

July 31, 2013

## June 2013 Quarter Activity Report

### HIGHLIGHTS

#### Warro Gas Project

- Completed 3D reprocessing for Warro 5 and 6 well locations
- Planning of next phase drilling program advancing
- Native Title discussions for Retention Lease advanced

#### Canadian Operations

- Completion of Rock Creek and Duvernay acreage sale to CPO delayed
- Significant activity on Montney play on near Carnaby lands reinforces significant value potential

#### Corporate

- Company has adopted a strong cash preservation/cost cutting strategy pending the outcome of funding initiatives.

#### Warro Gas Project Update

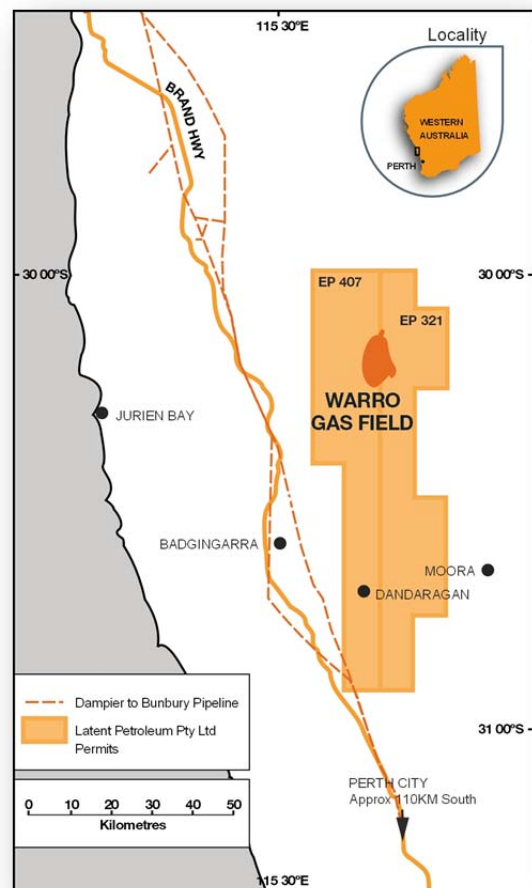
Following the completion of the interpretation of the reprocessed Warro 3D by a team of tight gas specialists in the US, two priority areas for well locations have been selected and are designed to test areas of the field largely unaffected by faults and fractures. Drilling is now targeted for early to first half 2014 to coordinate with drilling and fracking programmes currently being scheduled in the Perth Basin by other operators.

The Joint Venture partners, Transerv and Alcoa are continuing to advance the planning and design of the next phase of drilling and testing program at Warro and are working together to finalise funding arrangements for the next phase of the appraisal drilling activities in 2014.

The negotiation protocol for the Native Title discussions has been finalised and submitted for execution by the South West Aboriginal Land Council.

#### 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 will spend 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.

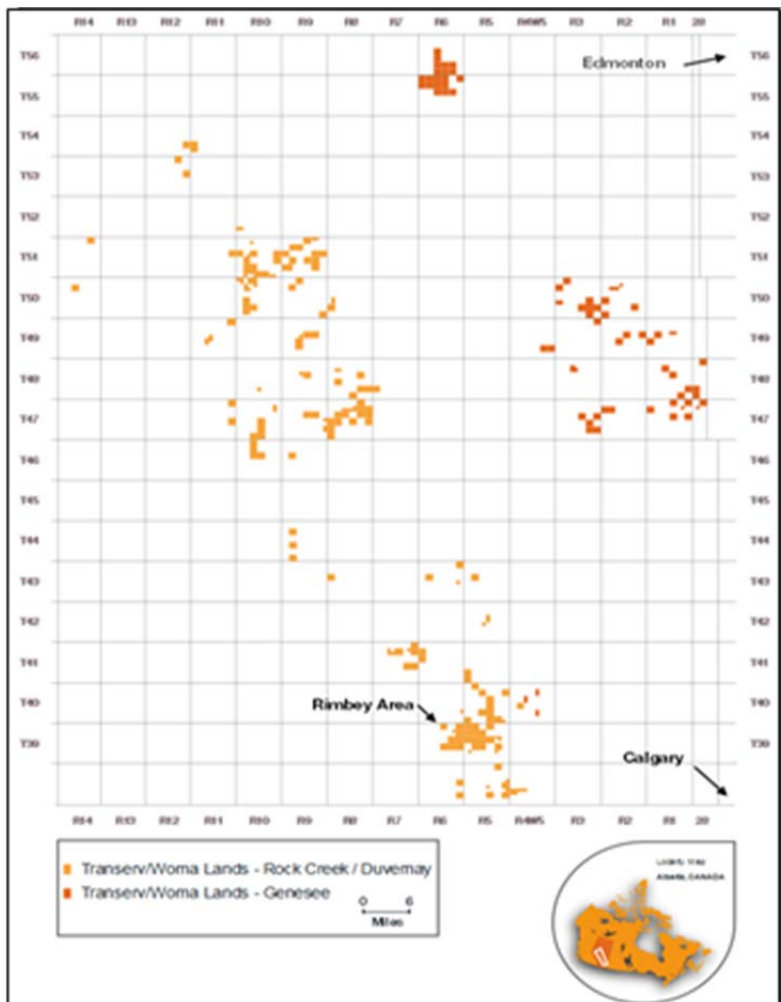
Warro, which covers 7,000ha and starts from about 3,750m below surface, is located just 31km east of both the Dampier-to-Bunbury Natural Gas Pipeline and the Dongara-to-Perth Parmelia Pipeline. Alcoa has substantial capacity reserved in the Dampier line.

## Canadian Activities

Transerv holds interests in Canadian oil and gas assets in three regions: Alberta Duvernay/Rock Creek, Alberta Genesee (Mannville tight oil) and British Columbia (Carnaby). While the Company is ready to embark on drilling activities in Canada, the wells will remain in abeyance until various funding initiatives are finalised.

### Alberta

*Duvernay/Rock Creek (TSV Working Interest = 34%)*



Map 2 – Woma Location

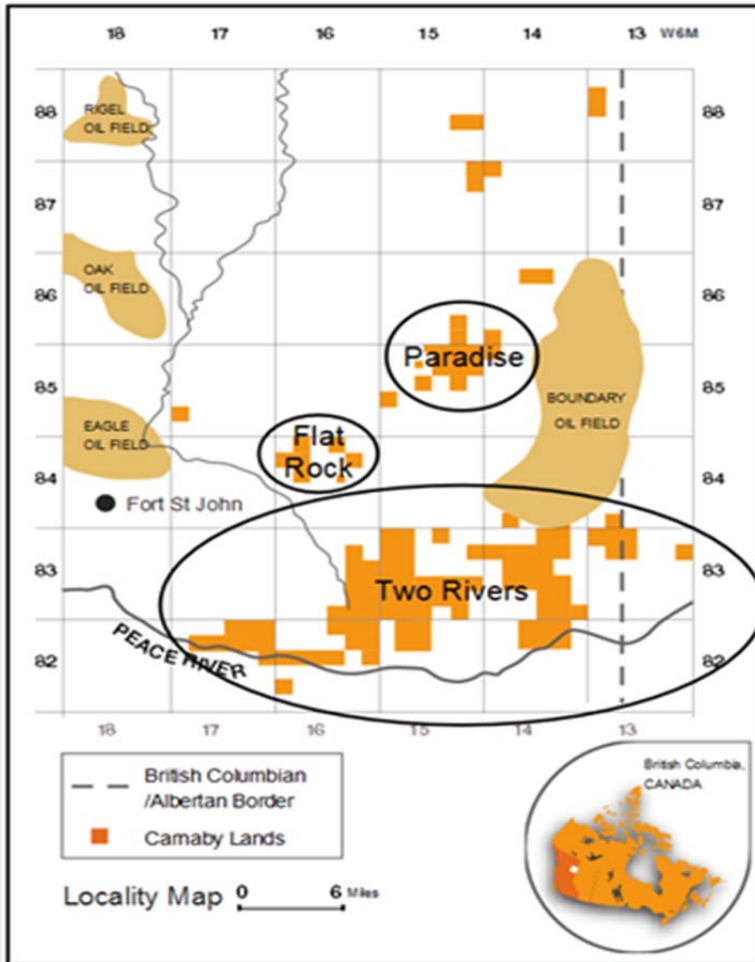
There has been no drilling activity by the Company in this area during this quarter. Core analysis results of the Duvernay section in the Rimby well drilled in late 2012, have indicated a liquids-rich interval with hydrocarbon yields similar to those seen in nearby successfully tested areas.

The Company announced on 5 March that it had executed a term sheet with Canadian Pan Ocean (“CPO”) to sell all its retained Duvernay Shale (34% direct) and Rock Creek (34% direct) acreage interests for cash consideration of approximately A\$14.2m before tax, conditional on execution of a formal sales and purchase agreement and completion of financing arrangements by CPO. The deadline for closing was subsequently extended to July 8<sup>th</sup>. On July 11<sup>th</sup> the Company advised the market that Mako and CPO had confirmed that they were making progress with their agreement on a related transaction that had delayed completion of Transerv’s acreage sale to CPO. Despite these further delays, Transerv and Tamaska continue to support Mako and CPO to complete this related transaction and complete the

financing of the acreage sale transaction on the terms as announced.

### Genesee – Pembina

There has been no drilling activity by the Company in this area during this quarter. While the Company is ready to drill in this area, it has elected to delay operations until the current funding initiatives are resolved. Successful well results by surrounding operators continue to reinforce the oil potential of the play.



### British Columbia

**Carnaby (TSV Working Interest = 55%)**

Carnaby has producing properties and exploration assets in British Columbia to the east of Ft. St John. These lands are held in three different areas as set out in the Locality Map.

### Montney – Two Rivers

Carnaby's holding in the Two Rivers area is 54,111 acres net (59,744 acres gross).

Industry activity in the area remains high and also continues to reinforce the oil potential of the Montney zone. Within a 10 mile radius to the south of the Carnaby lands, nearby operators Arc and Crew have recently brought 11 wells on production at an average rate of 240 bopd and 1 mmcf. They have licenced a further 16 wells for drilling in the same area. In addition, at a land sale conducted on May 29<sup>th</sup>, sections immediately adjacent to

Carnaby lands were sold for over \$3100/ha, clearly establishing the increase in land values that has taken place over the last 12 months.

### Independent Review - Montney

McDaniel & Associates, independent resource and reserves assessors, carried out an independent review of Carnaby's Montney in 2013. The outcome of this analysis was as follows:

	Low Estimate Recoverable	Best Estimate Recoverable	High Estimate Recoverable	Hydrocarbons In Place
Net Resource				
Contingent Resource	1.8 mmboe	2.8 mmboe	4 mmboe	4.7 mmboe
Prospective Resource	30 mmboe	55 mmboe	99 mmboe	530 mmboe

The resource estimates have been done in accordance with NI-51-101 rules (COGEH Standard Canada).

The continuing industry activity in the area, combined with the McDaniel's review, clearly displays the significant value potential of the Carnaby Montney lands to the Company. Transerv and Carnaby are presently seeking to attract a substantial pool of funds to develop their Montney Oil Trend lands.

Transerv emphasises that the Montney Oil Trend is an emerging play. As a result the present assumptions used to define the potential of this play, and in particular the identification of pay cut-offs and the likely recoveries, are strongly influenced by previous industry experience in the area rather than the outcomes that could result should large scale horizontal fracture technology be successfully applied. Should this happen there is opportunity to have substantial upward revision of overall resource and expected recovery factors.

### ***Paradise***

Carnaby Energy has proposed drilling a horizontal well into the Montney turbidite channel offset from a vertical well that has produced from the same interval. Carnaby's interest in the area is approximately 50% and the drilling of this well awaits joint venture approval. In addition, Carnaby has identified a recompletion candidate in the Gething. The well is already tied in and will be an inexpensive test of the zone. The recompletion of this well also awaits joint venture approval.

## **Corporate**

### **Annual General Meeting**

The Company's Annual General Meeting is currently scheduled to be held on Tuesday 26<sup>th</sup> November 2013.

### **Cash position as at 30 June, 2013**

At the end of the April 2013 quarter, the Transerv Energy consolidated group had a closing balance of \$1,573,511 as set out in the Appendix 5B. Subsequent to the end of the quarter, the Company received a tax refund net to the Company of \$3,127,832 after costs.

*For and on behalf of the Board*

## Appendix 5B

### Mining 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

Name of entity

TRANSERV ENERGY LIMITED

ABN

68 079 432 796

Quarter ended ("current quarter")

30 June 2013

#### Consolidated statement of cash flows for the Transerv Energy Group of Companies

	Current quarter \$A'000	Year to date(12 months) \$A'000
<b>Cash flows related to operating activities</b>		
1.1 Receipts from product sales and related debtors	699	2,933
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(117) (318) (553)	(2,134) (1,290) (2,187)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	6	15
1.5 Interest and other costs of finance paid	(42)	(61)
1.6 Income taxes paid		
1.7 Other –R & D tax incentive	-	97
	(325)	(2,627)
<b>Net Operating Cash Flows</b>		
<b>Cash flows related to investing activities</b>		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	-	(457)
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets	-	629
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other – Canadian tax paid from acreage sales	(875)	(875)
	(875)	(703)
<b>Net investing cash flows</b>		
1.13 Total operating and investing cash flows (carried forward)	(1,200)	(3,330)

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

1.13	Total operating and investing cash flows (brought forward)	(1,200)	(3,330)
	<b>Cash flows related to financing activities</b>		
1.14	Proceeds from issues of shares, options, etc.	-	3,538
1.15	Proceeds from sale of forfeited shares		
1.16	Proceeds from borrowings	-	380
1.17	Repayment of borrowings	-	(380)
1.18	Dividends paid		
1.19	Other – facility fee		
	Other – interest paid		
	<b>Net financing cash flows</b>	-	3,538
	<b>Net increase (decrease) in cash held</b>	(1,200)	208
1.20	Cash at beginning of quarter/year to date	2,774	1,366
1.21	Exchange rate adjustments to item 1.20		
1.22	<b>Cash at end of quarter</b>	1,574	1,574

**Payments to directors of the entity and associates of the directors**

**Payments to 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	149
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

+ See chapter 19 for defined terms.

### 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	171
4.2 Development	-
4.3 Production	360
4.4 Administration	738
4.41 Other - Taxation	488
<b>Total</b>	<b>1,757</b>

#### 4.5 Explanation necessary for an understanding of the estimated cash outflows

Please note the cash outflows are expenditure only and do not include any revenue earned and to be received for the next quarter.

In July 2013 Transerv Energy Limited received a net tax refund of \$3.1m. These funds will be used to finance continued operations.

### 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	1,454	2,654
5.2 Deposits at call	120	120
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
<b>Total: cash at end of quarter (item 1.22)</b>	<b>1,574</b>	<b>2,774</b>

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

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**Changes in interests in mining tenements**

	Tenement reference	Nature of interest (note (2))	Interest at beginning of quarter	Interest at end of quarter
6.1	Interests in mining tenements relinquished, reduced or lapsed			
6.2	Interests in mining tenements acquired or increased			

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+ See chapter 19 for defined terms.



**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 <b>Preference *securities (description)</b>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 <b>*Ordinary securities</b>	4,034,097,761	4,034,097,761		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 <b>*Convertible debt securities (description)</b>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 <b>Options (description and conversion factor)</b>	593,500,000 Convert on a 1:1 basis	Nil	<i>Exercise price</i> 1.5cents (386m) 3.2cents(137.5m) 4.0cents (70m)	<i>Expiry date</i> 22 Mar 2015 30 Jun 2015 31 Dec 2014
7.8 Issued during quarter	Nil	Nil		
7.9 Exercised during quarter	Nil	Nil		
7.10 Expired during quarter	Nil	Nil		
7.11 <b>Debentures (totals only)</b>				

+ See chapter 19 for defined terms.

**Appendix 5B**  
**Mining exploration entity quarterly report**

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7.12	<b>Unsecured notes (totals only)</b>		
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**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: 31<sup>st</sup> July 2013

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 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, 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.

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+ See chapter 19 for defined terms.