



MEDIA/ASX RELEASE

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Managing Director's Address to Shareholders

www.titanenergyservices.com.au

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Thank-you Shaun and good afternoon.

As you have heard, Titan built on the foundations established during FY12 in its second year as a public company.

By all measures, the FY13 fiscal year was a successful one for the company, with:

- Continued investment taking place in the business
- Significant strategic progress being made
- Shareholder returns improving; and
- Financial results exceeding expectations

Given that we are now more than a quarter of the way through FY14, I don't intend to focus on FY13 results in great detail in this forum.

Instead, I will briefly outline some of the financial and operational highlights, before talking in detail about our prospects for FY14.

FY13 results

In terms of FY13 results, net profit after tax almost quadrupled from \$2.3m to \$9.1m in our first full year of trading as a listed company

EBIT increased from \$3.9m to \$14.5m – 272% growth.

This result was a further improvement on existing guidance following three earnings upgrades for FY13. Importantly, shareholders benefited from the company's success, with significantly improved returns.

Titan's financial achievements are summarised in the accompanying table.

Operational review

Titan started the year with strategies in place to drive future growth within each of the company's core businesses.

Pleasingly, these businesses delivered strong bottom-line returns to drive Titan's overall growth.

Atlas Drilling

Atlas Drilling recorded strong utilisation and delivered another record profit during the year, in addition to enhancing its offering by upgrading Rig 2 and with the addition of Rig 4.

Atlas has now been operating in the CSG-LNG industry for six years and has developed strong relationships with a stable of blue-chip clients.

Strategies that are in place to drive future growth in the Atlas business include:

- Enhancing relationships with these key clients
- Ensuring all rigs are continuously contracted with top tier clients
- Exploring efficient funding solutions for future rig growth; and
- Exploring opportunities in work over rigs

RCH

Since acquisition in September 2011, RCH has exceeded expectations for Titan.

Room numbers increased from 110 at acquisition to 236 at 30 June 2012 and 674 at 30 June 2013, with additional camps on order to service future accommodation contracts.

The business delivered a record profit, thanks to good rooms growth, healthy utilisation and continued stable margins. Utilisation remained consistent at 84%, a credible achievement given that room numbers more than doubled.

Key business strategies to drive future returns include:

- Capitalising on growth in the Queensland CSG sector in the short-term
- Exploring preferred supplier status with major CSG clients and expanding current relationships with key clients. The business now has preferred supplier status with APLNG and QGC; and
- Exploring opportunities in new sectors and geographic markets as outlined in this accompanying graph

Nektar

Nektar was a start-up business launched in April 2012 to deliver catering and camp services, specialising in remote locations.

The business is currently servicing six major contracts and catered almost 63,000 man days through to the end of FY13.

At 30 June, the business employed 80 people, ranging from chefs and camp attendants to support staff.

Future strategies include:

- Expanding into different geographies and industry segments
- Targeting temporary and permanent catering and camp management opportunities both alongside RCH and as a standalone offering; and
- Employing a dedicated business development manager (BDM) to help grow the business

Hofco Oilfield Services

Hofco was established in 1980 and acquired by Titan in March 2013. The business is being integrated into the Group and performing in-line with expectations.

While utilisation rates are lower than those experienced in other parts of the Titan group, margins are generally higher.

Strategies that are now in place to grow the business include:

- Adding internal resources to facilitate sales growth
- Appointment of a Hofco specific BDM
- Expansion of Hofco's rental range
- Geographic expansion; and
- Leveraging existing Titan Group clients

Safety, people and marketing

Before moving on to our overall outlook for FY14, I'd like to highlight three areas that are crucial to our business's success. These areas are:

1. Safety
2. People; and
3. Marketing

Safety

The group continues to place people's safety first and is focussed on enhancing its performance.

Safety reporting across the group is consistent and transparent and seeks to reinforce the philosophy of continuous improvement in safety outcomes.

The group achieved an overall Total Recordable Injury Frequency Rate (TRIFR) result of 16.9 during FY13.

While this result was a modest improvement on the prior year, we were disappointed with the outcome.

Titan is committed to providing a safe environment for all staff and contractors and has taken steps to increase safety resources, awareness and outcomes.

New initiatives include:

- Identification and removal of key risks
- Deployment of additional field & office based safety people
- Increased in-field safety training
- Improved safety reporting; and
- Introduction of a staff safety recognition program

People

Titan is a service company.

Our people are critical in delivering high-end, consistent and value-adding services across our operations and are, therefore, the heart of our business.

Titan has continued to build strong teams in FY13 and has bolstered its ranks by adding key leadership, business development, operational and safety roles across all businesses. These roles are essential in creating businesses capable of continuous growth.

In addition, we are working hard to create a culture of safety, performance, reward and recognition.

Several initiatives are now in place including:

- Short-term incentive (STI) programs that align employees to the corporate goals of safety and profit improvement. STI payments are based on pre-determined, objective and measurable business outcomes

- Long-term incentives (LTIs) in the form of a performance rights plan that rewards retention of our people in a competitive and fast-growing environment
- A new Corporate Health Plan, offered in partnership with BUPA to provide very competitive benefits and discounted premiums
- An Employee Assistance Program to help staff members if they require external advice or support in times of need; and
- The Titan Staff Awards Program, a gala event that will celebrate and recognise the individuals and businesses that make outstanding contributions to the company's success during the 2014 financial year. The first awards and recognition event will be held in July 2014.

Marketing

Marketing and branding are, of course, important investments for our company.

A consistent and professional branding strategy is a significant driver of market perception as we focus on positioning ourselves as a top tier energy and infrastructure services provider.

During FY13, Titan appointed a marketing manager to drive the group's marketing strategy and branding requirements.

Subsequently, Titan and its businesses refreshed their respective brands late in FY13.

Other notable achievements in the marketing and branding area included:

- Introduction of procedures and metrics to evaluate marketing activities, ranging from qualitative factors such as brand awareness and goodwill through to quantitative ROI measures
- Increased presence at relevant industry tradeshow and events
- New advertising materials, including a large light-box display at Darwin Airport to support our goals of entering that geographic market
- Development of branded presentations and proposals to support business development activities and client engagement
- Production of new signage, display and exhibition materials
- A review of branded merchandise and collateral to improve cost efficiency and brand consistency and
- Opening of a new Nektar Café in Roma Airport. Apart from providing terrific food and service, it is a 24/7 billboard to our largest target market.

Outlook

Looking ahead to FY14, Titan continues to expect full year EBIT between \$21m and \$23m.

A result within this range will represent 45% - 59% growth on 2012/13.

For the half year, we expect an EBIT of \$9.0 - \$9.5m, compared to \$4.3m last year, a 115% improvement. This result is below the last half of FY13 of \$10.2m predominantly due to:

- Rig 1 off contract for three months
- Softness in first quarter rooms utilisation, particularly in double rooms and
- Investment in sales staff and other costs to grow the business

While we are currently on track to achieve our full year targets, it should be noted that the year is in its infancy and prolonged wet weather and project delays can impact our business.

We have made allowance for weather in our guidance, but it's difficult to predict with any certainty.

We will have a better picture of full year earnings at the half year and will update you then.

Titan's overall growth in FY14 is expected to be driven by strong contributions from the company's core business units, with:

- RCH ready to target new geographic markets and sectors. The business started FY14 45% ahead of the weighted average number of rooms held in FY13
- Hofco contributing a full year of earnings in FY14 (only half year in FY13);
- Atlas Rig 4 operating for a full year in FY14 (1+1 contract), compared to eight days in FY13; and
- Nektar aligned to RCH growth and ready to expand into new markets

Already we are making solid progress.

Operational Update

RCH has started the financial year well and has secured a new contract with a major CSG developer for 200 ensuited rooms. This contract, which is based on a six-month term plus a six-month option, includes rooms, catering and water and waste removal.

Room numbers are now 894.

Since the start of FY14, we have taken on 235 new rooms and returned 15 double rooms on lease expiry.

Ensulted rooms remain well utilised and now represent 70% of our inventory, however double rooms remain below targeted utilisation.

Atlas Rig 1 is currently in the yard, undergoing maintenance and re-commissioning for a new contract. A letter of intent has been signed with a major CSG developer to negotiate a 6 + 6 month contract. We expect the contract to be signed next week and the Rig to go to work mid November.

Rig 1, off contract and undergoing maintenance, has had an impact on the first half results.

Transitioning to the new contract will be somewhat offset by Rig 4, converting from a 12 to 24-hour operation, resulting in greater revenue for Rig 4.

An LOI to extend Rig 3 has been signed with APLNG for a further 6 + 6 month contract commencing December 2013.

Nektar is also expanding.

A contract for its 200-room permanent camp is now executed and the camp commenced operations earlier this month.

The camp is currently close to full capacity.

In addition, Nektar has signed a Term Sheet to manage, cater and service a permanent camp in Miles.

If the deal proceeds, Nektar will also receive commission for securing rooms business for the camp.

This agreement is subject to the client obtaining pre-commitment for the first stage of the camp, which is expected to be operational in June 2014.

Hofco is now at full staffing, including a new business development manager.

The business is currently tracking a little behind last year, due to investment in additional staff and other costs to facilitate growth - rent, marketing, staff incentives etc.

We expect this to turnaround in the second half as new growth strategies gain traction.

Four new sales resources have been employed to diversify into our targeted area of diversification and to also take advantage of the growth in Queensland CSG.

Overall, Titan has developed strong business platforms – including extensive industry knowledge and contacts – in a segment that is expanding.

Within the Queensland CSG Market, activity continues to grow as the major projects move closer to production. Titan remains well placed to maximise exposure to this growth during the development phase and service the industry once in production.

The accompanying chart highlights the scale of the opportunity (well growth) that is available in Queensland, but does not factor in opportunities that are available to Titan and its businesses in other CSG markets and in other sectors.

Titan is well aware of these opportunities, which include gas in the Cooper Basin, CSG in the Northern Territory, Western Australia and ultimately New South Wales.

Titan has a well defined diversification strategy that will underpin its expansion into new geographies and segments in the short to medium term.

Once again, I would like to take this opportunity to thank you – our shareholders, many of whom have remained with the company prior to and since listing on the ASX.

We are focused on delivering strong growth within the business and maintaining our commitment to dividends as we grow.

Pleasingly, our businesses are performing at record levels, our balance sheet remains strong and we expect to generate significant cashflow during the year to fund continued growth.

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