

October 30, 2012

September 2012 Quarter Activity Report

HIGHLIGHTS

Warro Gas Project

- Transerv is finalising the next phase of the work program with Alcoa
- Warro Retention Lease application submitted

Canadian Operations

- Positive Montney drilling results in lands adjacent to Transerv's acreage
- Black Swan expected to spud initial Duvernay earning well in November
- Expansion of joint Duvernay land holdings to include Transerv's interest in 6.25 sections and incorporate an additional 7.75 sections acquired
- Successful workover activities results in increased conventional oil production

Warro Gas Project Update

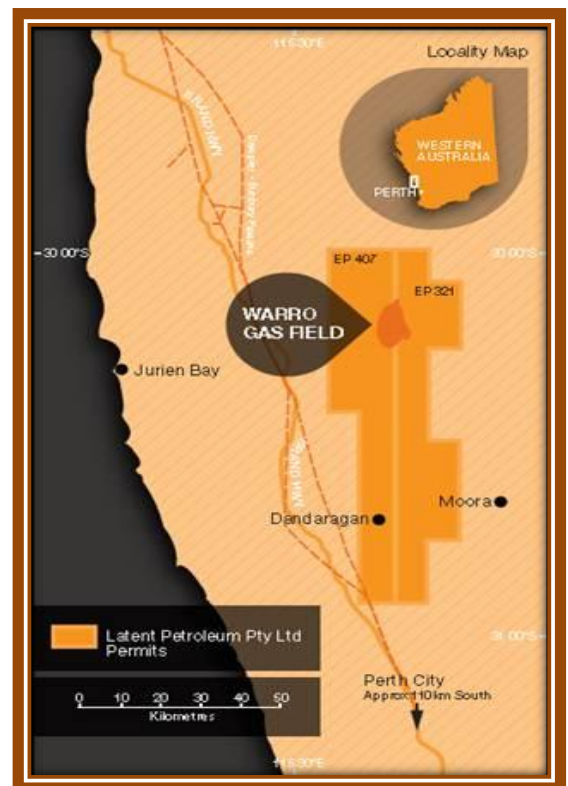
The Warro Gas field was the subject of an extensive review during 2012 by US-based tight gas experts led by Dr Keith Shanley, who is recognised globally for his work in this industry.

The Shanley review made the following major conclusions:

- Warro Gas Field is a large gas accumulation with resource estimates of:
 - 8 -10 TCF Gas In Place
 - ~3-4 TCF recoverable gas
- Each well is capable of flowing at high rates and recovering 4 -10 BCF each (50 acre spacing).
- Water production is an operational management issue; many similar tight gas fields in the USA produce water.
- More wells and extended flow testing programs are required to fully evaluate the real commercial potential of the field.

Following the Shanley review, Transerv, together with its Warro partner Alcoa, is continuing to study various options to progress the project, with the current focus on the drilling of new appraisal wells.

In 2008, the Warro Joint Venture (WJV) was granted a Location over the field. The granting of a Location is a necessary step towards a commercial field development. A Location has a life of 4 years at which time it can be



converted to either a Production or Retention Lease. The WJV has proceeded with an application for a Retention Lease which provides a further 5 years to determine the economic viability of the field, with Retention Leases able to be held for up to 15 years.

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 has a 35 per cent stake in Warro and is the project operator. Alcoa is earning the remaining 65 per cent stake under a farm-in agreement, in which Alcoa will spend up to \$100 million on exploration and development at Warro. Alcoa will fund a staged evaluation and construction program, which includes drilling wells, constructing production infrastructure and the recently completed 3D seismic survey.

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.

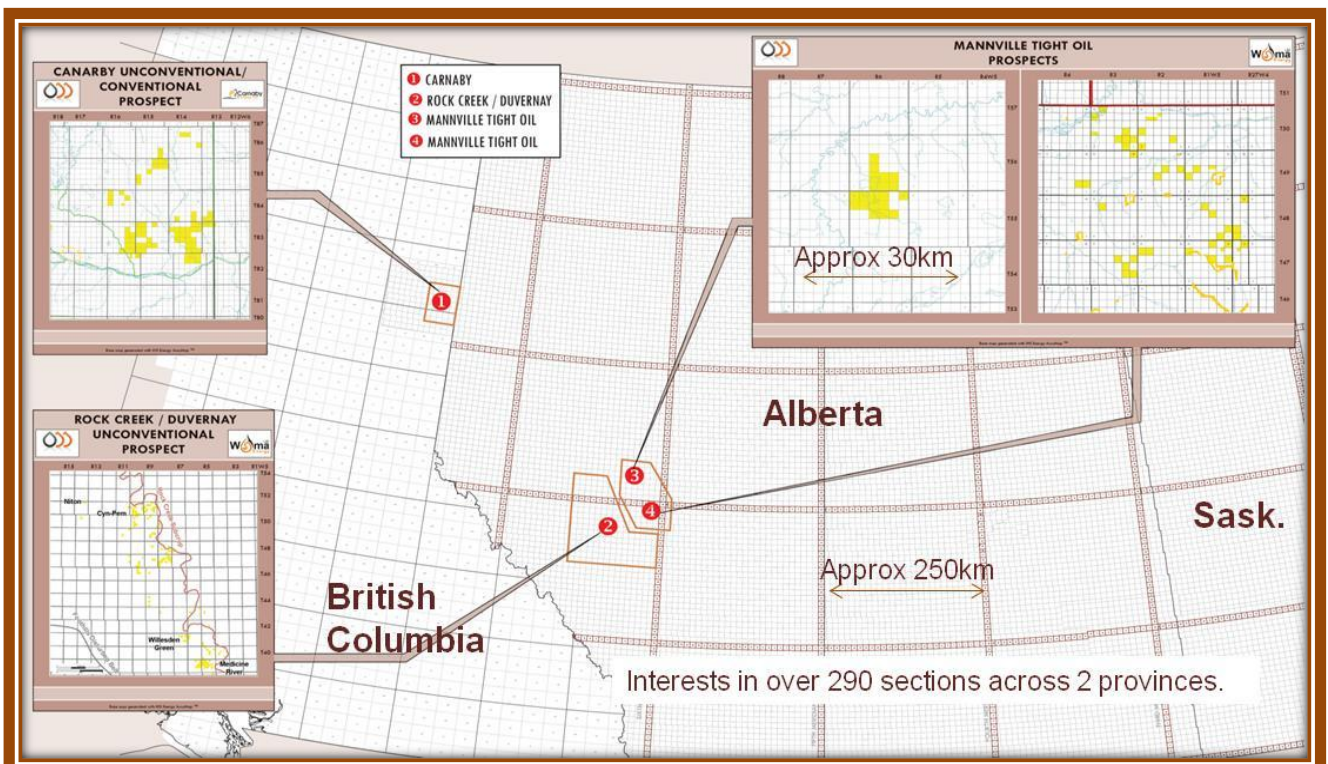
Canadian Activities

Transerv has interests in Canada in three regions: British Columbia (Carnaby), Alberta Duvernay/Rock Creek and Alberta Genesee (Mannville tight oil).

Alberta Duvernay/Rock Creek

During the September quarter, Transerv reached agreement with Black Swan Energy Ltd to expand the joint land holding included in their joint venture arrangements. This agreement involved an expansion of the AMI to include Transerv's interest in 6.25 sections and incorporate an additional 7.75 sections acquired in the Alberta land sale on 25 July 2012. The transaction price was based on the land values established by this land sale and resulted in a payment to Transerv of \$583,811 after costs. As a result of this transaction, and previous land acquisitions, Transerv now holds a 6.8% carried interest in 48 sections within the AMI area. Black Swan is also preparing to drill its first earn-in Duvernay well in November on the joint lands, as previously announced.

Location of Transerv Canadian Lands

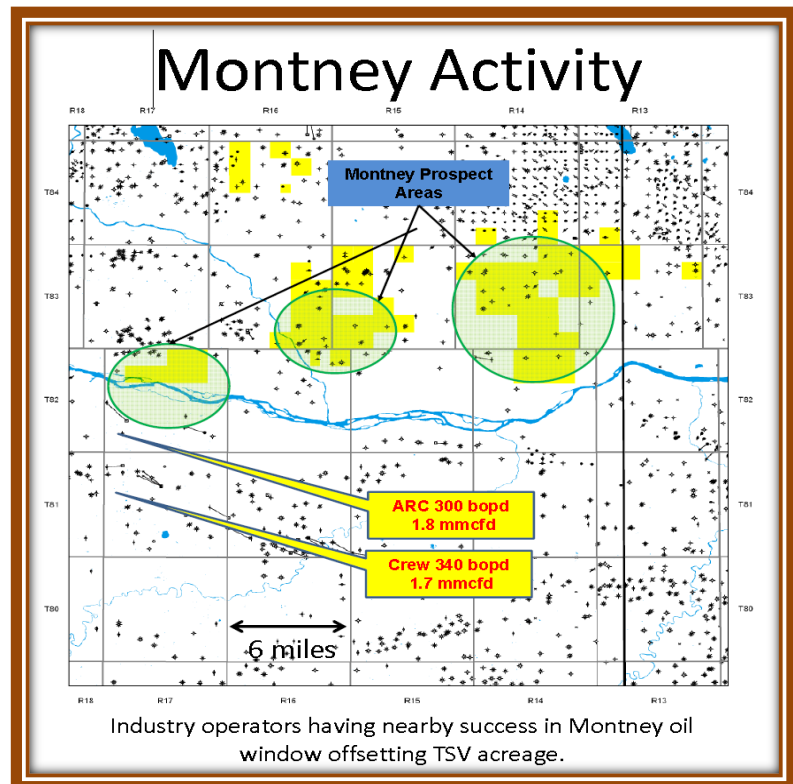


Carnaby – Montney

During the September quarter, drilling and testing results were released by the operators of adjacent acreage, which confirmed the value potential in the extensive land holdings held by Transerv’s subsidiary, Carnaby Energy Ltd, in the heart of the emerging Montney tight oil play in British Columbia, Canada. Transerv holds a 55% interest in Carnaby.

Carnaby’s Montney land holdings in the area of interest comprise over 20,000 net acres. Independent assessments have estimated the resource potential of this acreage over 750 mmbbl in-place, with potential recoverable reserves of 50-75 mmbbl net to the Transerv Group¹.

During the September quarter Montney well information was released by adjacent operators Crew Resources and Arc Energy, which included results from five wells which have produced over 300 barrels of oil a day (bopd) each, with one yielding over 900 bopd from the Montney. One of these wells is only two miles from Carnaby’s lands.



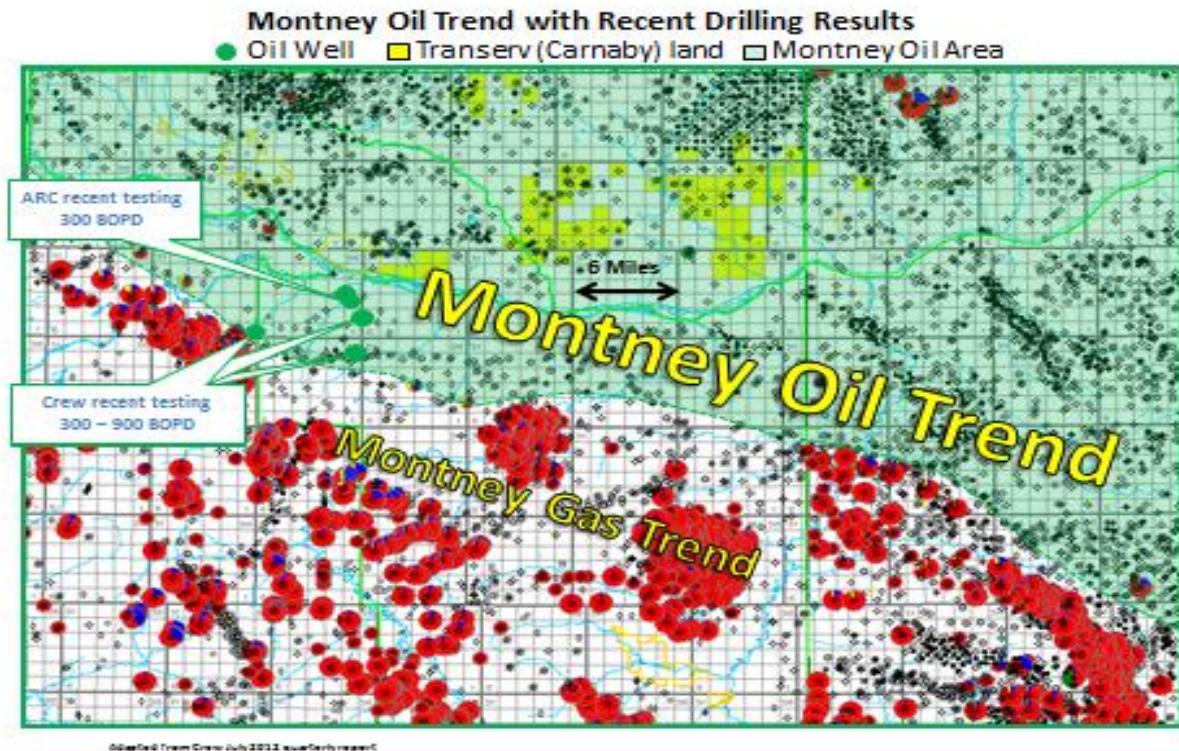
These results, along with previous independent assessments of the area, confirm the immense commercial potential of Carnaby’s Montney acreage in which Transerv holds a majority stake.

Carnaby is continuing to define a number of priority drilling locations as part of its initial Montney drilling program.

The liquids yield and scale of the Montney oil play is similar to the Eagleford and Woodbine (“Eaglebine”) trends in the USA where tight reservoirs have provided substantial oil reserves growth through the application of horizontal well and multistage fracture stimulation technology. There are clear analogies with the USA plays where early exploration was aimed at gas but later moved to gas/condensate and then oil prone rocks. The Montney operators have previously concentrated on the gas, gas/condensate regions and only very recently started to look at the oil prone areas. In the USA, asset values and land prices have escalated rapidly as attention was turned to the liquid rich areas. This phenomenon was recently observed in Canada with the Duvernay trend and the Montney oil play is expected to provide a similar opportunity for the Transerv Group. The likely position of the Montney oil prone area with respect to the Carnaby land holdings is shown on the following map. The location southern boundary of the oil kitchen is confirmed by the recent well results and by information released by other operators in the area.

¹ Competent Person Statement

The inclusion of the information in this Announcement has been consented to by Mr Terry Meek, a Director of Woma Energy Ltd, a wholly owned subsidiary of Transerv Energy Ltd. It has been produced for the Company, at its request, for adoption by the Directors. Mr Meek has sufficient experience that is relevant to the style and nature of hydrocarbon resources and prospects under consideration, and to the activities discussed in this document. His qualifications and industry membership both comply with the criteria for “Competence” under ASX Listing Rule 5.11. Terminology and standards adopted by the Society of Petroleum Engineers “Petroleum Resources Management System” have been applied in producing this document.

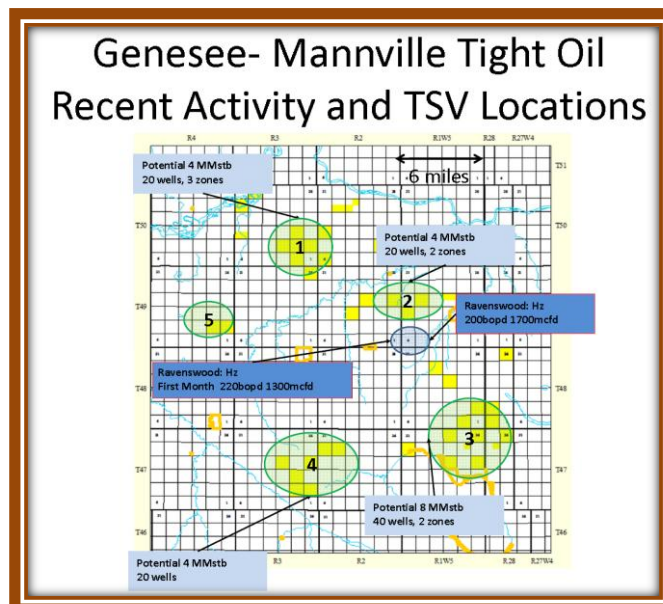


Carnaby – Paradise Area

In British Columbia in the Paradise area, Carnaby successfully carried out work on three oil wells in July which resulted in an initial additional 50bopd (~25bopd net). These wells have confirmed the presence of substantial undrained oil reserves and will be a catalyst for further exploitation. Carnaby has a 3D seismic survey over the Paradise area and has recently acquired additional 3D on adjacent lands. These data are being combined and re-processed to provide further drilling and work-over opportunities.

Genesee Tight Oil Play

As previously announced during the September quarter, Ravenwood continues to drill nearby with successful horizontal wells into the Glauconite sands confirming the excellent potential of the unit in adjacent Transerv lands (see map 3) in the Genesee area. Transerv is continuing to incorporate recently acquired and re-processed seismic data into its evaluations to determine optimum locations for horizontal wells. Early scouting and licencing activities have identified a number of promising surface locations are available.



Map 3

Corporate

Annual Report and Annual General Meeting

The Company's Annual Report was lodged with the ASX on 26 September, and the Company's Annual General Meeting is scheduled to be held at 1pm on Thursday, 29 November 2012.

Cash Position as at 30 September 2012

At the end of the June 2012 quarter, the Transerv Energy consolidated group had a closing cash balance of \$934,000 as set out in the Appendix 5B.

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 September 2012

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

Cash flows related to operating activities	Current quarter \$A'000	Year to date(3 months) \$A'000
1.1 Receipts from product sales and related debtors	594	594
1.2 Payments for (a) exploration & evaluation (b) development (c) production (d) administration	(655) (372) (539)	(655) (372) (539)
1.3 Dividends received		
1.4 Interest and other items of a similar nature received	1	1
1.5 Interest and other costs of finance paid		
1.6 Income taxes paid		
1.7 Other –R & D tax incentive	97	97
	(874)	(874)
Net Operating Cash Flows		
Cash flows related to investing activities		
1.8 Payment for purchases of: (a) prospects (b) equity investments (c) other fixed assets	(160)	(160)
1.9 Proceeds from sale of: (a) prospects (b) equity investments (c) other fixed assets	602	602
1.10 Loans to other entities		
1.11 Loans repaid by other entities		
1.12 Other – JV Cash Call (Carnaby)		
	442	442
Net investing cash flows		
1.13 Total operating and investing cash flows (carried forward)	(432)	(432)

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

1.13	Total operating and investing cash flows (brought forward)	(432)	(432)
Cash flows related to financing activities			
1.14	Proceeds from issues of shares, options, etc.		
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 – facility fee		
	Other – interest paid		
	Net financing cash flows	-	-
	Net increase (decrease) in cash held	(432)	(432)
1.20	Cash at beginning of quarter/year to date	1,366	1,366
1.21	Exchange rate adjustments to item 1.20		
1.22	Cash at end of quarter	934	934

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	61
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 and reimbursement of shared corporate administration costs from the office that the Company operates from, including rent, overhead and wage costs incurred.

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	192
4.2 Development	-
4.3 Production	288
4.4 Administration	300
Total	780

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.

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	814	1,246
5.2 Deposits at call	120	120
5.3 Bank overdraft	-	-
5.4 Other (provide details)	-	-
Total: cash at end of quarter (item 1.22)	934	1,366

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

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	Woma lands: T40-R5W5: 15 T40-R5W5: 22 T40-R5W5: 28 T40-R5W5: 32 T40-R6W5:NE12 T41-R5W5: 6 T41-R5W5: 7	Disposal of acreage during the quarter (Mako AMI)	34%	6.8%

+ See chapter 19 for defined terms.

6.2 Interests in mining tenements acquired or increased	<p>Woma lands: T2-R9W2:S,NE 16 T1-R9W2:W & Frac E24 T3-R9W2:4 T3-R9W2:S5 T3-R10W2:12 T2-R9W2:Ptn.36 T3-R9W2:N1 T3-R9W2:2 T3-R9W2:3 T3-R9W2:N7 T3-R9W2:10 T3-R9W2:11 T3-R9W2:S&NW12 T3-R9W2:S&NW14 T3-R9W2:16 T3-R9W2:18 T3-R10W2:13</p>	Acquisition of new acreage during the quarter (Estevan)	Nil	38%
	<p>Woma lands: T49-R9W5:S9 T50-R10W5:20 T50-R10W5:NW28 T50-R10W5:SW31 T51-R9W5:E8 T51-R9W5:32 T51-R10W5:N2,11 T51-R10W5:SW4 T51-R10W5:SE5 T49-R9W5:N&SW21,22,23</p>	Acquisition of new acreage during the quarter (Mako AMI)	Nil	34%
	<p>Woma lands: T47-R28W4:ptn 3 T47-R28W4:ptn 10 T47-R28W4:ptn 15 T47-R28W4:ptn 22 T47-R28W4:ptn 27 T47-R28W4:ptn 34 T48-R28W4:ptn 3 T48-R28W4:ptn 10 T48-R28W4:ptn 22 T48-R28W4:ptn 27 T48-R28W4:ptn 34 T49-R28W4:ptn 3 T49-R28W4:ptn 22 T49-R28W4:ptn 27 T49-R28W4:ptn 34 T50-R28W4:ptn 22 T50-R28W4:ptn 27 T50-R28W4:ptn 34</p>	Acquisition of new acreage during the quarter (Genesee)	Nil	47.5%
	<p>Woma lands: T11-R10W4:1-3, S4, NP4, SP9, N9, NP10, SE10, SWP10, S11, NP11, S12, NWP12,NE12,13,14 T12-R10W4:1, 3, 4, 9-16 T12-R10W4:5-8, 17-21</p>	Acquisition of new acreage during the quarter (Grand Forks)	Nil	47.5%
	<p>Woma lands: T48-R4W5:1 T48-R4W5:12 T48-R4W5:13 T48-R4W5:14 T48-R4W5:N&SE15 T48-R4W5:N16 T48-R4W5:N&SW20 T48-R4W5:21 T48-R4W5:22 T48-R4W5:23 T48-R4W5:24 T48-R4W5:NE26 T48-R4W5:28 T48-R4W5:E29 T48-R4W5:S,NW & lsd 10&15 of sec. 30 T48-R4W5:34 T48-R4W5:36 T47-R5W5:NW21</p>	Acquisition of new acreage during the quarter (Pembina)	Nil	47.5%
<p>Woma lands T38-R5W5:28,33 T38-R6W5:25,NE26 T38-R6W5:35,36 T39-R6W5:1,E2,12</p>	Acquisition of new acreage during the quarter (Mako AMI)	Nil	6.8%	

+ See chapter 19 for defined terms.

Appendix 5B
Mining exploration entity quarterly report

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 <i>(description)</i>				
7.2 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs, redemptions				
7.3 *Ordinary securities	3,444,349,218	3,444,349,218		
7.4 Changes during quarter (a) Increases through issues (b) Decreases through returns of capital, buy-backs				
7.5 *Convertible debt securities <i>(description)</i>				
7.6 Changes during quarter (a) Increases through issues (b) Decreases through securities matured, converted				
7.7 Options <i>(description and conversion factor)</i>	578,500,000 Convert on a 1:1 basis	Nil	<i>Exercise price</i> 1.5cents (371m) 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 Debentures <i>(totals only)</i>				

+ See chapter 19 for defined terms.

7.12	Unsecured notes (totals only)		
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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: 29th October 2012

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.