

WARRO UPDATE

February 23, 2016

Natural Flow established at Warro

Transerv Energy (ASX: TSV) is pleased to announce that Warro-6 is flowing gas naturally while Warro-5 continues to clean up with the aid of a jet pump.

Following the completion of the maintenance work last week, testing operations of both wells resumed on February 19th.

At Warro-6, during the shut-in period, the wellhead pressure (WHP) built to 2700 psi and as a result the decision was taken to remove the jet pump and allow the well to flow naturally. Flowing a first flush of gas at rates over 4 mmcf/d in the first 24 hours, the gas rate stabilised at 0.73 mmcf/d and has since been steadily increasing to the present rate of 0.85 mmcf/d. Importantly, accompanying water rates are decreasing (presently averaging 425 bwpd down from 600 bwpd at the beginning of the stabilised natural flow period) while flowing WHP has remained constant at 325 psi.

At Warro-5, gas rates have average 0.75 mmcf/d over the last 24 hours (up from average last week of 0.6 mmcf/d) while liquid rates continue to decrease. The performance of Warro-5 is very similar to Warro-6, suggesting that it too will be capable of natural flow in the near future.

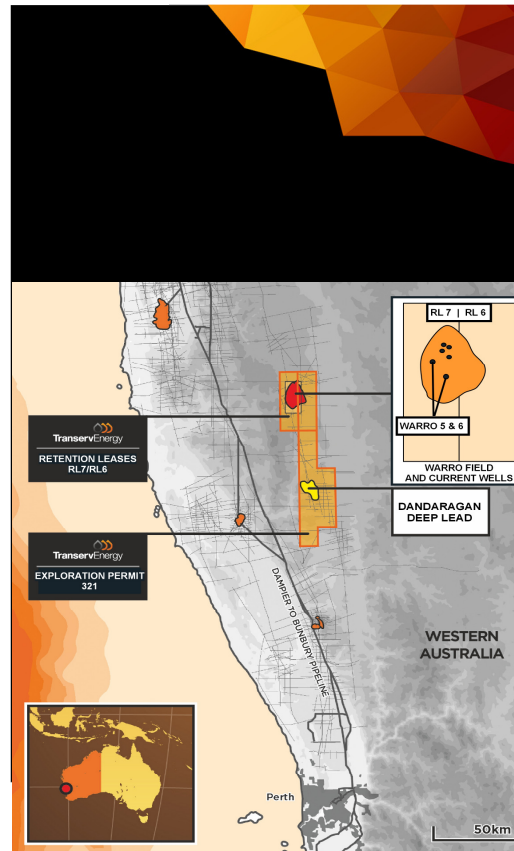
During the fracture stimulation work, organic tracers were added to the fluids. These tracers tag both the gas and liquids flowing from each stimulation stage and hence estimate the relative contribution from each stage.

For Warro-5, the tracers indicate that over 70% of the liquids and 54% of the gas have come from Stage 2. This suggests that Stage 1 is potentially still cleaning up.

For Warro-6, Stage 2 is dominating both gas and liquid flows yielding 54% of the liquids and 70% of the gas. Stage 3 is only contributing 8% of the gas.

Transerv Comment

“While it is still very early days in this testing programme, these well results are encouraging. The fact that sustainable natural flow has been established at Warro-6, and indications that Warro-5 will follow soon, show



Permit	RL-7
Well Location – Warro-5	30°12'24.55"S, 115°43'43.44"E
Well Location – Warro-6	30°10'53.70"S, 115°43'08.57"E
Transerv Energy's Interest	56%
Field Name	Warro Gas Field
Depth to Reservoir	~4100m RT
Date of Report	17 November 2015
Geological Formation	Yarragadee Sandstone
Forward Operations	Reservoir Stimulation and Testing

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the wells are capable of producing significant quantities of gas unaided. The trends are in the right direction. “

“The tracer information suggests we are not seeing the true potential of all zones and we can hope that as testing proceeds, stages 1 and 3 in Warro 6 will contribute more gas. From a geological viewpoint, Stage 2 in Warro-5 is equivalent to Stage 3 in Warro 6 underlining that Stage 3 in Warro-6 has more potential.”

“As previously indicated, the stimulation work carried out at Warro-5 and 6 only targeted approximately 50% of the net pay identified in each well, signifying the current programme is not evaluating the full potential of the reservoir section.”

The current well testing programme is being funded by Alcoa as part of the Warro project farm-in arrangement. The programme has been planned to run for 3 - 6 months.

For and on behalf of the Board.



STEPHEN KEENIHAN
Managing Director