Unit 40, 50 (Tract 1) 94-G-09 BLK C Unit 31, 32, 33, 41, 42, 43	0.00%	British Columbia	All PNG	Disposed of during the quarter
65691	281	94-G-09 BLK C Unit 34, 35, 44, 45 (Tract 2)	0.00%	British Columbia	PNG below base Artex-Halfway-Doig	Disposed of during the quarter
65735	843	94-G-09BLK B Unit 60, 70, 78, 79, 80, 88, 89, 90 94-G-9 BLK C Unit 51, 61, 71, 81	0.00%	British Columbia	PNG below base Artex-Halfway-Doig	Disposed of during the quarter
65663	843	94-G-9 BLK C Unit 60, 70, 80, 90 94-G-9 BLK D Unit 51, 61, 71, 72, 73, 81, 82, 83	0.00%	British Columbia	All PNG	Disposed of during the quarter
65662	281	94-G-9 BLK C Unit 96, 97 94-G-9 BLK F Unit 6, 7	0.00%	British Columbia	All PNG	Disposed of during the quarter
65659	562	94-G-10 BLK G Unit 36, 37, 46, 47, 58, 59, 68, 69	0.00%	British Columbia	All PNG	Disposed of during the quarter
510090803		T48-R7W5:7	0.00%	Alberta, Canada	b.b. Mann.	Disposed of during the quarter
510090814		T48-R8W5:3	0.00%	Alberta, Canada	b.b. Mann.	Disposed of during the quarter
510090819		T48-R8W5:11	0.00%	Alberta, Canada	b.b. Mann.	Disposed of during the quarter
510090820		T48-R8W5:12	0.00%	Alberta, Canada	b.b. Mann. to b. Nordegg	Disposed of during the quarter
510090824		T48-R8W5:17	0.00%	Alberta, Canada	b.b. Mann.	Disposed of during the quarter
510090826		T48-R8W5:23	0.00%	Alberta, Canada	b.b. Mann.	Disposed of during the quarter
510090829		T48-R8W5:S29	0.00%	Alberta, Canada	b.b. Nisku	Disposed of during the quarter
510080155		T50-R10W5:S&NW29, E32	0.00%	Alberta, Canada	S&NW29 b.b. Mann., E32 b.b. Nisku	Disposed of during the quarter
510080156		T50-R10W5:33,E33	0.00%	Alberta, Canada	E33 b.b. Mann., W33 b.b. Nisku	Disposed of during the quarter

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Lease or Project	Hectares	Legal Description	Interest	Location	Rights	Change during the quarter
511080073		T50-R14W5:28	0.00%	Alberta, Canada	b.b. Bluesky	Disposed of during the quarter
510080158		T51-R10W5:N&SE4	0.00%	Alberta, Canada	b.b. Vik.	Disposed of during the quarter
510080160		T51-R10W5:N5	0.00%	Alberta, Canada	b.b. Vik.	Disposed of during the quarter
510080162		T51-R10W5:8, 17	0.00%	Alberta, Canada	8 b.b. Mann., 17 b.b. Vik.	Disposed of during the quarter
510080163		T51-R10W5:9	0.00%	Alberta, Canada	b.b. Vik.	Disposed of during the quarter
510080170		T51-R10W5:21	0.00%	Alberta, Canada	b.b. Mann.	Disposed of during the quarter
511080079		T51-R14W5:35	0.00%	Alberta, Canada	b.b. Bluesky-Bullhead	Disposed of during the quarter
512070098		T49-R9W5:S9	0.00%	Alberta, Canada	PNG base Rock Creek to Base of basement	Disposed of during the quarter
512070102		T50-R10W5:20	0.00%	Alberta, Canada	PNG base Banff to base of basement	Disposed of during the quarter
512070103		T50-R10W5:NW28	0.00%	Alberta, Canada	PNG base of Nisku to base of basement	Disposed of during the quarter
512070104		T50-R10W5:SW31	0.00%	Alberta, Canada	PNG base of Nordegg to base of basement	Disposed of during the quarter
512070105		T51-R9W5:E8	0.00%	Alberta, Canada	PNG base of Nisku to base of basement	Disposed of during the quarter
512070106		T51-R9W5:32	0.00%	Alberta, Canada	PNG top of surface to base of Rock Creek to base of basement	Disposed of during the quarter
512070107		T51-R10W5:N2,11	0.00%	Alberta, Canada	PNG base of Nisku to base of basement	Disposed of during the quarter
512070108		T51-R10W5:SW4	0.00%	Alberta, Canada	PNG from base of Nisku to base of basement	Disposed of during the quarter
512070109		T51-R10W5:SE5	0.00%	Alberta, Canada	PNG from base of Nisku to base of basement	Disposed of during the quarter
5412070164		T49-R9W5:N&SW21,22,23	0.00%	Alberta, Canada		Disposed of during the quarter