



**Titan Energy Services Limited  
and controlled entities  
ACN 150 110 017**

**Appendix 4D  
Half-year financial report  
For the half-year ended 31 December 2011**

This half-year financial report is lodged with the Australian Securities Exchange (ASX) under Listing Rule 4.2A.3.

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**Titan Energy Services Limited  
and Controlled Entities  
ACN 150 110 017**

**Appendix 4D**

**For the half-year ended 31 December 2011**

**(Previous corresponding period: Half-year ended 31 December 2010)**

**RESULTS FOR ANNOUNCEMENT TO THE MARKET**

Key Information	2011	2010	\$ Change	% Change
Revenue from ordinary activities	14,987,810	-	14,987,810	N/A
Profit after tax from ordinary activities attributable to members	291,413	-	291,413	N/A
Profit attributable to members	291,413	-	291,413	N/A

**SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

These consolidated interim financial statements and notes represent those of Titan Energy Services Limited and Controlled Entities (the "group"). Titan Energy Services Limited is a publicly listed company incorporated and domiciled in Australia. The company was incorporated on 28 March 2011, and listed on 7 December 2011. Prior year comparative information presented is the for the period 28 March 2011 to 30 June 2011. The Consolidated group was not in existence as at 30 June 2011. Comparative information is for Titan Energy Services Limited only.

**DIVIDENDS PAID AND PROPOSED**

No dividends were paid or proposed during the period.

**COMMENTARY ON THE RESULTS FOR THE PERIOD**

The commentary on the results for the period is contained in the "Review of Operations" included within the Directors' Report.

**NET TANGIBLE ASSETS PER SECURITY**

	31 December 2011 (Cents)	31 December 2010 (Cents)
Net tangible assets per share	62.56	-

**DETAILS OF CONTROL GAINED OR LOST OVER ENTITIES DURING THE HALF-YEAR**

**Acquisition of Atlas Drilling Co Pty Ltd**

On 12 September and 31 October 2011, pursuant to share exchange agreements, Titan Energy Services Limited issued a total of 7,087,025 ordinary shares to existing shareholders of Atlas Drilling Co Pty Ltd (on the basis of one Titan Energy Services Limited share for every one Atlas Drilling Co Pty Ltd ordinary share held) in order to effect a business restructure to create Titan Energy Services Limited as the holding company for the Group.

The acquired business reported revenues of \$10,433,195 and net loss of \$10,909 to the Group for the period from 1 July 2011 to 31 December 2011.

Profit for the previous corresponding reporting period was not able to be readily determined. However, the loss for the year ended 30 June 2011 was \$72,097.

## **Appendix 4D**

**For the half-year ended 31 December 2011**

**(Previous corresponding period: Half-year ended 31 December 2010)**

### **DETAILS OF CONTROL GAINED OR LOST OVER ENTITIES DURING THE HALF-YEAR**

#### **Acquisition of the business operations and assets of Resources Camp Hire**

On 16 August 2011, the Group, via its subsidiaries Titan Resources Camp Hire Pty Ltd and Titan Plant Logistics Pty Ltd, entered into an Asset Sale Agreement to acquire the business operations and assets of the Resources Camp Hire temporary accommodation hire business, for a purchase consideration of \$16,707,077. The acquisition was completed on 24 September 2011, and is effective from 1 July 2011.

The acquired business contributed revenues of \$4,533,391 and net profit of \$1,346,096 to the Group for the period from 1 July 2011 to 31 December 2011.

Profit for the previous corresponding reporting period was not able to be readily determined. However, the profit for the year ended 30 June 2011 was \$1,632,750.

#### **DIVIDEND REINVESTMENT PLANS**

The group does not have any dividend reinvestment plans in operation.

**Titan Energy Services Limited  
and Controlled Entities  
ACN 150 110 017**

**DIRECTORS' REPORT**

Your directors submit the financial report of the consolidated group for the half-year ended 31 December 2011.

**Directors**

The following persons were directors of Titan Energy Services Limited (Titan) during the whole of the half-year and up to the date of this report, unless otherwise stated:

Shaun Scott (appointed 27 October 2011) Chairman  
Stephen Bizzell  
Simon Keyser  
Wayne Seabrook  
James Sturgess  
Jim Diakogiannis (appointed 27 October 2011)

**Review of Operations**

Over the last six months, Titan's business focus has been on its people, safety, diversification and internal business processes.

Titan is committed to the health and safety of its workforce and to the principle that all workplace injuries and illnesses can be prevented. Safety reporting across the group is consistent and transparent and reinforces the company policy to seek continuous improvement in safety outcomes. There were three reportable incidents in the Group in the six months to December 2011 including one LTI (lost time injury).

Titan has been working on ensuring the right people are in the right roles and introducing performance based remuneration aligned to shareholder return. Retention of staff is a key aspect to the future success of the business and a number of initiatives have been introduced to enhance Titan as an employer of choice.

Titan continues to seek opportunities to further diversify through both organic growth and appropriate acquisitions. The Group will be capitalising on the experience and industry relationships of the Board and Management.

In September 2011, the business acquired the RCH business to diversify into the camp hire business. The acquisition will provide a platform for future growth in the camp hire and services area focusing on a range of industries including CSG, civil, construction and government.

In December 2011, Titan listed on the ASX after successfully raising \$5.0m predominately from new retail investors.

**Atlas Drilling**

During the six months to December, utilisation stood at 73 percent. This is expected to return to in excess of 80 percent in the second half of the year with two rig contracts signed in late 2011 and promising discussions on forward work into calendar 2013.

Atlas Drilling appointed Gus van der Heide in December 2011 to the role of divisional CEO. He has a deep understanding of the oil and gas industry and strong leadership that will assist Atlas Drilling in its growth aspirations.

Jim Diakos, co-founder of Atlas Drilling, is now focused on the tasks of maximising rig utilisation, client relations and contract continuity.

**Titan Energy Services Limited  
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**DIRECTORS' REPORT**

**Review of Operations (continued)**

**RCH**

In September 2011 Titan acquired RCH, a provider of fully serviced portable accommodation solutions predominantly to the CSG industry in the Bowen and Surat Basins. RCH also provides transport and maintenance services, catering, mobilisation and de-mobilisation for its clients. The purchase of RCH reflected Titan's broader strategy of acquiring complementary assets and diversifying its service offering.

As at 31 December 2011, there were five camps on hire, one camp off hire and a camp under construction but close to completion. All RCH camps are currently fully contracted.

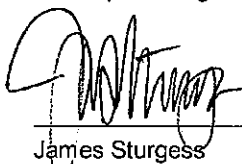
Utilisation was 90 percent in the six months to 31 December 2011 and is currently 100 percent. The forecast utilisation for the second six months will be in-line with the first half given the number of contracts expiring and three new camps to commission.

RCH has strengthened its management team with the recent recruitment of Lynda Shields as National Sales Manager. Ms Shields brings to RCH a wealth of experience in sales, marketing and new business development obtained at regional, state and national levels across a number of industries.

**Auditor's Independence Declaration**

A copy of the auditor's independence declaration as required under s 307C of the *Corporations Act 2001* is set out on page 6 for the half-year ended 31 December 2011.

This report is signed in accordance with a resolution of the Board of Directors.



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James Sturgess

Director

Brisbane, 27 February 2012

**AUDITOR'S INDEPENDENCE DECLARATION  
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001  
TO THE DIRECTORS OF  
TITAN ENERGY SERVICES LIMITED AND CONTROLLED ENTITIES**

I declare that, to the best of my knowledge and belief, during the period ended 31 December 2011, 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.

**LAWLER HACKETTS AUDIT**



**Liam Murphy**  
**Partner**

**Brisbane, 27 February 2012**

**Titan Energy Services Limited  
and Controlled Entities  
ACN 150 110 017**

**STATEMENT OF COMPREHENSIVE INCOME  
FOR THE HALF-YEAR ENDED  
31 DECEMBER 2011**

	Note	Consolidated Group	
		31 December 2011	31 December 2010
		\$	\$
<b>Revenue</b>	2	14,987,810	-
<b>Expenses</b>			-
Drilling and consumables		(3,296,136)	-
Camp expenses		(1,746,523)	-
Depreciation and amortisation expense		(1,659,107)	-
Employee benefits expense		(5,889,152)	-
Travel and accommodation		(107,047)	-
Motor vehicle lease and maintenance		(183,422)	-
Finance costs		(295,098)	-
Administration and other expenses		(1,362,870)	-
<b>Profit before income tax</b>		448,455	-
Income tax expense		(157,042)	-
<b>Profit for the period</b>		<u>291,413</u>	<u>-</u>
<b>Other comprehensive income</b>		-	-
Other comprehensive income for the period, net of tax		-	-
<b>Total comprehensive income for the period</b>		<u>291,413</u>	<u>-</u>
Profit attributable to members of the parent entity		<u>291,413</u>	<u>-</u>
Total comprehensive income attributable to members of the parent entity		<u>291,413</u>	<u>-</u>
<b>Earnings per share</b>			
From continuing operations:			
- basic earnings per share (cents)	15	1.36	-
- diluted earnings per share (cents)	15	1.36	-

The accompanying notes form part of these financial statements.

**Titan Energy Services Limited  
and Controlled Entities  
ACN 150 110 017**

**STATEMENT OF FINANCIAL POSITION  
AS AT 31 DECEMBER 2011**

	Note	Consolidated Group	
		31 December 2011	30 June 2011
		\$	\$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	6	5,516,930	15,802
Trade and other receivables	7	4,399,722	-
Other assets	8	179,299	27,116
<b>TOTAL CURRENT ASSETS</b>		<u>10,095,951</u>	<u>42,918</u>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	9	25,479,500	3,543
Deferred tax assets		524,933	-
Goodwill	10	5,276,185	-
<b>TOTAL NON-CURRENT ASSETS</b>		<u>31,280,618</u>	<u>3,543</u>
<b>TOTAL ASSETS</b>		<u><u>41,376,569</u></u>	<u><u>46,461</u></u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	11	9,192,856	34,000
Borrowings	12	1,802,631	122,242
Current tax liabilities		63,109	-
Provisions		78,442	3,846
<b>TOTAL CURRENT LIABILITIES</b>		<u>11,137,038</u>	<u>160,088</u>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	12	7,315,847	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<u>7,315,847</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>		<u>18,452,885</u>	<u>160,088</u>
<b>NET ASSETS</b>		<u><u>22,923,684</u></u>	<u><u>(113,627)</u></u>
<b>EQUITY</b>			
Issued capital	13	22,528,198	3
Reserves	14	217,703	-
Retained earnings		177,783	(113,630)
<b>TOTAL EQUITY</b>		<u><u>22,923,684</u></u>	<u><u>(113,627)</u></u>

The accompanying notes form part of these financial statements.

**Titan Energy Services Limited  
and Controlled Entities  
ACN 150 110 017**

**STATEMENT OF CHANGES IN EQUITY  
FOR THE HALF-YEAR ENDED  
31 DECEMBER 2011**

Consolidated Group	Note	Ordinary Share Capital \$	Retained Earnings \$	Share Based Payments Reserve \$	Total \$
<b>Balance at 1 July 2010</b>		-	-	-	-
<b>Comprehensive income</b>					
Profit for the period		-	-	-	-
Other comprehensive income for the period		-	-	-	-
<b>Total comprehensive income for the half year</b>		-	-	-	-
<b>Transactions with owners, in their capacity as owners, and other transfers</b>					
Contributions of equity, net of transaction costs and tax		-	-	-	-
Employee share options		-	-	-	-
<b>Total transactions with owners and other transfers</b>		-	-	-	-
<b>Balance at 31 December 2010</b>		-	-	-	-
<b>Balance at 1 July 2011</b>		3	(113,630)	-	(113,627)
<b>Comprehensive income</b>					
Profit for the period		-	291,413	-	291,413
Other comprehensive income for the period		-	-	-	-
<b>Total comprehensive income for the half year</b>		-	291,413	-	291,413
<b>Transactions with owners, in their capacity as owners, and other transfers</b>					
Contributions of equity, net of transaction costs and tax		22,528,195	-	-	22,528,195
Employee shares and options	14	-	-	217,703	217,703
<b>Total transactions with owners and other transfers</b>		22,528,195	-	217,703	22,745,898
<b>Balance at 31 December 2011</b>		22,528,198	177,783	217,703	22,923,684

The accompanying notes form part of these financial statements.

**Titan Energy Services Limited  
and Controlled Entities  
ACN 150 110 017**

**STATEMENT OF CASH FLOWS  
FOR THE HALF-YEAR ENDED  
31 DECEMBER 2011**

	Note	Consolidated Group	
		31 December 2011	31 December 2010
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers		14,136,788	-
Payments to suppliers and employees		(11,661,696)	-
Interest received		50,298	-
Finance costs		(295,098)	-
Income tax refund		129,523	-
<b>Net cash (used in)/provided by operating activities</b>		<u>2,359,815</u>	<u>-</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Proceeds from acquisition of subsidiary		1,824,193	-
Payments for plant, property and equipment		(2,301,640)	-
Payment for acquisition of subsidiary		(12,044,872)	-
<b>Net cash used in investing activities</b>		<u>(12,522,319)</u>	<u>-</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net proceeds from borrowings		4,438,650	-
Proceeds from issue of shares		12,500,000	-
Capital raising costs paid		(1,275,018)	-
<b>Net cash used in/(provided by) financing activities</b>		<u>15,663,632</u>	<u>-</u>
<b>Net increase in cash held</b>		5,501,128	-
Cash and cash equivalents at beginning of period	6	<u>15,802</u>	<u>-</u>
<b>Cash and cash equivalents at end of period</b>	6	<u><u>5,516,930</u></u>	<u><u>-</u></u>

The accompanying notes form part of these financial statements.

**Titan Energy Services Limited  
and Controlled Entities  
ACN 150 110 017**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

These consolidated interim financial statements and notes represent those of Titan Energy Services Limited (the "company") and Controlled Entities (the "Group").

Titan Energy Services Limited is a public company incorporated and domiciled in Australia. The company was incorporated on 28 March 2011, and listed on the Australian Securities Exchange on 7 December 2011. Any comparative information presented is for the company for the period 28 March 2011 to 30 June 2011.

The financial statements were authorised for issue on 27 February 2012 by the directors of the company. These general purpose interim financial statements for the half-year reporting period ended 31 December 2011 have been prepared in accordance with requirements of the *Corporations Act 2001* and Australian Accounting Standard AASB 134: Interim Financial Reporting.

This interim financial report is intended to provide users with an update on the latest annual financial statements of Titan Energy Services Limited and its controlled entities (referred to as the Group). As such, it does not contain information that represents relatively insignificant changes occurring during the half-year within the Group. It is therefore recommended that this financial report be read in conjunction with the annual financial statements of the Group entities for the year ended 30 June 2011, together with any public announcements made during the following half-year.

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Preparation**

Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

Except for cash flow information, the financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

**Going concern principle**

Notwithstanding the company's deficiency in net current assets of \$1,041,087 and capital commitments of \$2,158,500 the financial statements have been prepared on a going concern basis as the company directors believe that the company will be able to pay its debts as and when they fall due and payable.

In reaching this opinion, the Directors have considered the company's operations and cash flow requirements for the next 12 months and the ability of the company to raise future funds through debt and equity. Supporting this position, since the end of the financial year, the company has:

- Strong forward profit and cashflow forecast. This forecast is supported by the drilling and camp businesses currently running at 100% utilisation and forward contracts currently in place indicating asset utilisation will continue to remain high.
- Access to funding from the NAB through the following facilities:
  - \$6,000,000 Asset Financing Facility, of which \$2,135,383 was undrawn at 31 December 2011
  - \$1,000,000 from a business overdraft facility, which currently remains undrawn
- Extended settlement through to August 2012 for the capital commitment therefore allowing the capital commitment to be funded by future cashflows from operations.

As a result of the above the Directors are confident as to the future profitability of the company, the ongoing support of its major shareholders and are of the opinion that the company's financiers will continue to provide financial support sufficient to enable the company to meet working capital requirements, and to satisfy current and future liability obligations.

**Titan Energy Services Limited  
and Controlled Entities  
ACN 150 110 017**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**a. Principles of Consolidation**

The consolidated financial statements incorporate the assets, liabilities and results of entities controlled by Titan Energy Services Limited at the end of the reporting period. A controlled entity is any entity over which Titan Energy Services Limited has the ability and right to govern the financial and operating policies so as to obtain benefits from the entity's activities.

Where controlled entities have entered or left the Group during the year, the financial performance of those entities is included only for the period of the year that they were controlled. A list of controlled entities is contained in Note 16 to the financial statements.

In preparing the consolidated financial statements, all intragroup balances and transactions between entities in the consolidated group have been eliminated in full on consolidation.

**Business combinations**

Business combinations occur where an acquirer obtains control over one or more businesses.

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is attained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity. Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in profit or loss, unless the change in value can be identified as existing at acquisition date.

All transaction costs (with the exception of stamp duty) incurred in relation to business combinations are expensed to the statement of comprehensive income.

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase.

**Goodwill**

Goodwill is carried at cost less any accumulated impairment losses. Goodwill is calculated as the excess of the sum of:

- (i) the consideration transferred;
- (ii) any non-controlling interest; and
- (iii) the acquisition date fair value of any previously held equity interest;

over the acquisition date fair value of net identifiable assets acquired.

Refer to Note 4 for information on the goodwill policy adopted by the Group for acquisitions.

Goodwill on acquisitions of subsidiaries is included in intangible assets.

Goodwill is tested for impairment annually and is allocated to the Group's cash-generating units or groups of cash-generating units, representing the lowest level at which goodwill is monitored not larger than an operating segment.

**Titan Energy Services Limited  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**b. Income Tax**

The income tax expense (benefit) for the year comprises current income tax expense (benefit) and deferred tax expense (benefit).

The income tax rate applied for the calculation of current income tax expense for the half-year ended 31 December 2011 is an estimate of the weighted average annual income tax rate expected for the full annual reporting period.

Current income tax expense charged to profit or loss is the tax payable on taxable income. Current tax liabilities (assets) are measured at the amounts expected to be paid to (recovered from) the relevant taxation authority.

Deferred income tax expense reflects movements in deferred tax asset and deferred tax liability balances during the year as well unused tax losses.

Current and deferred income tax expense (benefit) is charged or credited outside profit or loss when the tax relates to items that are recognised outside profit or loss.

Except for business combinations, no deferred income tax is recognised from the initial recognition of an asset or liability, where there is no effect on accounting or taxable profit or loss.

Deferred tax assets and liabilities are calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled and their measurement also reflects the manner in which management expects to recover or settle the carrying amount of the related asset or liability.

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Where temporary differences exist in relation to investments in subsidiaries, branches, associates, and joint ventures, deferred tax assets and liabilities are not recognised where the timing of the reversal of the temporary difference can be controlled and it is not probable that the reversal will occur in the foreseeable future.

Current tax assets and liabilities are offset where a legally enforceable right of set-off exists and it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur. Deferred tax assets and liabilities are offset where: (a) a legally enforceable right of set-off exists; and (b) the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where it is intended that net settlement or simultaneous realisation and settlement of the respective asset and liability will occur in future periods in which significant amounts of deferred tax assets or liabilities are expected to be recovered or settled.

**c. Property, Plant and Equipment**

Each class of property, plant and equipment is carried at cost or fair value as indicated less, where applicable, any accumulated depreciation and impairment losses.

**Property**

The Group held no property during the year.

**Plant and equipment**

Plant and equipment are measured on the cost basis and therefore carried at cost less accumulated depreciation and any accumulated impairment. In the event the carrying amount of plant and equipment is greater than the estimated recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount. A formal assessment of recoverable amount is made when impairment indicators are present (refer to Note 1(e) for details of impairment).

**Titan Energy Services Limited  
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**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the asset's employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of fixed assets constructed within the consolidated group includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are recognised as expenses in the statement of comprehensive income during the financial period in which they are incurred.

**Depreciation**

The depreciable amount of all camps, motor vehicles and plant and equipment is depreciated on a straight-line basis over the asset's useful life to the consolidated group commencing from the time the asset is held ready for use.

The depreciable amount of drill rigs is depreciated on a unit of production method, with usage calculated by the actual number of days in use.

The depreciation rates used for each class of depreciable assets are:

<b>Class of Fixed Asset</b>	<b>Depreciation Rate</b>
Drill Rigs	10%
Camps	10–30%
Motor Vehicles	15–30%
Plant and equipment	20–33.33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

**d. Leases**

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset – but not the legal ownership – are transferred to entities in the consolidated group, are classified as finance leases.

Finance leases are capitalised by recognising an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives or the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are recognised as expenses in the periods in which they are incurred.

**Titan Energy Services Limited  
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ACN 150 110 017**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the lease term.

**e. Impairment of Assets**

At the end of each reporting period, the Group assesses whether there is any indication that an asset may be impaired. The assessment will include the consideration of external and internal sources of information including dividends received from subsidiaries, associates or jointly controlled entities deemed to be out of pre-acquisition profits. If such an indication exists, an impairment test is carried out on the asset by comparing the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, to the asset's carrying amount. Any excess of the asset's carrying amount over its recoverable amount is recognised immediately in profit or loss, unless the asset is carried at a revalued amount in accordance with another Standard (eg in accordance with the revaluation model in AASB 116). Any impairment loss of a revalued asset is treated as a revaluation decrease in accordance with that other Standard.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Impairment testing is performed annually for goodwill and intangible assets with indefinite lives.

**f. Employee Benefits**

Provision is made for the Group's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wages increases and the probability that the employee may satisfy any vesting requirements. Those cash flows are discounted using market yields on national government bonds with terms to maturity that match the expected timing of cash flows.

**Equity-settled compensation**

The Group operates an employee share ownership plan. Share-based payments to employees are measured at the fair value of the instruments issued and amortised over the vesting periods. Share-based payments to non-employees are measured at the fair value of goods or services received or the fair value of the equity instruments issued, if it is determined the fair value of the goods or services cannot be reliably measured, and are recorded at the date the goods or services are received. The corresponding amount is recorded to the share based payments reserve. The fair value of options is determined using the Black-Scholes pricing model. The number of shares and options expected to vest is reviewed and adjusted at the end of each reporting period such that the amount recognised for services received as consideration for the equity instruments granted is based on the number of equity instruments that eventually vest.

**g. Provisions**

Provisions are recognised when the Group has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

Provisions are measured using the best estimate of the amounts required to settle the obligation at the end of the reporting period.

**h. Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand, deposits available on demand with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are reported within short-term borrowings in current liabilities in the statement of financial position.

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**NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**i. Revenue and Other Income**

Revenue is measured at the fair value of the consideration received or receivable.

Interest revenue is recognised using the effective interest method.

Revenue recognition relating to the provision of services is determined with reference to the stage of completion of the transaction at the end of the reporting period, where outcome of the contract can be estimated reliably. Stage of completion is determined with reference to the services performed to date as a percentage of total anticipated services to be performed. Where the outcome cannot be estimated reliably, revenue is recognised only to the extent that related expenditure is recoverable.

All revenue is stated net of the amount of goods and services tax (GST).

**j. Borrowing Costs**

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**k. Goods and Services Tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

**l. Critical Accounting Estimates and Judgments**

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Group.

**Key estimates**

**(i) Impairment – general**

The Group assesses impairment at the end of each reporting period by evaluating conditions and events specific to the Group that may be indicative of impairment triggers. Recoverable amounts of relevant assets are reassessed using value-in-use calculations which incorporate various key assumptions.

**(ii) Income tax expense rate**

The Group has applied an income tax rate for the calculation of income tax expense for the half-year based on an estimate of the weighted average annual income tax rate expected to apply for the full annual reporting period.

**m. New Accounting Standards for Application in Future Periods**

The Australian Accounting Standards Board has issued new and amended Accounting Standards and Interpretations that have mandatory application dates for future reporting periods and which the Group has decided not to early adopt. The new and amended standards are not expected to have a material impact on the Group.

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	<b>Consolidated Group</b>	
	<b>31 December 2011</b>	<b>31 December 2010</b>
	<b>\$</b>	<b>\$</b>
<b>NOTE 2: REVENUE AND OTHER INCOME</b>		
From continuing operations:		
Drilling revenue	8,594,941	-
Camp revenue	5,805,890	-
Other	536,681	-
	<u>14,937,512</u>	<u>-</u>
Other revenue:		
Interest revenue	50,298	-
	<u>14,987,810</u>	<u>-</u>

**NOTE 3: DIVIDENDS**

No dividend has been paid during the half-year ended 31 December 2011, and none is proposed.

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**NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 4: BUSINESS ACQUISITIONS**

**a) Acquisition of Atlas Drilling Co Pty Ltd**

On 12 September and 31 October 2011, pursuant to share exchange agreements, Titan Energy Services Limited issued a total of 7,087,025 ordinary shares to existing shareholders of Atlas Drilling Co Pty Ltd (on the basis of one Titan Energy Services Limited share for every one Atlas Drilling Co Pty Ltd share held) in order to effect a business restructure to create Titan Energy Services Limited as the holding company for the Group.

Under the share exchange agreements, Titan Energy Services Limited acquired all of the voting shares on issue in Atlas Drilling Co Pty Ltd in exchange for issuing an equivalent holding in Titan Energy Services Limited.

The directors have determined that the restructure does not represent a business combination under AASB 3.

The accounting treatment adopted for recognising this new consolidated group structure is consistent with a group restructure under common control that does not involve any change in economic substance and, therefore, represents a continuation of the existing business controlled by Atlas Drilling Co Pty Ltd.

A group restructure under common control is accounted for by the Group prospectively from the effective date of obtaining ownership interest, being 1 July 2011. Assets and liabilities are recognised on consolidation at their carrying amount. Any difference between the cost of acquisition and the total net assets of Atlas Drilling is recognised in equity in a Common Control Reserve. Goodwill is not recognised.

Details of the purchase consideration, the net assets acquired, and common control reserve are as follows:

	<b>\$</b>
Net assets of Atlas Drilling Co Pty Ltd at 30 June 2011	10,797,511
Less: CPS1 liability (net of capital raising costs) (i)	(1,562,027)
Less: Employee Performance Rights (i)	<u>(23,571)</u>
Adjusted net assets at 30 June 2011	9,211,913
Consideration paid (ii)	<u>9,213,373</u>
Common Control Reserve (iii)	<u><u>1,460</u></u>

- (i) Re-classified from equity of Atlas Drilling Co Pty Ltd at 30 June 2011 for commitment to members to be settled by Titan Energy Services Limited.
- (ii) Fair value of securities issued as consideration.
- (iii) Given the size of the Common Control Reserve, the Group has elected to expense the amount of the Reserve to the statement of comprehensive income in the current period.

The net assets and liabilities recognised as a result of the acquisition are:

	<b>\$</b>
Cash	1,824,193
Trade and other receivables	2,098,494
Deferred capital raising costs	60,787
Income tax asset	265,876
Other current assets	84,486
Receivables – non-current	122,242
Plant and equipment	13,402,531
Deferred tax assets	153,137
Trade and other payables	(2,440,855)
Borrowings	(4,679,828)
Provisions	(41,945)
Deferred tax liabilities	<u>(51,607)</u>
	<u><u>10,797,511</u></u>

The acquired business contributed revenues of \$10,433,195 and net loss of \$10,909 to the group for the period from 1 July 2011 to 31 December 2011.

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**NOTE 4: BUSINESS ACQUISITIONS (CONTINUED)**

**b) Acquisition of the business and assets of Resources Camp Hire**

On 16 August 2011, the Group, via its subsidiaries Titan Resources Camp Hire Pty Ltd and Titan Plant Logistics Pty Ltd, entered into an Asset Sale Agreement to acquire the business operations and assets of the Resources Camp Hire temporary accommodation hire business, for a purchase consideration of \$16,707,077. The acquisition was completed on 24 September 2011, and is effective from 1 July 2011.

The acquisition is part of the Group's overall strategy to expand its service offerings to form a diversified Australian oil and gas field services company.

Details of the purchase consideration, the net assets acquired and goodwill are as follows:

	<b>Fair Value</b>
	<b>\$</b>
Purchase consideration:	
– Cash paid	12,044,872
– Deferred settlement – cash (i)	4,454,509
– Deferred settlement – shares (i)	200,000
– Liabilities incurred – employee entitlements	7,696
Total purchase consideration	16,707,077
The assets recognised as a result of the acquisition are as follows:	
– Property, plant and equipment	11,430,892
<b>Identifiable tangible assets acquired</b>	<b>11,430,892</b>
Identifiable intangible assets acquired	-
<b>Goodwill (ii)</b>	<b>5,276,185</b>
Purchase consideration settled in cash as at 31 December 2011	12,044,872
<b>Cash outflow on acquisition</b>	<b>12,044,872</b>

- (i) Subsequent to year end, the deferred settlement amount has been paid and shares have been issued. Refer note 18 for further details.
- (ii) The goodwill is attributable to Resource Camp Hire's strong position and competitive advantage in the temporary accommodation hire business. No amount of the goodwill is expected to be deductible for tax purposes.

The acquired business contributed revenues of \$4,533,391 and net profit of \$1,346,096 to the group for the period from 1 July 2011 to 31 December 2011.

Included within administration expenses in the statement of comprehensive income are acquisition-related costs totalling \$157,275. The costs include advisory, legal, accounting and other professional fees.

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**NOTE 5: OPERATING SEGMENTS**

**a) Description of segments**

The Group has determined the operating segments based on the internal reports reviewed by the Board of Directors that are used to make strategic decisions.

The following segments have been identified by the Group:

**Drill Rigs**

Atlas Drilling Co Pty Ltd owns two drill rigs and has a operator and maintenance agreement with a third party on a third rig. During the first half, total rig utilisation was 73% as a result of one of the owned rigs not under contract due to a major overhaul and upgrade. During this time management elected to maintain the rig crew to ensure continuity of labour supply once the upgrade was complete. As a result of maintaining the crew, the business carried additional costs and profit dipped. The remaining two rigs remained on contract for a high proportion of the period up to December 2011.

**Camps**

During most of the first half of the financial year, RCH owned and operated 6 camps and took delivery of a new camp in December which was commissioned early in 2012. Over this period, camp utilisation was 90%. In Q1, the business entered into hire contracts with new customers as old contracts expired highlighting the continuing demand for this style of accommodation. Enquiries from new and existing customers remain very strong including a range of industries outside the business's core CSG focus.

**b) Segment information provided to the Board of Directors**

**(i) Segment performance**

	Drill Rigs	Camps	Total
	\$	\$	\$
<b>Six months ended 31 December 2011</b>			
<b>Revenue</b>			
Revenue from external customers	10,407,624	4,529,888	14,937,512
Inter-segment revenue	80,910	-	80,910
<b>Total segment revenue</b>	<b>10,488,534</b>	<b>4,529,888</b>	<b>15,018,422</b>
<b>Segment result - EBITDA</b>	<b>1,124,440</b>	<b>2,134,865</b>	<b>3,259,305</b>
Unallocated:			
Interest revenue			50,538
Interest expense and borrowing costs			(295,098)
Depreciation			(1,659,107)
Corporate expenses			(907,183)
<b>Net profit before tax from continuing operations</b>			<b>448,455</b>

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**NOTE 5: OPERATING SEGMENTS (CONTINUED)**

**(ii) Segment assets as at 31 December 2011**

	<b>Drill Rigs</b>	<b>Camps</b>	<b>Total</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Segment assets	19,588,812	18,264,879	37,853,691
Unallocated assets			3,522,878
Closing balance 31 December 2011			<u>41,376,569</u>

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**NOTE 6: CASH AND CASH EQUIVALENTS**

	<b>31 December 2011</b>	<b>30 June 2011</b>
	<b>\$</b>	<b>\$</b>
Cash at bank	5,516,030	15,802
Cash on hand	900	-
	<u>5,516,930</u>	<u>15,802</u>

**NOTE 7: TRADE AND OTHER RECEIVABLES**

	<b>31 December 2011</b>	<b>30 June 2011</b>
	<b>\$</b>	<b>\$</b>
Trade receivables	3,367,099	-
Accrued revenue	924,046	-
Deposits paid	68,040	-
Loan to related party	40,537	-
	<u>4,399,722</u>	<u>-</u>

**NOTE 8: OTHER ASSETS**

	<b>31 December 2011</b>	<b>30 June 2011</b>
	<b>\$</b>	<b>\$</b>
Prepayments	150,466	-
Other	28,833	27,116
	<u>179,299</u>	<u>27,116</u>

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**NOTE 9: PLANT AND EQUIPMENT**

	<b>31 December 2011</b>	<b>30 June 2011</b>
	<b>\$</b>	<b>\$</b>
<b>DRILL RIGS:</b>		
At Cost	14,103,683	-
Accumulated depreciation	(3,127,278)	-
	<u>10,976,405</u>	<u>-</u>
<b>CAMPS:</b>		
At Cost	14,187,831	-
Accumulated depreciation	(1,175,574)	-
	<u>13,012,257</u>	<u>-</u>
<b>MOTOR VEHICLES</b>		
At Cost	2,150,485	-
Accumulated depreciation	(928,330)	-
	<u>1,222,155</u>	<u>-</u>
<b>PLANT AND EQUIPMENT</b>		
At Cost	629,563	3,626
Accumulated depreciation	(360,880)	(83)
	<u>268,683</u>	<u>3,543</u>
<b>Total plant and equipment</b>	<u><u>25,479,500</u></u>	<u><u>3,543</u></u>

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**NOTE 9: PLANT AND EQUIPMENT (CONTINUED)**

**a. Movements in carrying amounts**

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year.

	Drill Rigs	Camps	Motor Vehicles	Plant and Equipment	Total
	\$	\$	\$	\$	\$
Balance at 1 July 2010	-	-	-	-	-
Additions	-	-	-	3,626	3,626
Disposals – written-down value	-	-	-	-	-
Depreciation expense	-	-	-	(83)	(83)
<b>Carrying amount at 30 June 2011</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3,543</b>	<b>3,543</b>
Additions	11,511,099	13,852,470	1,403,920	367,575	27,135,064
Disposals – written-down value	-	-	-	-	-
Depreciation expense	(534,694)	(840,213)	(181,765)	(102,435)	(1,659,107)
<b>Carrying amount at 31 December 2011</b>	<b>10,976,405</b>	<b>13,012,257</b>	<b>1,222,155</b>	<b>268,683</b>	<b>25,479,500</b>

**NOTE 10: INTANGIBLE ASSETS**

	Note	Consolidated Group	
		31 December 2011	30 June 2011
Goodwill:			
Cost	4	5,276,185	-
Accumulated impairment losses		-	-
Net carrying amount		5,276,185	-
<b>Consolidated Group:</b>			
Balance at the beginning of the period		-	-
Additions		-	-
Acquisitions through business combinations		5,276,185	-
Amortisation charge		-	-
Impairment losses		-	-
Balance at the end of the period		5,276,185	-

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**NOTE 11: TRADE AND OTHER PAYABLES**

	<b>31 December 2011</b>	<b>30 June 2011</b>
	<b>\$</b>	<b>\$</b>
Trade payables	2,863,844	33,327
Other creditors	1,757,814	-
Deferred settlement		
- Cash	4,232,636	
- Shares	200,000	
GST payable	138,562	673
	<u>9,192,856</u>	<u>34,000</u>

**NOTE 12: BORROWINGS**

	<b>31 December 2011</b>	<b>30 June 2011</b>
	<b>\$</b>	<b>\$</b>
<b>CURRENT</b>		
Bank loan secured	1,802,631	-
Related party loan	-	122,242
	<u>1,802,631</u>	<u>122,242</u>
<b>NON-CURRENT</b>		
Bank loan secured	7,315,847	-
	<u>7,315,847</u>	<u>-</u>

The Group, via its subsidiary, Atlas Drilling Co Pty Ltd, has access to an Asset Financing Facility with the National Australia Bank totaling \$6,000,000, of which \$3,864,617 had been accessed at reporting date.

It also has an Equipment Loan and Goods Mortgage with the National Australia Bank totaling \$5,700,000, of which \$5,253,860 is outstanding at reporting date.

Loans provided under this facility are secured by a fixed and floating charge over all of the present and future rights, property and undertaking of entities within the Group.

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**NOTE 13: EQUITY SECURITIES ISSUED**

Issues of ordinary share capital during the half-year:

<b>Date</b>	<b>Details</b>	<b>Note</b>	<b>#</b>	<b>Issue Price</b>	<b>\$</b>
1 July 2011	Opening balance		3		3
12 September 2011	Share Exchange Agreement – Atlas ordinary shares	(i)	6,380,781	\$1.30	8,295,015
12 September 2011	Share Exchange Agreement – Atlas performance shares	(i)	493,744	\$1.30	641,867
31 October 2011	Share Exchange Agreement – Atlas performance shares	(i)	212,500	\$1.30	276,250
	Total shares acquired under Share Exchange Agreements	(i)	7,087,025		9,213,132
	Total issued capital post share exchange		7,087,028		9,213,135
4 November 2011	Share split	(ii)	1.70		
	Total issued capital after share split	(ii)	12,071,512		9,213,135
5 December 2011	Converting Preference Shares – Atlas	(iii)	1,986,000	\$0.83	1,655,000
5 December 2011	Converting Preference Shares	(iv)	9,000,000	\$0.83	7,500,000
7 December 2011	Capital raising	(v)	5,000,000	\$1.00	5,000,000
7 December 2011	Employee share issue	(vi)	40,000	\$0.90	36,000
14 December 2011	Employee share plan	(vii)	109,233	\$0.97	106,000
					<u>23,510,135</u>
	Less: Transaction costs arising on share issue				(1,402,767)
	Deferred tax credit recognised directly in equity				420,830
			<u>28,206,745</u>		<u>22,528,198</u>

- (i) On 12 September and 31 October 2011, pursuant to share exchange agreements, Titan issued a total of 7,087,025 shares to the existing shareholders of Atlas Drilling Co Pty Ltd (on the basis of one ordinary Titan share for every one Atlas share held) in order to effect a business restructure. Under the share exchange agreement, Titan acquired all of the voting shares on issue in Atlas Drilling in exchange for issuing an equivalent shareholding in Titan and effectively became the legal parent entity of the Group.
- (ii) On 4 November 2011, the members approved the split of 7,087,028 fully paid ordinary shares on issue into 12,071,512 fully paid ordinary shares.
- (iii) In May 2011, Atlas Drilling Co Pty Ltd issued 1,655,000 Convertible Preference Shares (CPS) at \$1.00 each to various professional or sophisticated investors. Pursuant to the terms of the CPS, these converted to ordinary shares in Titan Energy Services Limited at a 20% discount to the issue price agreed under the offer, at the date of the initial public offering.

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**NOTE 13: EQUITY SECURITIES ISSUED (CONTINUED)**

- (iv) In September 2011, the Company issued 7,500,000 Convertible Preference Shares (CPS) at \$1.00 each to various professional or sophisticated investors. Pursuant to the terms of the CPS, these converted to ordinary shares in the Company at a 20% discount to the issue price agreed under the offer, at the date of the initial public offering.
- (v) On 7 December 2011, \$5,000,000 was raised from a fully underwritten initial public offering in Titan, effectively listing the Group on the Australian Securities Exchange.
- (vi) Under the Employee Offer, the Company had agreed to issue up to an additional 500,000 shares at the Employee Offer Price to Eligible Employees at a discounted price of \$0.90.
- (vii) On 14 December 2011, employees with greater than 12 months service at the date of listing were each granted shares with a fair value of \$2,000 under the Employee Share and Option Scheme.

**NOTE 14: RESERVES**

	<b>31 December 2011</b>	<b>30 June 2011</b>
	<b>\$</b>	<b>\$</b>
<i>Share based payments reserve</i>		
Balance at beginning of period	-	-
Option expense	128,015	
Performance rights expense	89,688	-
Balance at end of period	217,703	-

The share based payments reserve is used to recognise:

- The grant date fair value of options issued to employees but not exercised
- The grant date fair value of performance rights attaching to shares not yet issued

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**NOTE 15: EARNINGS PER SHARE**

	<b>31 December 2011 Cents</b>	<b>31 December 2010 Cents</b>
<b>(a) Basic earnings per share</b>		
From continuing operations attributable to the ordinary equity holders of the company	1.36	-
Total basic earnings per share attributable to the ordinary equity holders of the company	<u>1.36</u>	<u>-</u>
<b>(b) Diluted earnings per share</b>		
From continuing operations attributable to the ordinary equity holders of the company	1.36	-
Total diluted earnings per share attributable to the ordinary equity holders of the company	<u>1.36</u>	<u>-</u>
<b>(c) Reconciliation of earnings used in calculating earnings per share</b>		
	<b>\$</b>	<b>\$</b>
<i>Basic earnings per share</i>		
Profit attributable to the ordinary equity holders of the company used in calculating basic earnings per share	291,413	-
<i>Diluted earnings per share</i>		
Profit attributable to the ordinary equity holders of the company used in calculating diluted earnings per share	<u>291,413</u>	<u>-</u>
<b>(d) Weighted average number of shares used as the denominator</b>		
	<b>#</b>	<b>#</b>
<i>Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share*</i>	21,407,457	-
Adjustments for calculation of diluted earnings per share:		
- Options	65,890	-
<i>Weighted average number of ordinary shares and potential ordinary share used as the denominator in calculating diluted earnings per share</i>	<u>21,473,347</u>	<u>-</u>

\* Ordinary shares issued as part of the consideration transferred in the acquisition of Atlas Drilling Co Pty Ltd are included in the weighted average number of shares from the effective acquisition date, being 1 July 2011.

\* Ordinary shares issued upon conversion of the convertible preference shares No. 2 issued by the company are included in the weighted average number of shares from the date of issue, being 23 September 2011.

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**NOTE 16: RELATED PARTY TRANSACTIONS**

**a. Parent Entity**

The parent entity within the Group is Titan Energy Services Limited.

**b. Subsidiaries**

The consolidated financial statements incorporate the assets, liabilities and results of the following subsidiaries in accordance with the accounting policies described in Note 1 (a).

Name of Entity	Country of Incorporation	Class of Shares	Equity Holding	
			2011	2010
Atlas Drilling Co Pty Ltd	Australia	Ordinary	100%	-
Titan Plant Logistics Pty Ltd	Australia	Ordinary	100%	-
Titan Resources Camp Hire Pty Ltd	Australia	Ordinary	100%	-

**c. Transactions with related parties**

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

The following transactions occurred with related parties:

	Note	31 December 2011	30 June 2011
		\$	\$
Loan to related party			
- beginning of the year		40,537	69,766
- loan repayment received		-	(29,229)
- end of the year	7	<u>40,537</u>	<u>40,537</u>

The Group entered into a loan agreement to Bravic Capital Investment Pty Ltd. Terms of the loan included interest payable at 9% and monthly principal and interest repayments are due to be fully repaid. The directors agreed with Bravic Capital Investments Pty Ltd to suspend repayments from July 2011 to December 2011. The company expects the conditions of the loan to be reinstated from February 2012.

The Company entered into an agreement with Ironstone Capital Pty Ltd (an entity associated with Simon Keyser and Wayne Seabrook, Directors of the Company) for the provision of corporate advisory and capital raising services in relation to the initial public offering. The company paid Ironstone Capital Pty Ltd \$266,528 during the period.

The company entered into an agreement with Bizzell Capital Partners Pty Ltd (an entity associated with Stephen Bizzell, a director of the company) for the provision of corporate advisory and capital raising services in relation to the initial public offering. The company paid Bizzell Capital Partners Pty Ltd \$453,697 during the period.

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FOR THE HALF-YEAR ENDED 31 DECEMBER 2011**

**NOTE 17: COMMITMENTS AND CONTINGENT LIABILITIES**

The Group has committed to purchase a 50 man ensuite camp, which is due to be delivered at the end of March 2012, for purchase consideration of \$2,158,500, with extended payment terms through to August 2012.

Other than the matter noted above, there have been no material changes to commitments or contingent liabilities subsequent to the matters disclosed in the last annual reports for each of the entities within the Group, for the year ended 30 June 2011.

**NOTE 18: EVENTS AFTER THE END OF THE INTERIM PERIOD**

In accordance with the terms of the Asset Sale Agreement in relation to the purchase of the business operations and assets of Resources Camp Hire, the deferred settlement amount of \$4,232,636 was paid on 13 January and 31 January 2012, and the issue of \$200,000 consideration shares occurred on 13 February 2012.

Other than the matters noted above, the directors are not aware of any other material matter or circumstance that has occurred subsequent to the end of the half-year that has significantly affected, or may significantly affect, the operations of the Company or economic entity, the results of those operations or the state of affairs of the Company or economic entity in subsequent financial years.

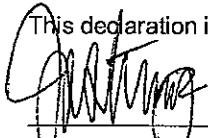
**Titan Energy Services Limited  
and Controlled Entities  
ACN 150 110 017**

**DIRECTORS' DECLARATION**

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 7 to 30 are in accordance with the *Corporations Act 2001*, including:
  - a. complying with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements; and
  - b. giving a true and fair view of the consolidated entity's financial position as at 31 December 2011 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds to believe that Titan Energy Services will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

  
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James Sturgess

Director

Brisbane, 27 February 2012

**INDEPENDENT AUDITOR'S REVIEW REPORT  
TO THE MEMBERS OF TITAN ENERGY SERVICES LIMITED**

**Report on the Half-Year Financial Report**

We have reviewed the accompanying half-year financial report of Titan Energy Services Limited ("the Company") and its controlled entities ("the consolidated entity"), which comprises the consolidated statement of financial position as at 31 December 2011, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the half-year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

*Directors' Responsibility for the Half-Year Financial Report*

The directors of the company 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 internal control 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 half-year financial report based on our review. We conducted our review in accordance with 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 consolidated entity's financial position as at 31 December 2011 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 Titan Energy Services Limited and its controlled entities, 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 have 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 Titan Energy Services Limited and its controlled entities 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 2011 and of its performance for the half-year ended on that date; and
- (b) complying with Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*.



**LAWLER HACKETTS AUDIT**



**Liam Murphy**  
**Partner**

**Brisbane, 27 February 2012**