

28 July 2016

June 2016 Quarter Activity Report

HIGHLIGHTS OF THE QUARTER AND SUBSEQUENTLY

Warro Gas Project

Warro-4 retesting operations have been completed. Gas flows from the “C” sand were maintained at rates between 0.7 and 0.95 mmcf/d with associated water rates ranging from 950 to 1500 bwpd. In-well pressure and temperature logging was successfully carried out while the well was flowing to determine the nature and source of the reservoir fluids. These data will now be analysed along with data from Warro-5 & 6 to determine the appropriate next steps for the Warro Project.

The flow rates achieved during the retest of Warro-4 were 2 to 3 times greater than those observed when the well was tested immediately after drilling in 2011. Future field work at Warro could involve fracture stimulation of the untapped, upper “C” sand at Warro-6 or potentially horizontal drilling.

Transerv Expands In Perth Basin

On 11th July 2016, Transerv announced that it has formed a strategic alliance with Norwest Energy Ltd (NWE) to facilitate the farmout and drilling of the 160 million barrel Xanadu Prospect in TP-15. As part of this alliance, TSV will acquire, via a share placement, 100m shares for \$200,000 in NWE and have the right to participate in farmout wells and earn a material interest in all the Perth Basin areas in which NWE is a participant (TP/15, EP368, EP426, EP413, L14, EP492) on the successful completion of appropriate farmout arrangements.

Corporate

During May the company responded to media speculation and confirmed that it was participating in the sale process being conducted by UBS of Origin’s Perth Basin, WA assets.

Warro Gas Project Update

During the quarter the Warro Joint Venture (WJV) completed the testing of Warro-5 and 6 and commenced the re-testing of Warro-4.

Environmental Monitoring and Community Consultation continued throughout the quarter.

Water and soil sampling is 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 and in line with our environmental commitments.

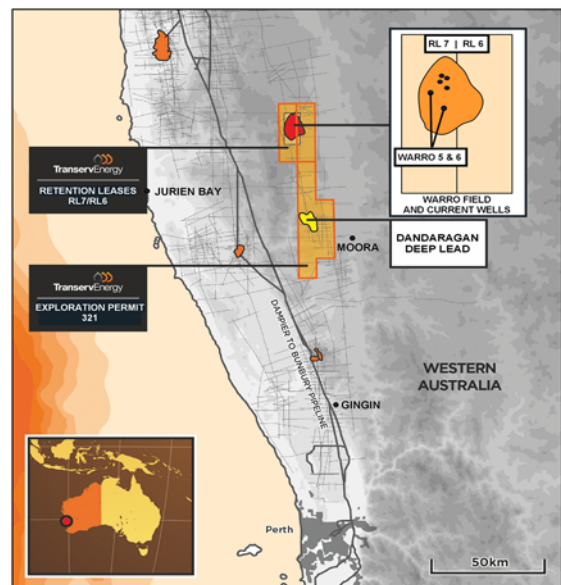


Figure 1: The Warro Gas Field is located close to key pipelines and is approximately 200km North of Perth

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.

Cash position as at 30 June 2016

At the end of the June 2016 quarter, the Transerv Energy consolidated group had a closing balance of \$3.322m as set out in the Appendix 5B.

For and on behalf of the Board

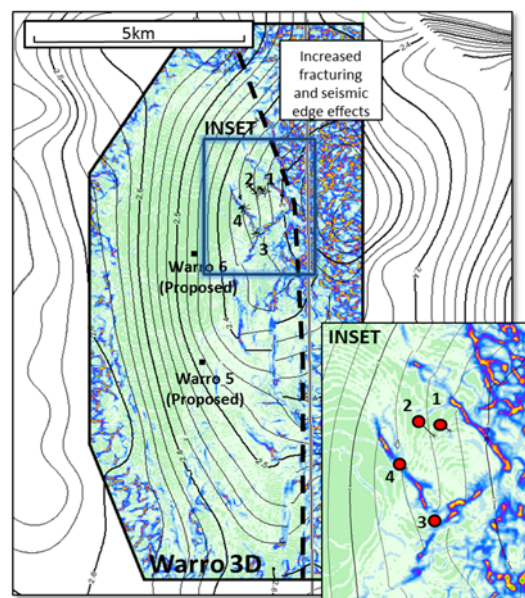


Figure 2: Seismic Fault Attributes. The location of faulting (the blue linear features near Warro-3 and 4) is believed to be the source of the water previously encountered.

As at 30 June 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, 01/05/2013

Name of entity

TRANSERV ENERGY LIMITED

ABN

68 079 432 796

Quarter ended ("current quarter")

30 June 2016

Consolidated statement of cash flows

Cash flows related to operating activities		Current quarter \$A'000	Year to date (12 months) \$A'000
1.1	Receipts from product sales and related debtors	582	1,478
1.2	Payments for		
	(a) exploration & evaluation	(84)	(344)
	(b) development		
	(c) production		
	(d) administration	(757)	(2,806)
1.3	Dividends received		
1.4	Interest and other items of a similar nature received	2	4
1.5	Interest and other costs of finance paid		
1.6	Income taxes paid		
1.7	Other – R & D tax incentive	1,137	1,137
	Net Operating Cash Flows	880	(531)
Cash flows related to investing activities			
1.8	Payment for purchases of: (a) prospects	-	(680)
	(b) equity investments		
	(c) other fixed assets		
1.9	Proceeds from sale of:		
	(a) prospects		
	(b) equity investments	-	2,081
	(c) other fixed assets		
1.10	Loans to other entities		
1.11	Loans repaid by other entities		
1.12	Other – Canadian tax paid from acreage sale		
	Net investing cash flows	-	1,401
1.13	Total operating and investing cash flows (carried forward)	880	870

1.13	Total operating and investing cash flows (brought forward)	880	870
1.14	Cash flows related to financing activities		
1.14	Proceeds from issues of shares, options, etc.	-	196
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings		
1.17	Repayment of borrowings		
1.18	Dividends paid		
1.19	Other (provide details if material)		
	Net financing cash flows	-	196
	Net increase (decrease) in cash held	880	1,066
1.20	Cash at beginning of quarter/year to date	2,442	2,256
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	3,322	3,322

Payments to directors of the entity, associates of the directors, related entities of the entity and associates of the related entities

		Current quarter \$A'000
1.23	Aggregate amount of payments to the parties included in item 1.2	105
1.24	Aggregate amount of loans to the parties included in item 1.10	Nil
1.25	Explanation necessary for an understanding of the transactions	
	Directors and executive service fees.	

Non-cash financing and investing activities

2.1	Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows	Nil
2.2	Details of outlays made by other entities to establish or increase their share in projects in which the reporting entity has an interest	Nil

Financing facilities available

Add notes as necessary for an understanding of the position.

	Amount available \$A'000	Amount used \$A'000
3.1 Loan facilities	Nil	Nil
3.2 Credit standby arrangements	-	-

Estimated cash outflows for next quarter

	\$A'000
4.1 Exploration and evaluation	243
4.2 Development	-
4.3 Production	-
4.4 Administration	465
Total	708

Reconciliation of cash

Reconciliation of cash at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts is as follows.	Current quarter \$A'000	Previous quarter \$A'000
5.1 Cash on hand and at bank	3,302	2,422
5.2 Deposits at call	20	20
5.3 Bank overdraft		-
5.4 Other (provide details)		-
Total: cash at end of quarter (item 1.22)	3,322	2,442

Changes in interests in mining tenements and petroleum tenements

Changes in interests in petroleum tenements

		Tenement Reference and Location	Nature of Interest (note (2))	Interest at beginning of quarter	Interest at end of Quarter
6.1	Interests in petroleum tenements held at the end of the quarter and their location	N/A	N/A	N/A	N/A
6.2	Interests in petroleum tenements relinquished, reduced or lapsed and their location	N/A	N/A	N/A	N/A
6.3	Interests in petroleum tenements acquired or increased and their location	N/A	N/A	N/A	N/A
6.4	Beneficial percentage interests held in farm-in or farm-out agreements	N/A	N/A	N/A	N/A
6.5	Beneficial percentage interests in farm-in or farm-out agreements acquired or disposed of	N/A	N/A	N/A	N/A

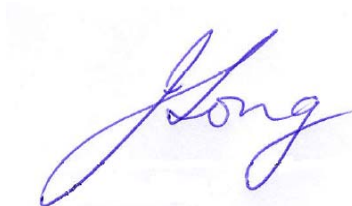
Issued and quoted securities at end of current quarter

Description includes rate of interest and any redemption or conversion rights together with prices and dates.

		Total number	Number quoted	Issue price per security (see note 3) (cents)	Amount paid up per security (see note 3) (cents)
7.1	Preference ⁺ securities (description)				
7.2	Changes during quarter				
	(a) Increases through issues				
	(b) Decreases through returns of capital, buy-backs, redemptions				
7.3	⁺ Ordinary securities	835,264,337	835,264,337		
7.4	Changes during quarter				
	(a) Increases through issues				
	(b) Decreases through returns of capital, buy-backs				
7.5	⁺ Convertible debt securities (description)				
7.6	Changes during quarter				
	(a) Increases through issues				
	(b) Decreases through securities matured, converted				
7.7	Options (description and conversion factor)	1,675,000	Nil	Exercise price 6.0cents	Expiry date 10 July 2018
7.8	Issued during quarter				
7.9	Exercised during quarter				
7.10	Expired during quarter				
7.11	Debentures (totals only)				
7.12	Unsecured notes (totals only)				

Compliance statement

- 1 This statement has been prepared under accounting policies which comply with accounting standards as defined in the Corporations Act or other standards acceptable to ASX (see note 5).
- 2 This statement does give a true and fair view of the matters disclosed.



Sign here: Chief Financial Officer

Date: 28 July 2016

Print name: Jo-Ann Long

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 wanting to disclose additional information is encouraged to do so, in a note or notes attached to this report.
- 2 The "Nature of interest" (items 6.1 and 6.2) includes options in respect of interests in mining tenements and petroleum tenements acquired, exercised or lapsed during the reporting period. If the entity is involved in a joint venture agreement and there are conditions precedent which will change its percentage interest in a mining tenement or petroleum tenement, it should disclose the change of percentage interest and conditions precedent in the list required for items 6.1 and 6.2.
- 3 **Issued and quoted securities.** The issue price and amount paid up is not required in items 7.1 and 7.3 for fully paid securities.
- 4 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.
- 5 **Accounting Standards** ASX will accept, for example, the use of International Financial Reporting Standards for foreign entities. If the standards used do not address a topic, the Australian standard on that topic (if any) must be complied with.