TranservEnergy

ABN 68 079 432 796

Consolidated interim financial report
for six months ended

31 December 2014

Directors' report

The directors present their report together with the consolidated financial report for the half-year ended 31 December 2014 and the review report thereon.

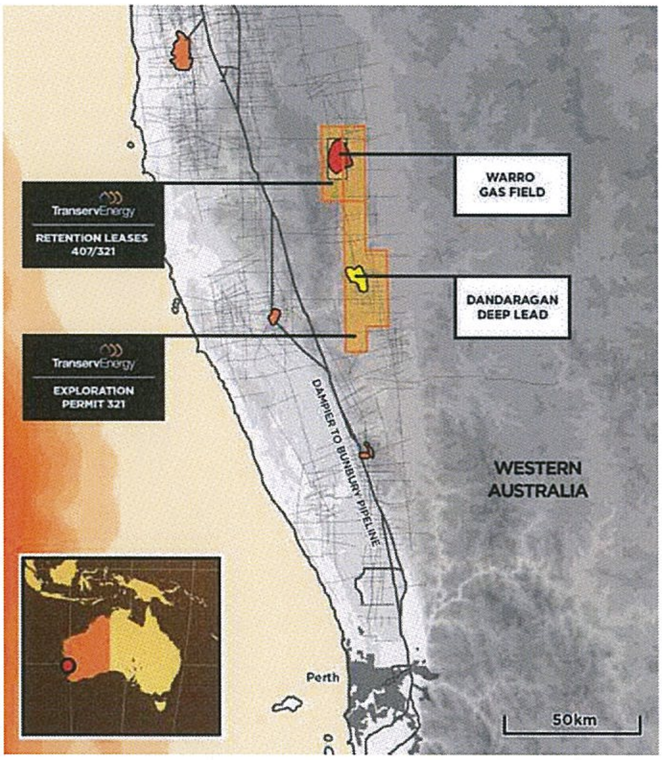
Directors

The Directors of the company at any time during or since the end of the half-year to the date of this report are:

Craig Burton	Executive Chairman
Stephen Keenihan	Executive Director
Ian Cockerill	Executive Director

Review of operations – Half-year ended 31 December 2014

Warro Gas Project (TSV Working Interest = 57%)



The Alcoa Board approved the final investment decision for a two well programme in October 2014. Project planning commenced immediately and drilling activities at Warro are expected to commence late in the first half of 2015.

The Warro Joint Venture (WJV) has engaged Aztech Well Construction to assist with well planning and implementation. The WJV subsequently secured Enerdrill Rig-3 for the two well programme on 23 December 2014. This rig is currently being upgraded with new equipment so it can drill deeper wells such as Warro-5 and 6 and this work is expected to be completed by the end of February 2015. The rig will mobilise to Warro after another Perth Basin operator has finished a two well programme which should commence during March and is expected to last three to four months, depending on results.

Work carried out or underway during the past quarter included:

- Identification of the surface locations for Warro-05 and Warro-06.
- Review and re-submission of environmental documentation to carry out the next drilling phase.
- Commencement of tender process for equipment and materials.
- Discussions with affected landowners

Late in 2014, the WJV and the Yued people held a joint celebration to recognise the signing of the Native Title Agreement for the project. As a consequence, the Department of Mines and Petroleum issued Retention Leases (R-6 and R-7) over the Warro Gas Field and also renewed EP 321 for a further five years. EP 321 contains the Dandaragan prospect which has the potential to hold 1700BCF of gas. EP407 has been relinquished except for the area converted to R-7.

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 spending up to $100 million on exploration and development activities at Warro. Alcoa is funding a staged evaluation and construction program, which includes wells, production infrastructure and the recently completed 3D seismic survey.

Warro, which covers approximately 7,000ha is about 3,750m below the surface and is located just 31km east of both the Dampier-to-Bunbury Natural Gas Pipeline and the Dongara-to-Perth Parmelia Pipeline.

Directors' report

Canadian Activities

Transerv holds interests in Canadian oil and gas assets in three regions: British Columbia (Carnaby) and Alberta Duvernay/Rock Creek and Alberta Genesee (Mannville tight oil).

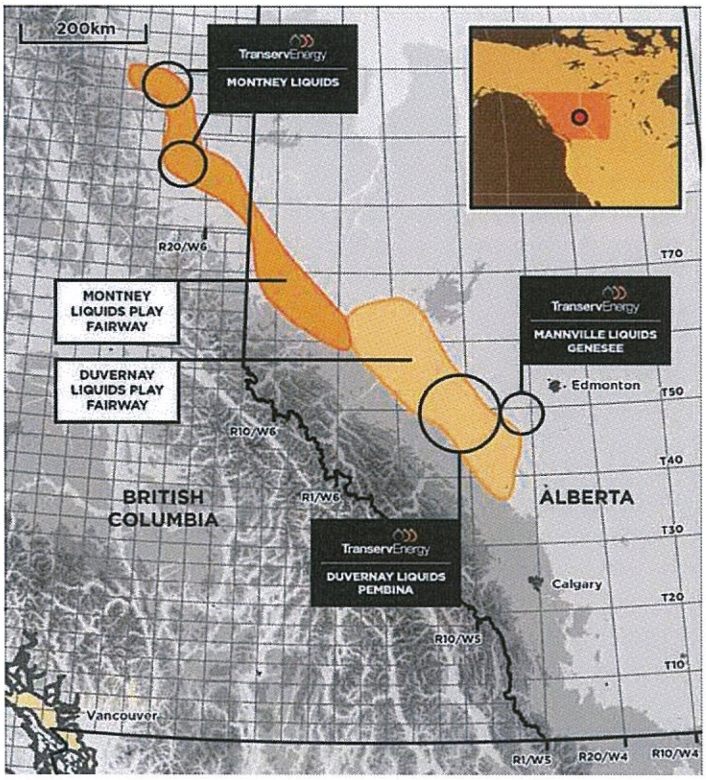
British Columbia

Carnaby (TSV Working Interest = 65%)

Following the sale of some of its lands in British Columbia (previously called Tower, Two Rivers and Alces) and its producing assets, Transerv has remained an active participant in the rapidly emerging and highly prospective Montney Resource Play and rebuilt its land position in this play to almost 25,000 acres. This land position is held by Carnaby Energy which is effectively 100% controlled by Transerv. Carnaby Energy is the operator for all the land and holds a 60% equity interest.

The Montney Resource Play is one of the most economically robust in North America. The Carnaby acreage is located in a rapidly emerging part of the Montney play prospective for wet gas (condensate) and oil. Active operators in the Montney play near to the Company's acreage include Crew Energy Inc and Kelt Exploration who are planning developments with 4 to 15 horizontal wells per square mile (640 acres). Carnaby's land position potentially holds over 500 (gross) drilling locations.

The Carnaby led Joint Venture has developed a strategy to acquire additional acreage in the Montney over the past quarter and over coming months in targeted locations. More details will be provided as the land acquisition phase advances and the commercial sensitivity of the exact land locations reduces.



Alberta

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

The Company continues to market the remaining acreage

Genesee

The Pt Loma funding initiative continues but has encountered delays due to the rapid drop in the oil price that occurred during the fourth quarter.

Financial

The Company's cash balance at 31 December 2014 was $4,354,101 (30 June 2014: $3,570,239).

A net loss of $5,619,869 is reported for the six months ended 31 December 2014 (31 December 2014: $548,894), with a basic loss per share of 0.587 cents (31 December 2013: 0.01 cents per share).

Equity

As at 31 December 2014 806,819,893 ordinary shares were on issue with the company. The number of unlisted options on issue was 132,700,000.

Directors' report

Lead Auditor's Independence Declaration under section 308C of the Corporations Act 2001

The lead auditor's independence declaration is set out on page 4 and forms part of the directors' report for the half-year ended 31 December 2014.

Dated at Perth this 16th day of March, 2015

Signed in accordance with a resolution of the directors:

Craig Burton
Executive Chairman

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Auditor's Independence Declaration
To The Directors of Transerv Energy Ltd

In accordance with the requirements of section 307C of the Corporations Act 2001, as lead auditor for the review of Transerv Energy Ltd for the half-year ended 31 December 2014, I declare that, to the best of my knowledge and belief, there have been:

a No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the review; and

b No contraventions of any applicable code of professional conduct in relation to the review.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

C A Becker
Partner - Audit & Assurance

Perth, 16 March 2015

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Independent Auditor's Review Report
To the Members of Transerv Energy Ltd

We have reviewed the accompanying half-year financial report of Transerv Energy Ltd ("Company"), which comprises the consolidated financial statements being the statement of financial position as at 31 December 2014, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the half-year ended on that date, notes comprising a description of accounting policies, other explanatory information and the directors' declaration of the consolidated entity, comprising both the Company and the entities it controlled at the half-year's end or from time to time during the half-year.

Directors' responsibility for the half-year financial report

The directors of Transerv Energy Ltd are responsible for the preparation of the half-year financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such controls as the directors determine is necessary to enable the preparation of the half-year financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express a conclusion on the consolidated half-year financial report based on our review. We conducted our review in accordance with the Auditing Standard on Review Engagements ASRE 2410 Review of a Financial Report Performed by the Independent Auditor of the Entity, in order to state whether, on the basis of the procedures described, we have become aware of any matter that makes us believe that the half-year financial report is not in accordance with the Corporations Act 2001 including: giving a true and fair view of the Transerv Energy Ltd consolidated entity's financial position as at 31 December 2014 and its performance for the half-year ended on that date; and complying with Accounting Standard AASB 134 Interim Financial Reporting and the Corporations Regulations 2001. As the auditor of Transerv Energy Ltd, ASRE 2410 requires that we comply with the ethical requirements relevant to the audit of the annual financial report.

A review of a half-year financial report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Australian Auditing Standards and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Independence

In conducting our review, we complied with the independence requirements of the Corporations Act 2001.

Conclusion

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the half-year financial report of Transerv Energy Ltd is not in accordance with the Corporations Act 2001, including:

a giving a true and fair view of the consolidated entity's financial position as at 31 December 2014 and of its performance for the half-year ended on that date; and

b complying with Accounting Standard AASB 134 Interim Financial Reporting and Corporations Regulations 2001.

Grant Thornton

GRANT THORNTON AUDIT PTY LTD
Chartered Accountants

C A Becker
Partner - Audit & Assurance

Perth, 16 March 2015

Consolidated statement of profit or loss and other comprehensive income

For the six months ended 31 December 2014

	Notes	31-Dec-14 AUD	31-Dec-13 AUD
Revenue from continuing operations		446,392	1,421,584
Cost of goods and services sold		(405,098)	(1,097,034)
		41,294	324,550
Other income/(loss)	6	33,611	142,203
Unrealised (loss) on marketable securities		(2,744,649)	-
Profit/(loss) on disposal of assets		(1,263,303)	2,494,087
Expenses			
Administrative expenses	7	(1,431,409)	(1,046,464)
Financing Costs	8	(3,441)	(40,526)
Other expenses	9	(241,013)	(1,202,637)
(Loss) before income tax expense from continuing operations		(5,608,910)	671,213
Income tax		(10,959)	(122,319)
Loss after income tax expense for the period		(5,619,869)	548,894
(Loss) attributable to:			
Members of the parent entity		(4,736,057)	771,442
Non-controlling interests		(883,812)	(222,548)
		(5,619,869)	548,894
Other comprehensive income, net of tax			
Foreign currency translation		473,163	214,395
Total comprehensive loss for the period		(5,146,706)	763,289
Basic/diluted loss per share (cents per share)		(0.5870)	0.0191

The consolidated statement of profit or loss and other comprehensive income is to be read in conjunction with the notes to the consolidated interim financial report.

Consolidated statement of financial position

For the six months ended 31 December 2014

	Note	31-Dec-14 AUD	30-Jun-14 AUD
Assets			
Current Assets			
Cash and cash equivalents		4,354,101	3,570,239
Other receivables and prepayments		669,609	1,103,573
Other current assets		-	187,775
		5,023,710	4,861,587
Non current assets held for sale		-	5,816,531
Total current assets		5,023,710	10,678,118
Non-current Assets			
Available-for-sale financial asset		5,710,409	-
Property, plant and equipment		96,941	51,584
Development assets	10	-	12,718,737
Exploration and evaluation assets	11	56,171,395	53,802,799
Total non-current assets		61,978,745	66,573,120
Total assets		67,002,455	77,251,238
Liabilities			
Current Liabilities			
Trade and other payables		795,597	1,751,900
Provisions		119,406	71,698
Current tax liabilities		-	-
Total current liabilities		915,003	1,823,598
Non-current liabilities			
Financial liabilities		2,796,985	4,310,842
Deferred tax liability		221,786	199,532
Provisions		-	2,830,909
Total non-current liabilities		3,018,771	7,341,283
Total liabilities		3,933,774	9,164,881
Net assets		63,068,681	68,086,357
Equity			
Issued capital		66,952,804	66,952,804
Reserves		9,908,898	9,110,795
Minority interest		640,951	1,597,155
Retained earnings		(14,433,972)	(9,574,397)
Total equity attributable to equity holders of the Company		63,068,681	68,086,357

The consolidated statement of financial position is to be read in conjunction with the notes to the consolidated interim financial report.

Consolidated statement of changes in equity

As at 31 December 2014

For the six months ended 31 December 2014	Share Capital AUD	Foreign Exchange Reserve AUD	Options Reserve AUD	Accumulated Losses AUD	Non-controlling interest AUD	Total Equity AUD
Balance at 1 July 2014	66,952,804	714,906	8,395,889	(9,574,397)	1,597,155	68,086,357
Total comprehensive income for the period						
Loss attributable to members of the parent entity	-	-	-	(4,736,057)	-	(4,736,057)
Loss attributable to non-controlling interests				-	(883,812)	(883,812)
Other comprehensive income						
Foreign currency translation differences	-	473,163	-	-	-	473,163
Total other comprehensive income	-	473,163	-	(4,736,057)	(883,812)	(5,146,706)
Total comprehensive income for period	-	473,163	-	(4,736,057)	(883,812)	(5,146,706)
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Recognition of change in non-controlling interest of Carnaby Energy Ltd	-	-	-	-	(195,910)	(195,910)
Transactions with non-controlling interests	-	-	-	(123,518)	123,518	-
Share issue costs	-	-	-			-
Share options vested	-	-	324,940	-	-	324,940
Share options exercised	-	-	-	-	-	-
Total contributions by and distributions to owners	-	-	324,940	(123,518)	(72,392)	129,030
Balance at 31 December 2014	66,952,804	1,188,069	8,720,829	(14,433,972)	640,951	63,068,681

For the six months ended 31 December 2013	Share Capital AUD	Reserves AUD	Options Reserve AUD	Accumulated Losses AUD	Non-controlling interest AUD	Total Equity AUD
Balance at 1 July 2013	66,952,804	897,882	8,204,388	(7,252,593)	2,896,199	71,698,680
Total comprehensive income for the period						-
Loss attributable to members of the parent entity	-	-	-	548,894	-	548,894
Loss attributable to non-controlling interests	-	-	-	222,548	(222,548)	-
Other comprehensive income						
Foreign currency translation differences	-	214,394	-	-	-	214,394
Total other comprehensive income	-	214,394	-	-	-	214,394
Total comprehensive income for period	-	214,394	-	771,442	(222,548)	763,288
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Recognition of non-controlling interest of Carnaby Ener	-	-	-	-	-	-
Issue of share capital for cash	-	-	-	-	-	-
Share issue costs	-	-	-	-	-	-
Share options vested	-	-	-	-	-	-
Share options issued	-	-	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-	-	-
Balance at 31 December 2013	66,952,804	1,112,276	8,204,388	(6,481,151)	2,673,651	72,461,968

The consolidated statement of changes in equity is to be read in conjunction with the notes to the consolidated interim financial report.

Consolidated statement of cashflow

For the six months ended 31 December 2014

	Note	31-Dec-14 AUD	31-Dec-13 AUD
Cash flows from operating activities			
Receipts from customers		722,169	1,718,707
Receipt for Research and Development Rebate		-	3,472,291
Interest received		7,851	17,618
Payment to suppliers and employees		(1,576,674)	(3,050,009)
Net cash used in operating activities		(846,654)	2,158,607
Cash flows from investing activities			
Payment for production, exploration and evaluation expenditure		(781,301)	(432,014)
Payment for property, plant & equipment		(64,882)	-
Payment for investment in associates		-	(28,749)
Payment for tax on investment income		-	(473,230)
Payment for purchase of prospects		(3,093,744)	-
Proceeds from sale of assets		7,695,353	2,494,087
Net cash from investing activities		3,755,426	1,560,094
Cash flows from financing activities			
Proceeds from borrowings		5,932,337	-
Repayment of borrowings		(8,057,247)	-
Net cash used in financing activities		(2,124,910)	-
Net increase/ (decrease) in cash and cash equivalents		783,862	3,718,701
Cash and cash equivalents at beginning of year		3,570,239	1,565,377
Effect of exchange rate fluctuations on cash held			-
Cash and cash equivalents at 31 December 2014		4,354,101	5,284,078

The consolidated statement of cash flow is to be read in conjunction with the notes to the consolidated interim financial report.

Notes to the accounts

1. Reporting entity

Transerv Energy Limited (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is Level 7, 1008 Hay Street, Perth, WA 6000. The consolidated interim financial report of the consolidated entity for the six months ended 31 December 2013 comprises the Company and its subsidiaries (together referred to as the consolidated entity). The consolidated entity is primarily involved in oil and gas exploration in Australia and Canada.

2. Statement of compliance

The consolidated interim financial report is a general purpose financial report prepared in accordance with the requirements of the Corporation Act 2001, Australian Accounting Standards AASB 134: Interim Financial Reporting, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Standards Board. Compliance with the Australian Accounting Standards ensures that the financial statements and notes also comply with International Financial Reporting Standards.

The consolidated interim financial report does not include all of the information required for a full annual financial report, and should be read in conjunction with the consolidated annual financial report of the consolidated entity as at and for the year ended 30 June 2013.

The same accounting policies and methods of computation have been followed in this interim financial report as were applied in annual financial report of the consolidated entity as at and for the year ended 30 June 2014.

This consolidated interim financial report was approved by the Board of Directors on 16th March 2015.

3. Significant accounting policies

These consolidated interim financial statements have been prepared in accordance with the accounting policies adopted in the last annual financial statements for the year to 30 June 2014.

The accounting policies have been applied consistently throughout the consolidated entity for the purposes of preparation of these consolidated interim financial statements.

The Consolidated Entity has adopted the new and revised Standards and Interpretations issued by the Australian Accounting Standards Board (the AASB) that are relevant to their operations and effective for the current period.

Impact of new and revised Standards and amendments thereof and Interpretations effective for the current period that are relevant to the Group include:

* AASB 2014-1 Amendments to Australian Accounting Standards – (Part A: Annual Improvements 2010-2012 and 2011-2013 Cycles) (applicable for annual reporting periods commencing on or after 1 July 2014).

This amendment (amongst other improvements): clarifies the definition of a 'related party' to include a management entity that provides key management personnel services to the reporting entity; amends AASB 8 Operating Segments to explicitly require the disclosure of judgements made by management in applying the aggregation criteria.

The adoption of these amendments for the first time for the 6 months ended 31 December 2014 has had no material impact on the group.

* AASB 2014-1 Amendments to Australian Accounting Standards (Part B: Defined Benefit Plans: Employee Contributions (Amendments to AASB 119)) (applicable for annual reporting periods commencing on or after 1 July 2014).

Makes amendments to AASB 119 Employee Benefits to incorporate the IASB's practical expedient amendments finalised in International Financial Reporting Standard Defined Benefit Plans: Employee Contributions (Amendments to IAS 19) in relation to the requirements for contributions from employees or third parties that are linked to service.

The adoption of these amendments for the first time for the 6 months ended 31 December 2014 has had no material impact on the group.

AASB 2014-1 Amendments to Australian Accounting Standards (Part C: Materiality) (applicable for annual reporting periods commencing on or after 1 July 2014).

Notes to the accounts

Part C of AASB 2014-1 makes amendments to particular Australian Accounting Standards to delete their references to AASB 1031 Materiality, which historically has been referenced in each Australian Accounting Standard.

The adoption of these amendments for the first time for the 6 months ended 31 December 2014 has had no material impact on the group.

* AASB 2014-1 Amendments to Australian Accounting Standards (Part D: Consequential Amendments arising from AASB 14) (applicable for annual reporting periods commencing on or after 1 July 2014).

Part D of AASB 2014-1 makes consequential amendments arising from the issuance of AASB 14

The adoption of these amendments for the first time for the 6 months ended 31 December 2014 has had no material impact on the group.

* AASB 2014-1 Amendments to Australian Accounting Standards (Part E: Financial Instruments) (applicable for annual reporting periods commencing on or after 1 January 2015).

Part E of AASB 2014-1 makes amendments to Australian Accounting Standards to reflect the AASB's decision to defer the mandatory application date of AASB 9 Financial Instruments to annual reporting periods beginning on or after 1 January 2018. Part E also makes amendments to numerous Australian Accounting Standards as a consequence of the introduction of Chapter 6 Hedge Accounting into AASB 9 and to amend reduced disclosure requirements for AASB 7 Financial Instruments: Disclosure and AASB 101 Presentation of Financial Statements.

The adoption of these amendments for the first time for the 6 months ended 31 December 2014 has had no material impact on the group.

New standards and interpretations not yet adopted

* AASB 9 Financial Instruments (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2018).

This standard introduces new requirements for the classification and measurement of financial assets and liabilities.

The effect on the entity will be that more assets may be held at fair value and the need for impairment testing has been limited to financial assets held at amortised cost only.

Minimal changes have been made in relation to the classification and measurement of financial liabilities, except that the effects of 'own credit risk' are recognised in other comprehensive income.

The amendments are not expected to impact the group.

* AASB 15 Revenue from Contracts with Customers (applicable for annual reporting periods commencing on or after 1 January 2017).

  o Replaces AASB 18 Revenue, AASB 111 Construction Contracts and some revenue-related Interpretations

  o Establishes a new revenue recognition model

  o Changes the basis for deciding whether revenue is to be recognised over time or at a point in time

  o Provides new and more detailed guidance on specific topics (eg. multiple element arrangements, variable pricing, rights of return, warranties and licensing)

  o Expands and improves disclosures about revenue

The amendments are not expected to impact the group.

* AASB 2014-3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations (applicable for annual reporting periods commencing on or after 1 January 2016).

  o Amends AASB 11 to state that an acquirer of an interest in a joint operation in which the activity of the joint operation constitutes a 'business' (def AASB 3 Business Combinations), should:

    1. Apply all principles on business combinations accounting in AASB 3 and other Australian Accounting Standards except principles that conflict with the guidance of AASB 11. This requirement also applies to the acquisition of additional interests in

Notes to the accounts

an existing joint operation that results in the acquirer retaining joint control of the joint operation (note that this requirement applies to the additional interest only, ie. the existing interest is not remeasured) and to the formation of a joint operation when an existing business is contributed to the joint operation by one of the parties that participate in the joint operation; and

2. Provide disclosures for business combinations as required by AASB 3 and other Australian Accounting Standards.

When these amendments are first adopted for the year ended 30 June 2016, there will be no material impact on the transactions and balances recognised in the financial statements.

* AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation (applicable for annual reporting periods commencing on or after 1 January 2016).

The amendments to AASB 116 prohibit the use of a revenue-based depreciation method for property, plant and equipment. Additionally, the amendments provide guidance in the application of the diminishing balance method for property, plant and equipment.

The amendments to AASB 138 present a rebuttable presumption that a revenue-based amortisation method for intangible assets is inappropriate. This rebuttable presumption can be overcome (ie. a revenue-based amortisation method might be appropriate) only in two limited circumstances:

1 The intangible asset is expressed as a measure of revenue, for example when the predominant limiting factor inherent in an intangible asset is the achievement of a revenue threshold (for instance, the right to operate a toll road could be based on a fixed total amount of revenue to be generated from cumulative tolls charged); or

2 When it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

When these amendments are first adopted for the year ended 30 June 2016, there will be no material impact on the transactions and balances recognised in the financial statements.

* AASB 2014-5 Amendments to Australian Accounting Standards arising from AASB 15 (applicable for annual reporting periods commencing on or after 1 January 2017).

AASB 2014-5 incorporates the consequential amendments arising from the issuance of AASB 15.

The amendments are not expected to impact the group.

* AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) (applicable for annual reporting periods commencing on or after 1 January 2018).

AASB 2014-7 incorporates the consequential amendments arising from the issuance of AASB 9.

The amendments are not expected to impact the group.

* AASB 2014-8 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) (applicable for annual reporting periods commencing on or after 1 January 2015).

AASB 2014-8 limits the application of the existing versions of AASB 9 (AASB 9 (December 2009) and (December 2010)) from 1 February 2015.

The amendments are not expected to impact the group.

* AASB 2014-9 Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements (applicable for annual reporting periods commencing on or after 1 January 2016).

Notes to the accounts

The amendments introduce the equity method of accounting as one of the options to account for an entity's investments in subsidiaries, joint ventures and associates in the entity's separate financial statements.

The amendments are not expected to impact the group.

* AASB 2014-10 Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate of Joint Venture (applicable for annual reporting periods commencing on or after 1 January 2016).

  The amendments address a current inconsistency between AASB 10 Consolidated Financial Statements and AASB 128 Investments in Associates and Joint Ventures (2011).

  The amendments clarify that, on a sale or contribution of assets to a joint venture or associate or on a loss of control when joint control or significant influence is retained in a transaction involving an associate or a joint venture, any gain or loss recognised will depend on whether the assets or subsidiary constitute a business, as defined in AASB 3 Business Combinations. Full gain or loss is recognised when the assets or subsidiary constitute a business, whereas gain or loss attributable to other investors' interests is recognised when the assets or subsidiary do not constitute a business.

  The amendment effectively introduces an exception to the general requirement in AASB 10 to recognise full gain or loss on the loss of control over a subsidiary. The exception only applies to the loss of control over a subsidiary that does not contain a business, if the loss of control is the result of a transaction involving an associate or a joint venture that is accounted for using the equity method. Corresponding amendments have also been made to AASB 128 (2011).

The amendments are not expected to impact the group.

* Annual Improvements to IFRSs 2012-2014 Cycle (applicable for annual reporting periods commencing on or after 1 January 2016).

  Annual Improvements to IFRSs 2012-2014 Cycle is a series of amendments to IFRSs in response to issues raised during the 2012-2014 cycle for annual improvements.

  Among other improvements, the amendments clarify that when an entity reclassifies an asset (or disposal group) directly from being held for sale to being held for distribution (or vice-versa), the accounting guidance in paragraphs 27-29 of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations does not apply. The amendments also state that when an entity determines that the asset (or disposal group) is no longer available for immediate distribution or that the distribution is no longer highly probable, it should cease held-for-distribution accounting and apply the guidance in paragraphs 27-29 of IFRS 5.

  The AASB is expected to publish the equivalent Australian amendments in quarter 1 of 2015.

The amendments are not expected to impact the group.

* Investment Entities: Applying the Consolidation Exception (Amendments to IFRS 10, IFRS 12 and IAS 28) (applicable for annual reporting periods commencing on or after 1 January 2016).

  The narrow-scope amendments to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates and Joint Ventures introduce clarifications to the requirements when accounting for investment entities. The amendments also provide relief in particular circumstances, which will reduce the costs of applying the Standards.

The amendments are not expected to impact the group.

Notes to the accounts

4. Estimates

The preparation of interim financial reports requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing this consolidated interim financial report, the significant judgements made by management in applying the consolidated entity's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial report as at and for the year ended 30 June 2014.

5. Segment reporting

During the period the Company operated in two business segments – mineral exploration, development and production of oil and gas in two geographical areas – Australia and Canada.

The group has identified its operating segment based on the internal report that is reviewed and used by the Board of Directors (chief operating decision maker) in assessing performance and determining the allocation of resources.

	Australia 31-Dec-14	Canada 31-Dec-14	Total Segment 31-Dec-14	Unallocated Elimination 31-Dec-14	Consolidated 31-Dec-14
Revenue					
Sales to external customers	-	446,392	446,392	-	446,392
Total Sales Revenue	-	446,392	446,392	-	446,392
Financial income	288	7,214	7,502	-	7,502
Other income	26,270	26,979	53,248	-	53,248
Total Revenue	26,558	480,584	507,142	-	507,142
Segment result	(841,711)	(4,733,189)	(5,574,900)	(243)	(5,575,143)
Depreciation and amortisation	(12,844)	(27,107)	(39,951)	-	(39,951)
Impairment of assets	-	-	-	-	-
Interest revenue	288	7,214	7,502	-	7,502
Finance costs	-	(1,318)	(1,318)	-	(1,318)
Profit before income tax expense	(854,267)	(4,754,400)	(5,608,667)	(243)	(5,608,910)
Income tax					(10,959)
Research and Development rebate					-
Profit after income tax expense					(5,619,869)
Assets					
Total current assets	1,546,966	3,476,744	5,023,710	-	5,023,710
Total non-current assets	52,010,001	9,968,742	61,978,743	-	61,978,743
Total assets	53,556,967	13,445,486	67,002,453	-	67,002,453
Total assets include:					
Liabilities					
Total current liabilities	(38,215)	(876,788)	(915,003)	-	(915,003)
Total non-current liabilities	-	(3,018,771)	(3,018,771)	-	(3,018,771)
Total liabilities	(38,215)	(3,895,559)	(3,933,774)	-	(3,933,774)

Notes to the accounts

Revenue	Australia 31-Dec-13	Canada 31-Dec-13	Total Segment 31-Dec-13	Unallocated Elimination 31-Dec-13	Consolidated 31-Dec-13
Sales to external customers	-	1,421,584	1,421,584	-	1,421,584
Total Sales Revenue	-	1,421,584	1,421,584	-	1,421,584
Financial income	16,496	1,123	17,619	-	17,619
Other income	4,132	2,614,539	2,618,671	-	2,618,671
Total Revenue	20,628	4,037,246	4,057,874	-	4,057,874
Segment result	(1,065,976)	2,384,189	1,318,213	(2,701)	1,315,512
Depreciation and amortisation	(29,774)	(591,618)	(621,392)	-	(621,392)
Impairment of assets	-	-	-	-	-
Interest revenue	16,496	1,123	17,619	-	17,619
Finance costs	-	(40,526)	(40,526)	-	(40,526)
Profit before income tax expense	(1,079,254)	1,753,168	673,914	(2,701)	671,213
Income tax	-	(122,319)			(122,319)
Profit after income tax expense					548,894
Assets					
Total current assets	2,357,650	5,937,862	8,295,512	-	8,295,512
Total non-current assets	67,059,638	4,592,509	71,652,147	-	71,652,147
Total assets	69,417,288	10,530,371	79,947,659	-	79,947,659
Total assets include:					
Investments in associates	-	630,091	630,091	-	630,091
Capital expenditure	91,187	5,350,193	5,441,380		5,441,380
Liabilities					
Total current liabilities	(253,729)	(1,237,351)	(1,491,080)	-	(1,491,080)
Total non-current liabilities	-	(5,994,611)	(5,994,611)	-	(5,994,611)
Total liabilities	(253,729)	(7,231,962)	(7,485,691)	-	(7,485,691)

6. Other income

	31-Dec-14 AUD	31-Dec-13 AUD
Interest income	7,502	17,618
Foreign currency loss - realised	(197)	-
Foreign currency gain - unrealised	11	-
Gain on capitalised interest (not payable)	25	-
Insurance proceeds	412	-
Other service income	25,858	124,585
	33,611	142,203

7. Administrative expenses

	31-Dec-14 AUD	31-Dec-13 AUD
Employee benefits	(240,228)	(232,224)
Employee options expense	(324,940)	-
Directors fees	(118,002)	(132,418)
General and administration	(748,239)	(681,822)
	(1,431,409)	(1,046,464)

Notes to the accounts

8. Financing costs

	31-Dec-14 AUD	31-Dec-13 AUD
Interest expense	(3,441)	(1,815)
Financing costs - unsuccessful	-	(38,756)
Foreign currency loss - unrealised	-	46
	(3,441)	(40,525)

9. Other operating expenses

	31-Dec-14 AUD	31-Dec-13 AUD
Depreciation and amortisation	(39,951)	(621,392)
Impairment	(21,878)	-
Exploration expenditure	3,782	(10,640)
Legal fees	(10,511)	(12,177)
Tax advisory services	(12,450)	(95,005)
Accountancy services	(27,253)	(356,391)
Consultancy fees	(132,752)	(107,032)
	(241,013)	(1,202,637)

10. Development assets

	31-Dec-14 AUD	30-Jun-14 AUD
Development assets	-	12,718,737
Movement in production expenditure		
Opening Balance	12,718,737	13,527,732
Expenditure incurred during the period	29,282	1,321,715
Depreciation/amortisation for development assets	2,246,356	(1,014,649)
Impairment for exploration and evaluation assets	3,293,694	(634,578)
Disposal of development assets	(18,646,620)	-
Foreign currency movement	358,551	(481,483)
	-	12,718,737

On 12th September 2014 Transerv completed a sale with a Canadian Company who purchased Carnaby's Montney interests and its producing assets. Carnaby received sale proceeds half in cash and half in common shares of the entity. These shares are currently held at fair value and are classified as Available-for sale financial assets.

Notes to the accounts

11. Exploration and evaluation assets

	31-Dec-14 AUD	30-Jun-14 AUD
Exploration and evaluation assets	56,171,395	53,802,799
Movement in exploration and evaluation expenditure		
Opening Balance	53,802,799	57,405,341
Assets held for sale - Rock Creek	-	2,018,913
Assets held for sale - Montney	-	(5,000,340)
Assets held for sale - Genesee	-	(816,192)
Assets previously recorded as Equity holding in Joint Venture	-	602,974
Expenditure incurred during the period	3,219,647	1,793,345
Depreciation/amortisation for exploration assets	(7,830)	(15,660)
Impairment for exploration and evaluation assets	(21,869)	(1,964,286)
Disposal of exploration assets	(1,290,282)	-
Foreign currency movement	468,930	(221,296)
	56,171,395	53,802,799

The recoverability of the carrying amounts of exploration and evaluation assets is dependent on the successful development and commercial exploitation or sale of the respective areas of interest.

12. Issued capital

The consolidated entity recorded the following amounts within shareholder's equity as a result of the issuance of ordinary shares:

For the six months ended 31 December 2014

31-Dec-14	Ordinary shares	Number of shares	AUD
01-Jul-14	Opening balance	4,034,097,761	68,063,521
	Share consolidation	(3,227,277,868)	
	Closing balance	**806,819,893**	68,063,521
	Less share issue costs:		
	Opening balance		(1,110,717)
			66,952,804

For the year ended 30 June 2014

2014	Ordinary shares	Number of shares	AUD
01-Jul-13	Opening balance	4,034,097,761	68,063,521
	Less share issue costs:		(1,110,717)
			66,952,804

13. Options

Grant date	Exercisable	Expiry date	Exercise price	Number of options
11-Mar-11	26-May-11 to 22-Apr-13	30-Jun-15	$0.160	9,000,000
11-Mar-11	11-May-11 to 22-Apr-13	30-Jun-15	$0.160	18,500,000
23-Mar-11	23-Mar-12	22-Mar-15	$0.075	67,200,000
21-Feb-12	21-Feb-12	22-Mar-15	$0.075	7,000,000
13-Sep-12	13-Sep-12	22-Mar-15	$0.075	3,000,000
19-Nov-14	19-Nov-14	31-Mar-19	$0.200	28,000,000

Notes to the accounts

14. Minority Interests

	31-Dec-14 AUD	30-Jun-14 AUD
Contributed equity	5,509,972	5,509,972
Recognition of change in loss attributable to change in non-controlling interest of Carnaby Energy Ltd	686,931	563,413
Recognition of change in non-controlling interest of Carnaby Energy Ltd	(1,383,615)	(1,187,705)
Share of loss attributed to non-controlling interest - opening balance	(3,288,525)	(2,613,773)
Share of loss attributed to non-controlling interest - for the year	(883,812)	(674,752)
	640,951	1,597,155

15. Related parties

Arrangements with related parties continue to be in place. For details on these arrangements, refer to the 30 June 2014 annual financial report.

16. Subsequent events

No matters or circumstances have arisen since the end of the financial period which significantly affect or may significantly affect the operations of the consolidated entity, the results of those operations, or the state of affairs of the consolidated entity in future financial years, other than as set out below.

Acquisition of Montney acreage

During February 2015, Carnaby Energy acquired a further 832 hectares of land in the Montney oil trend at a cost of $227,920CAD.

Commitments and contingencies

There has been no change since 30 June 2014.

Directors' Declaration

In the opinion of the directors of Transerv Energy Limited ("the Company"):

1. the financial statements and notes set out on pages 7 to 19, are in accordance with the Corporations Act 2001 including:
    a. giving a true and fair view of the financial position of the consolidated entity as at 31 December 2014 and of its performance, as represented by the results of its operations and cash flows for the half-year ended on that date; and
    b. complying with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the Corporations Regulations 2001; and
2. there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated in Perth this 16th day of March, 2015

Signed in accordance with a resolution of directors:

Craig Burton
Executive Chairman